MetroCAFR

Comprehensive Annual Financial Report

For the year ended June 30, 2008

Metro | *People places. Open spaces.*

600 NE Grand Avenue, Portland, Oregon 97232

Metro
People places • open spaces

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

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

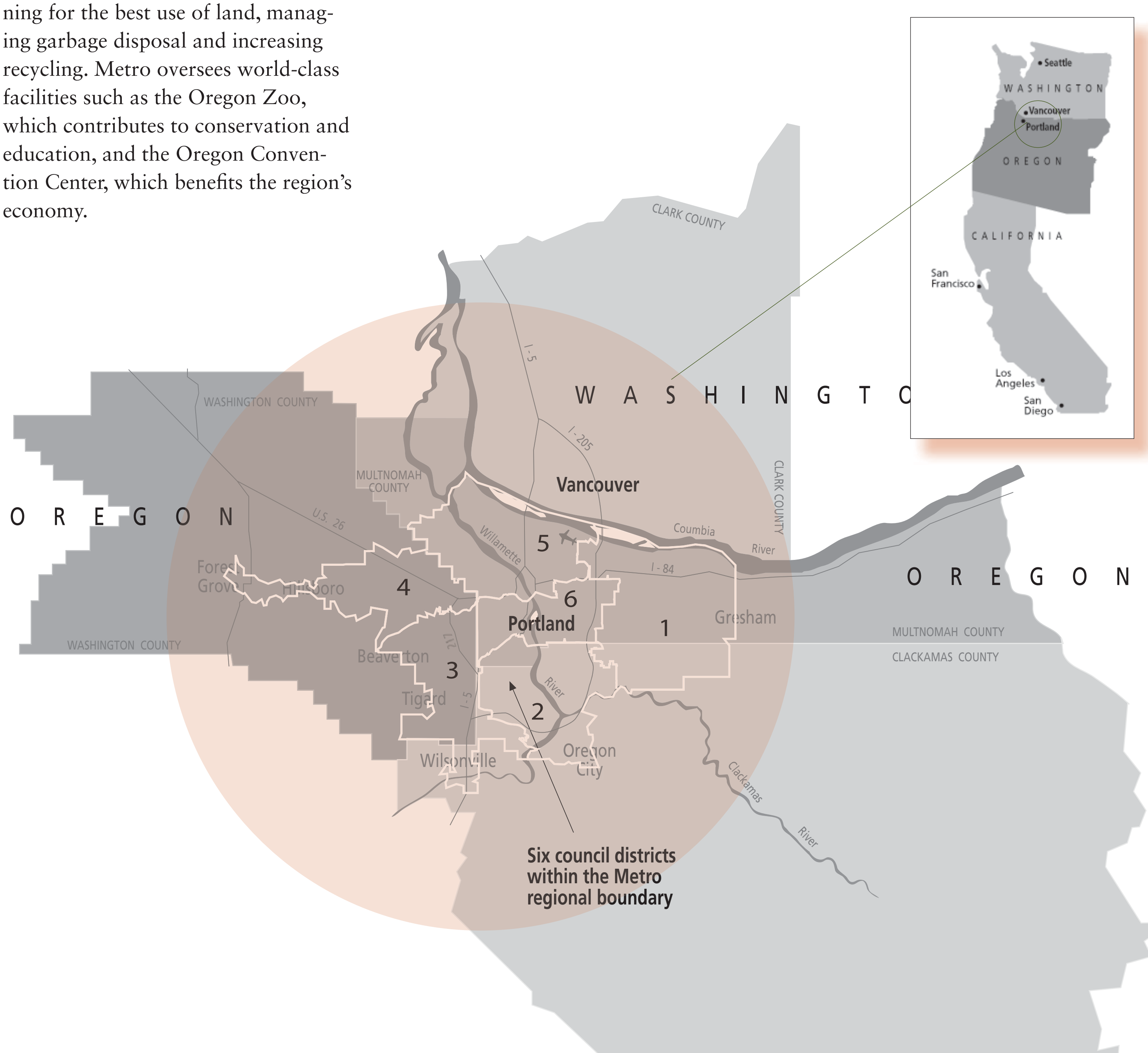
Your Metro representatives

Metro Council President –
David Bragdon

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

Auditor – Suzanne Flynn, CIA

Metro's web site:
www.oregon**metro.gov**



Metro CAFR

Comprehensive Annual Financial Report

For the year ended June 30, 2008

Finance and Administrative Services Department

Director of Finance and Administrative Services
Margo Norton

Prepared by
Accounting Services Division

Accounting Compliance Officer
Donald R. Cox Jr., CPA

Financial Reporting Supervisor
Karla J. Lenox, CPA

Metro | *People places. Open spaces.*

600 NE Grand Avenue, Portland, Oregon 97232

METRO

Comprehensive Annual Financial Report
For the Year Ended June 30, 2008

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AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS:

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

METRO

December 12, 2008

To the Council and Citizens of the Metro Region:

In accordance with ORS 297.425, Metro's Finance and Administrative Services Department, Accounting Services Division is pleased to submit the Comprehensive Annual Financial Report of Metro, for the year ended June 30, 2008, together with the report of Metro's independent auditors, Moss Adams, LLP.

The Comprehensive Annual Financial Report (CAFR) presents the financial position of Metro as of June 30, 2008, and the results of its operations, as well as cash flows for its proprietary fund types for the year then ended. The financial statements and supporting schedules have been prepared by management in accordance with accounting principles generally accepted in the United States of America (GAAP) and meet the requirements of the standards as prescribed by the Secretary of State, State of Oregon.

The CAFR is prepared to provide meaningful financial information to legislative bodies, creditors, investors and the public. There are four main sections in this report as noted in the table of contents, including a section with reports of our independent certified public accountants required by Oregon Administrative Rules. These rules are incorporated in the Minimum Standards for Audits of Municipal Corporations, as prescribed by the Secretary of State.

Internal controls. The CAFR consists of management's representations concerning the finances of Metro. Metro management is responsible for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, Metro's management has established a comprehensive internal control framework. This framework is designed to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that accounting transactions are executed in accordance with management's authorization and properly recorded, so that the financial statements can be prepared in conformity with GAAP. The design and operation of internal controls also ensures that federal and state financial assistance funds are expended in compliance with applicable laws and regulations related to those programs. Because the cost of internal controls should not outweigh their benefits, Metro's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Independent audit. In accordance with Oregon law, Metro's financial statements have been audited by Moss Adams, LLP. The objective of the audit is to provide reasonable assurance that the financial statements of Metro, for the year ended June 30, 2008, are free of material misstatement. The auditor issued an unqualified ("clean") opinion on Metro's financial statements for the year ended June 30, 2008, and their report on these financial statements is located in the Financial Section of the CAFR on pages 15 -16. The independent audit of the financial statements was performed in accordance with *Government Auditing Standards*, which require the independent auditor to express an opinion on whether the entity complied with laws, regulations and provisions of contracts or grant agreements that could have a direct and material effect on each major program. Often referred to as the "Single Audit," these federally required reports are available in Metro's separately issued *Schedule of Expenditures of Federal Awards and Reports of Independent Certified Public Accountants*.

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

Profile of Metro

Metro covers approximately 463 square miles of the urban portions of Clackamas, Multnomah and Washington counties in northwestern Oregon and serves more than 1.4 million residents. There are 25 cities in the Metro region; Portland, Gresham, Hillsboro, Beaverton, Tigard, Lake Oswego and Oregon City are the largest.

Metro, the nation's only directly elected regional government, is responsible for a broad range of public services. According to a home-rule charter first approved by voters in 1992, Metro has primary responsibility for regional land use and transportation planning, and is further empowered to address any other issue of "metropolitan concern." This grant of authority underscores the Portland metropolitan region's commitment to maintain and enhance the livability of the region. Metro oversees world-class facilities such as the Oregon Zoo, the Oregon Convention Center (OCC) and a system of regional parks, open spaces and natural areas, as well as managing solid waste disposal and increasing recycling.

History. In 1979 voters approved the merger of a council of governments (Columbia Region Association of Governments) that had land use and transportation planning responsibilities, with the Metropolitan Service District, which had been created to provide regional services that included the solid waste management plan and operation of a metropolitan zoo (now named the Oregon Zoo). The expanded Metropolitan Service District (the District) had the combined authority of the two predecessor agencies and potential additional powers. The District was organized under a grant of authority by the Oregon Legislature and incorporated in the Oregon Revised Statutes. The District's powers were limited to those expressly granted by the Legislature, and any extension of those powers had to first be approved by the Legislature.

In the early 1980s, the District was assigned the responsibility for regional solid waste disposal, took over operation of the one existing publicly owned regional landfill (since closed) and began construction of a transfer station. In November 1986, voters approved general obligation bond funding for the 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 elected regional government organized under a home-rule charter approved by voters. In 1994 Metro assumed management responsibility for the Multnomah County parks system and the Portland Exposition Center (Expo). Ownership of these facilities was transferred to Metro on July 1, 1996.

Metro has had a long and important coordination role in regional transportation planning. Metro is the region's designated metropolitan planning organization, responsible for allocation of federal transportation funds to projects. The region's success in attracting federal funding for highway and transit projects is due, in large part, to Metro's role in building and maintaining regional consensus on projects to be funded and ensuring that funding is allocated to high-priority projects. In connection with this effort, Metro has developed a regional Data Resource Center to forecast transportation and land use needs and to maintain geographic based data for decision-making.

State land use planning laws require local governments to prepare comprehensive land use plans. Metro is the agency responsible for establishing and maintaining an urban growth boundary (UGB) for the Portland region. Through the maintenance of the UGB pursuant to Oregon's land-use laws, the region has maintained its unique character and is now a national model for urban growth management planning.

Budget. The annual adopted budget serves as the foundation for Metro's financial planning and control. Metro prepares a budget for each fund in accordance with the legal requirements set forth in Oregon Local Budget Law. The Council adopts the original budget for all funds by ordinance prior to the beginning of Metro's fiscal year (July 1). The ordinance authorizing appropriations for each fund sets the level at which expenditures cannot legally exceed appropriations. Appropriations that have not been expended at year-end lapse, and subsequent actual expenditures are charged against the ensuing year's appropriations. Unexpected additional resources and budget revisions may be added to the budget by use of a supplemental budget or, under certain conditions, by an ordinance passed by the Council amending the budget. The original and any supplemental budgets require hearings before the public, publication in newspapers and approval by the Council. Management may amend the budget *within* the appropriated levels of control without Council approval.

Reporting Entity

For financial reporting purposes, Metro is a primary government under the provisions of *Governmental Accounting Standards Board Statement No. 14*. This report includes all organizations and activities for which the elected officials exercise financial control. In addition, in accordance with the provisions of *Governmental Accounting Standards Board Statement No. 39*, the Oregon Zoo Foundation (OZF) warrants inclusion in the report because of the nature and significance of its relationship with Metro, including its on-going financial support of Metro's Oregon Zoo. The OZF is a legally separate tax-exempt organization, organized to encourage and aid the development of the Oregon Zoo. The financial statements of OZF are included in this report as a discretely presented component unit.

Factors Affecting Financial Condition

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

Local economy. Metro serves more than 1.4 million residents in the Portland metropolitan area. The area is the financial, trade, transportation and service center for Oregon, southwest Washington and the Columbia River basin. As Metro issues this report, areas which have been pressuring the U.S. economy over the past year are also taking their toll on the Oregon economy.

The combined softening impacts of housing, financial, and energy markets are causing widespread slowing in job markets. Monthly unemployment rates were up to 6.1 percent in August 2008 and the number of unemployed topped 71,000 workers. This is the highest the rate has been since June 2005, the approximate ending of the "jobless recovery" of the last recession which had been triggered soon after September 11, 2001. According to the Office of Economic Analysis of the State of Oregon (OEA), the Portland area saw a noteworthy slowdown in job growth, a drop from 2.0 percent in the second quarter of 2007 to 0.7 percent in the second quarter of 2008. Despite the slowdown, the Portland area had the strongest growth rates of all the regions in Oregon.

The housing market in Oregon continues to work off the excesses accumulated in the past housing boom, according to OEA. Building permits and housing starts are sharply down. Oregon house prices have declined at a lesser rate compared to other higher population growth states such as California, Florida, Nevada and Arizona. Single-family construction permits continue to show downward acceleration as homebuilders in the Metro region suffer from the financial downturn. A twelve-month cumulative sum shows that permit activity has fallen 43.5 percent from last year's levels. The number of new home listings in August 2008 fell sharply compared to July 2008 and as compared to the same month a year ago. Inventory is accumulating, averaging a nearly ten-month supply. Housing prices in the Portland metropolitan area fell 9 percent from their August 2007 peak.

According to Dennis Yee, Metro economist, marine cargo through the Port of Portland appears on track to break last year's record tonnage of 14.4 million short tons. Both grains and minerals passing through the port facilities are up from a year ago. Container traffic is off slightly from last year but still relatively strong. Air cargo (in tons) through Portland International Airport (PDX) has been declining significantly since spring of this year. September 2008 tonnage on a year-to-year basis fell 13.1 percent. Air passenger traffic through PDX exhibited deepening weakness in September 2008, declining 5.5 percent on a year-to-year basis.

Metro saw its core (wet plus dry) solid waste delivery tonnage fall 15 percent in August 2008 on a year-to-year basis, while private facilities took an even sharper drop of 17.6 percent. On an annualized basis, core solid waste tonnage has seen an average drop of over 10 percent since a year ago. The moving-average trend is clearly heading lower.

Outlook. The OEA forecasts a decline of 0.7 percent in total employment in the third quarter and further declines of 0.9 percent in the fourth quarter of 2008. The first quarter of 2009 is forecast to show anemic growth of 0.4 percent statewide, with the state's economy not recovering until the later part of 2009. Population growth is forecast to slow but still be above the U.S.

growth rate with rates of 1.3 percent in 2008 and 2009. The worldwide credit crunch and the ensuing instability in the financial markets bring added uncertainty.

Long-term financial planning. Metro prepares a five-year Capital Budget with annual updates as part of its financial planning responsibilities. For purposes of the Capital Budget, capital projects are defined as any physical asset acquired or constructed by Metro with a total capital cost of $50,000 or more (increasing to $100,000 for fiscal years beginning after June 30, 2009) and a useful life of at least five years. This definition includes significant capital maintenance activities. In fiscal year 2006, the Metropolitan Exposition Recreation Commission (MERC) expanded its separate operating procedures to include a capital budget policy independent of Metro. MERC's Capital Budget is presented to its Commission for approval and funds are then appropriated for those projects approved by MERC through Metro's budgetary process.

The adopted Capital Budget for Metro for fiscal year 2009 through fiscal year 2013 includes 92 capital projects at an estimated total cost of $181.8 million. This amount is an increase of twelve projects over the prior year, but a decrease of $27 million from the prior year Capital Budget, which comes primarily from the planned spend down of the Natural Areas bond proceeds. The largest shares of planned capital project expenditures among Metro departments in the current Capital Budget are in Regional Parks and Greenspaces at 82.7 percent, Solid Waste and Recycling at 8.2 percent, and the Oregon Zoo at 6.5 percent. Of the 92 projects, 85.4 percent of expenditures are for new construction or acquisition, 13.1 percent is for replacement projects and the remaining 1.5 percent is for expansion or remodeling projects.

The financing sources for these capital projects vary by project and by department. The Solid Waste and Recycling Department generally relies on fund balance or capital reserve accounts and funding is included in the solid waste disposal rate-setting process. Zoo projects have typically been funded from fund balance and donations. The zoo has active fundraising support in OZF and is relying on its efforts for almost 39 percent of capital project funding needs. An additional 32 percent of funding for zoo projects comes from excise taxes for renewal and replacement, with 27 percent from the Capital Fund fund balance and the remaining 2 percent from the balance of bond proceeds for the Washington Park parking lot renovation. Regional Parks and Greenspaces expenditures are predominately funded (89 percent) by general obligation bonds for land acquisition, stabilization and major improvements; non-land projects are funded by donations, and a portion of the excise tax.

The Capital Budget also contains a projection from each department of the net impact on operating costs (reflected in 2008 dollars) resulting from each capital project, for the first full year of operation after project completion. Metro, overall, will have an additional cost of $705,412 in fiscal year 2009 related to these projects. Nine projects are expected to produce positive cash flows in later years – three in Regional Parks and six at the Oregon Zoo. The net contribution to operations in fiscal years 2010 – 2013 is expected to range from $1,007,315 to $1,445,575, due primarily to forecasted increases in attendance and revenue at the Oregon Zoo.

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

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

Oregon Local Budget Law requires that total resources shall equal total requirements in each fund. In addition to this legal requirement, Metro considers a budget to be balanced whenever budgeted revenues equal or exceed budgeted expenditures. In fiscal year 2008, the Metro Council moved strategically to strengthen its financial policies and make significant investments in the future by using a disciplined "pay yourself first" rule to assure that all funds maintain appropriate reserves to safeguard against dips in the economic climate and to protect the public's investment in our physical assets. Metro policy provides that it will maintain fund balance reserves that are appropriate to the needs of each fund and that targeted reserve levels shall be established and reviewed annually as part of the budget review process. The policy requires that a new program or service be evaluated before it is implemented to determine its affordability and that Metro will prepare annually a five-year forecast of revenues, expenditures, other financing sources and uses and staffing needs for each of its major funds, identifying major anticipated changes and trends, and highlighting significant items which require the attention of the Metro Council.

In fiscal year 2008, Metro established fund balance reserves within the General Fund for Recovery Rate Stabilization, PERS reserves for potential additional pension liabilities, and a reserve for future debt service on the full faith and credit bonds issued to refinance Metro Regional Center. This fund balance also includes reserves for cash flow and fund stabilization. Based upon a historical analysis, Metro's revised policies call for a minimum of seven percent of operating revenues to be set aside in either a contingency or stabilization reserve to guard against unexpected downturns in revenues and stabilize resulting budget actions. The target provides a 90 percent confidence level that revenues would only dip below this amount once every ten years.

Metro plans to carry forward $91 million of fund balance into fiscal year 2010. Primary among the planned funds to be carried forward are bond proceeds received in fiscal year 2007 for the Natural Areas acquisition program and reserves for specific purposes (solid waste activities and debt reserves), which are generally required by law or formal operating agreement. In addition, planned ending fund balances include funds to provide cash flow for specific operations so that they can operate early in the following fiscal year as their primary revenues may not be received until later in the year.

Cash management policies provide that Metro maintain an investment policy in the Metro Code, which shall be subject to annual review and re-adoption. This policy must in turn conform to the requirements of Oregon Revised Statutes. The Council readopted the policy on June 26, 2008. Metro pools most funds for investment purposes to obtain maximum return on investments while minimizing the risk of loss of principal due to credit and market risk. The Investment Policy regulates Metro's investment objectives, diversification, limitations and reporting requirements. Metro uses an independent Investment Advisory Board to review and advise Metro on its investment plan and investment performance. Quarterly investment reports are presented to the Investment Advisory Board and forwarded to the Metro Council.

Cash not required for current operations was invested in the State of Oregon Local Government Investment Pool, U.S. Treasury securities, federal agency securities, commercial paper and bankers' acceptances. The average yield earned on Metro's pooled cash investments varied with the market in fiscal year 2008, from a high of 5.20 percent in August 2007 to a low of 3.25 percent in June 2008. Market conditions since July 1, 2008, have further deteriorated. The average yield for the fiscal year was 4.50 percent compared to 5.16 percent in the prior year. The pooled cash portfolio does not include bond related investments, which are restricted in terms of maturity and yield.

Debt management policies provide that Metro shall issue long-term debt only to finance capital improvements (including land acquisition) that cannot be readily financed from current revenues, or to reduce the cost of long-term financial obligations. Metro will not use short-term borrowing to finance operating needs unless specifically authorized by Council. Further, Metro will repay all debt issued within a period not to exceed the expected useful life of the improvements financed by the debt. Metro followed these policies during the year ended June 30, 2008.

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 2008-09 Adopted Budget.*

Major initiatives. In the coming year, Metro is guided by the Council's direction that every Metro program and every Metro employee be a signal for sustainability in the region. Metro's present actions and practices have a powerful influence and impact on future generations for thriving neighborhoods and communities, abundant economic opportunity, clean air and water, protecting streams and rivers, preserving farms and forestland, access to nature and a sense of place. Sustainability requires balancing the economic, environmental and social choices of today without compromising the choices and balances for tomorrow. Metro will make new investments for sustainability in fiscal year 2009, in its own operations and business practices, including a major organization realignment, and in its regional convening and leadership in growth management and transportation.

All funds adhere to the Metro Council policy requiring adequate reserves for operations and for building adequate reserves for renewal and replacement. Metro management believes it can withstand some regional adversity without compromising services in spite of changing economic conditions. Metro begins fiscal year 2009 with a specific contingency and stabilization reserve plan for the General Fund. A General Renewal and Replacement Fund also safeguards public assets.

Looking ahead to fiscal year 2009, specific strategic initiatives include scoping for a Regional Climate Change Action Plan and seeking ways to partner with the National Policy Consensus Center and others to create this plan; reviewing Metro Code and tool changes necessary to encourage and support habitat-friendly development; and integrating Metro's Transit Oriented Development and Nature in Neighborhoods Capital Grants programs to now include habitat as a high priority in soliciting and evaluating potential projects. In addition, Metro will continue to complete substantial land transactions to acquire natural areas as the voters directed and continue work to structure the right financing plan for a Convention Headquarters Hotel that does not place taxpayer funds at risk.

Finally, on November 4, 2008, regional voters approved a $125 million general obligation bond measure for zoo capital construction. Metro will issue these bonds to fund capital projects to protect animal health and safety, conserve and recycle water, and improve access to conservation education.

Awards

The Government Finance Officer's Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Metro for its comprehensive annual financial report for the fiscal year ended June 30, 2007. This was the sixteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

In addition, the government also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2007. 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 tenth consecutive year that Metro received this award.

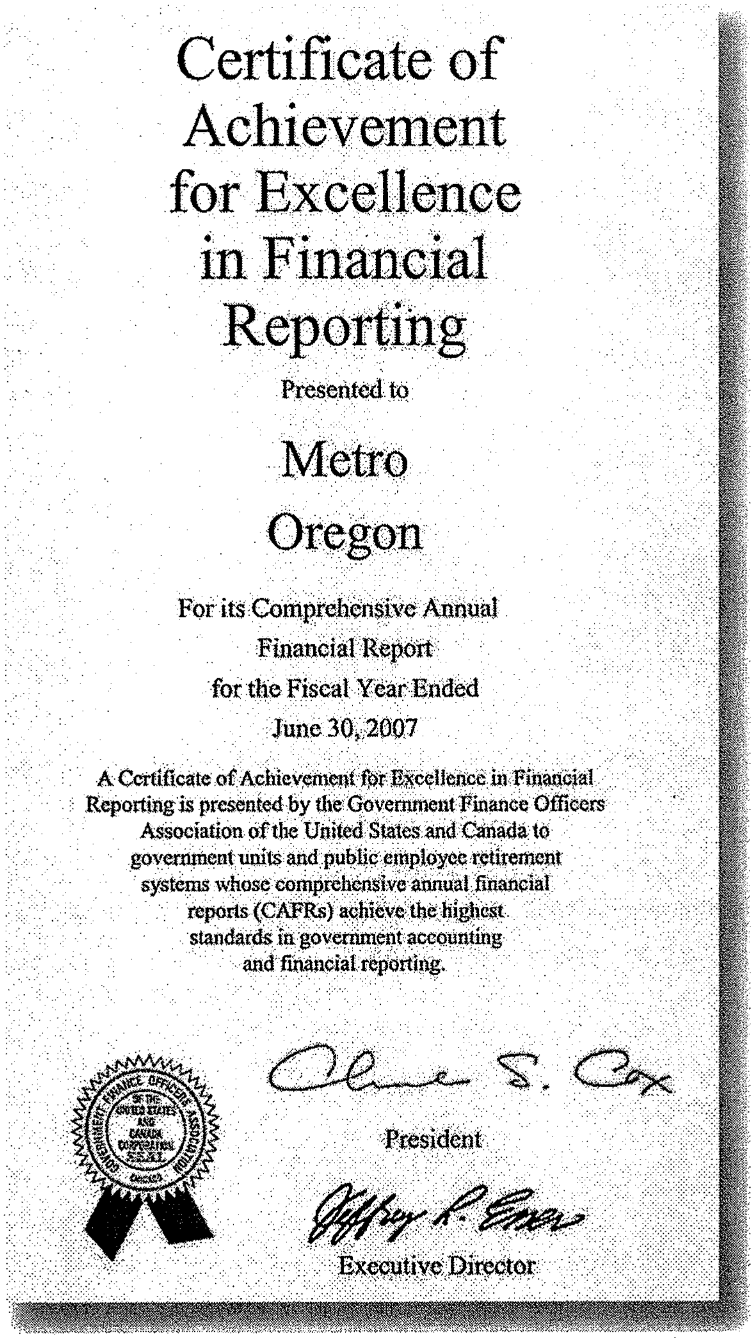
Acknowledgements

The preparation of this report would not have been possible without the dedicated efforts of the employees in the Accounting Services Division of the Finance and Administrative Services Department. We especially acknowledge Karla J. Lenox, CPA, Financial Reporting and Control Supervisor, and Donald R. Cox, Jr., CPA, CGFM, Accounting Compliance Officer, for their efforts in the preparation of this report. We wish to acknowledge the professional and technical assistance of the audit staff of Moss Adams LLP. Finally, we acknowledge the cooperation received from other Metro staff in providing information required to fairly present Metro's financial information. We also extend our appreciation to the Metro Auditor and Metro Council for their support.

Respectfully submitted,

Michael Jordan
Chief Operating Officer

Margo Norton
Director of Finance and Administrative Services



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, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

GFOA Award

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, 2007. This was the sixteenth consecutive year that the government has achieved this prestigious award.

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Elected Officials

Council President

David Bragdon
Term expires December 2010

Auditor

Suzanne Flynn, CIA
Term expires December 2010

Councilors

Rod Park
District 1
Term expires December 2010

Carlotta Collette
District 2
Term expires December 2012

Carl Hosticka
District 3
Term expires December 2012

Kathryn Harrington
District 4
Term expires December 2010

Rex Burkholder
District 5
Term expires December 2012

Deputy Council President
Robert Liberty
District 6
Term expires December 2012

Appointed Officials

Michael Jordan
Chief Operating Officer

William Stringer
Chief Financial Officer

Margo Norton
Director of Finance and Administrative Services

Daniel B. Cooper
Metro Attorney

Andrew Cotugno
Planning Department Director

Tony Vecchio
Oregon Zoo Director

Michael Hoglund
Solid Waste and Recycling Department Director

James Desmond
Regional Parks and Greenspaces Department Director

Janice Larson
Public Affairs and Government Relations Department Interim Director

Ruth Scott
Human Resources Director

David Woolson
Metropolitan Exposititon Recreation Commission
Chief Executive Officer

Registered Agent

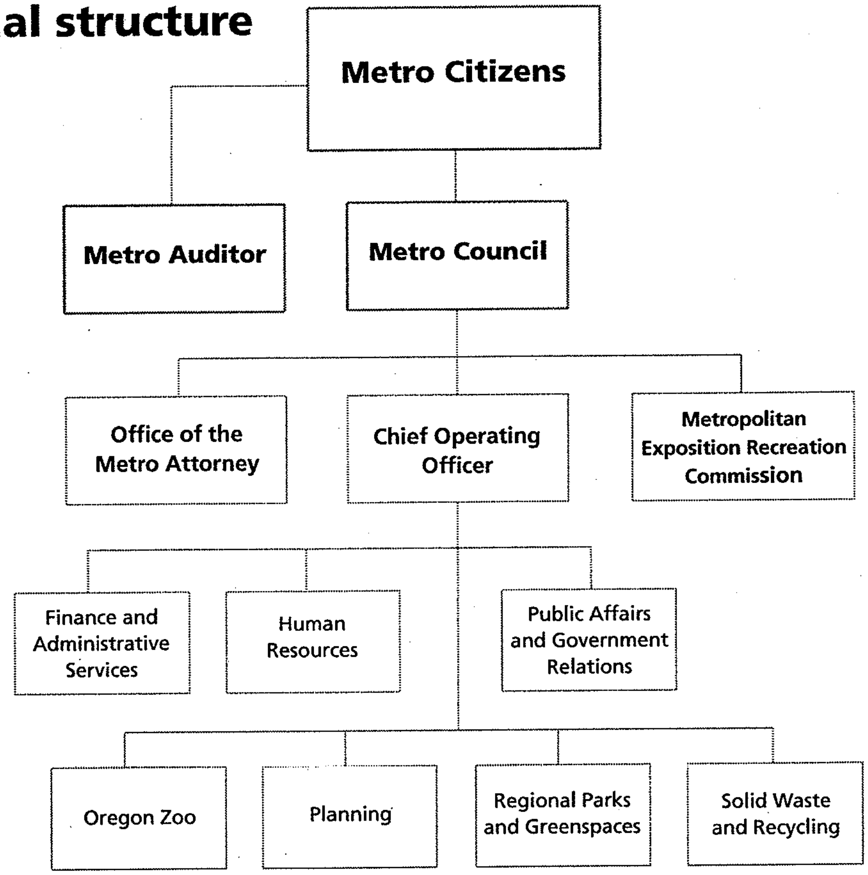
Christina Billington

Address of Registered and Administrative Office

600 NE Grand Ave.
Portland, OR 97232-2736

Organizational structure

as of June 30, 2008



METRO ELECTED OFFICIALS

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

Metro Auditor– Suzanne Flynn

ADMINISTRATIVE AND SUPPORT SERVICES

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

Finance and Administrative Services: Office of the Chief FInancial Officer, Financial planning, budget management, accounting services, procurement of goods and services, property services and information technology.

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

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

Public Affairs and Government Relations: Manages public and government affairs, office of citizen involvement, communication and web design.

OPERATING DEPARTMENTS

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

Planning: Land use and transportation planning, data and map services.

Regional Parks and Greenspaces: Parks and natural resources planning, parks management, education, open spaces and natural areas acquisition.

Solid Waste and Recycling: Garbage disposal system planning and management, recycling and hazardous waste services and education programs.

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

Metro

METRO

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

December 12, 2008

To the Metro Council and Residents of the Metro Region:

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

Following this letter is the independent auditor's report on Metro's financial statements as of June 30, 2008. 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, 2008 have been issued under separate cover.

Respectfully submitted,

Suzanne Flynn, CIA
Metro Auditor

Metro

INDEPENDENT AUDITOR'S REPORT

Metro Council and Metro Auditor
Portland, Oregon

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Metro as of and for the year ended June 30, 2008, which collectively comprise Metro's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Metro's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Oregon Zoo Foundation, a discretely presented component unit, which represents 1.12% and 3.26% of total assets and total revenues, respectively, for the year then ended. Those statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Oregon Zoo Foundation, is based solely on the report of other auditors.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Metro, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in the section titled "Prior Period Adjustments" in the notes to the financial statements, Metro has recorded adjustments to correct errors in the reporting of capital assets as of July 1, 2007.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2008 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.

The management's discussion and analysis, budgetary comparison, and schedule of funding progress for other post employment benefits on pages 17 through 40, and 98 through 102 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures to the management's discussion and analysis and the schedule of funding progress for other post employment benefits on pages 17 through 40 and page 102 which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The schedules of revenues, expenditures, and changes in fund balance – budget and actual, on pages 98 through 101 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Metro's, basic financial statements. The introductory section, other supplementary information, capital assets, other financial schedules, and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information, capital assets, and other financial schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

James C. Lazzarotto

For Moss Adams LLP
Eugene, Oregon
December 12, 2008

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METRO

Management's Discussion and Analysis

The management of Metro provides readers of Metro's financial statements this narrative overview and analysis of the financial activities of Metro for the year ended June 30, 2008. 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

- In November 2006, voters in the region granted Metro the authority to issue 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. During fiscal year 2008, Metro acquired approximately 497 acres (426 of those now owned by Metro and the remainder owned by other governments under the program) from willing sellers in eight different target areas and 26 separate land transactions from the proceeds of the Natural Areas general obligation bonds. The total capitalized cost for Metro owned property acquired in the current fiscal year under this program was $29,148,667.

- Beginning July 1, 2006, Metro began collection of a Construction Excise Tax (CET), which provided $2,483,137 in revenue during the fiscal year ended June 30, 2008 and brings the total collected since inception to $4,289,149. This tax is imposed on new construction within the region, with limited exemptions, and is intended to raise $6.3 million over three years to fund concept planning in the new areas recently brought into the Urban Growth Boundary. Of the amount collected in fiscal year 2008, $2,004,865 was provided by agreement to other local governments during the fiscal year for specified planning activities, for a cumulative expenditure total of $3,206,331.

- During fiscal year 2008, Metro completed a physical inventory of its capital assets. The physical inventory included the determination of estimated historical costs for various assets that had not been segregated previously, estimated historical costs for capital assets that had been transferred to Metro by other entities in prior years (including certain infrastructure assets), and identified assets that had been disposed of as of June 30, 2007. As a result of these efforts, governmental activities' capital assets net of accumulated depreciation were increased $6,092,683 and net assets invested in capital assets net of related debt was restated accordingly. Business-type activities' capital assets net of accumulated depreciation and net assets invested in capital assets net of related debt were increased $3,491,700, with that restatement also reflected in the Solid Waste enterprise fund statements.

- Metro implemented Governmental Accounting Standards Board (GASB) Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB) in fiscal year 2008, accruing a total of $400,940 for the associated liability, of which $211,053 is attributed to governmental activities and $189,887 to the business-type activities.

- Metro's total net assets increased 7.2 percent over the prior year. Governmental activities' net assets increased by $29,433,183, while business-type activities' net assets increased $598,335 due to operations as described later in this analysis (both figures are restated for the prior period adjustment noted earlier).

- Revenues of Metro's business-type activities (Solid Waste and Metropolitan Exposition Recreation Commission (MERC) enterprise operations) totaled $98,536,431, down 1.6 percent ($1,590,636). Total expenses increased $12,301, to a total of $97,662,904. As a result, operations of business-type activities reflected an increase in net assets of $598,335 for the fiscal year ended June 30, 2008.

- Fund balance in Metro's General Fund declined to $37,696,428 at June 30, 2008, primarily due to the one time transfer of renewal and replacement reserves in the amount of $5,700,000 to the Metro Capital Fund. Metro completed the fiscal year reporting combined fund balances in the governmental funds of $167,981,794, with the primary decrease from the prior year reflected in the Natural Areas Capital Projects Fund due to the acquisitions noted earlier. The Natural Areas Capital Projects Fund reflected a fund balance of $93,975,794 at June 30, 2008.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Metro's comprehensive annual financial report, which consists of the following parts: *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different financial views of Metro. *Government-wide financial statements* provide both long-term and short-term information about Metro's overall financial status. The remaining statements are *fund financial statements* that focus on individual parts of Metro and report Metro's operations in more detail, and on a different basis of accounting, than the government-wide statements.

The financial statements also include *notes to the financial statements* that provide more detailed information and explain the nature of many of the amounts contained in the financial statements. The notes are considered integral to the understanding of the financial statements. Following the notes is a section of *required supplementary information* that further supports the information contained in the financial statements.

The table provided below summarizes the major features of Metro's financial statements and what they contain. This summary is intended to be a tool for the reader in the analysis of the financial statements that follow this management discussion and analysis.

Statement Element	Government-Wide Financial Statements	Fund Financial Statements: Governmental Funds	Fund Financial Statements: Proprietary Funds
Scope	Entire Metro government	The activities of Metro that are not proprietary, such as regional planning, parks, zoo and policy development	Activities Metro operates similar to businesses - ▪ Solid Waste ▪ MERC
Required financial statements	▪ Statement of net assets ▪ Statement of activities	▪ Balance sheet ▪ Statement of revenues, expenditures and changes in fund balances	▪ Statement of net assets ▪ Statement of revenues, expenses, changes in fund net assets ▪ Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities are included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the fiscal year, regardless of when cash is received or paid	Revenues for which cash is received during, or generally within 60 days of year end; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the fiscal year, regardless of when cash is received or paid

Government-wide financial statements. Metro's government-wide financial statements report information about Metro as a whole using accounting methods similar to those used by private-sector companies. The *statement of net assets* includes all of Metro's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in Metro's net assets may serve as a useful indicator of whether the financial position of Metro is improving or deteriorating. This is only one measure, however, and the reader should consider other indicators such as general economic conditions in the region, changes in property taxes and assessed value, and the age and condition of capital assets used by Metro.

All of the current fiscal year's revenue and expenses are accounted for in the *statement of activities*. The statement presents information showing how Metro's net assets changed during the fiscal year. Such changes are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. Because it separates program revenue

(revenue generated by specific programs through charges for services, grants, and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each program has to rely on taxes for funding.

Each government-wide financial statement is divided into three categories:

Governmental activities - Activities supported principally by general revenue sources such as taxes and intergovernmental revenues that provide Metro's basic governmental services. These services include the general government functions of the Council office, regional transportation and land use planning, regional parks and greenspaces, operation of the Oregon Zoo, rehabilitation and enhancement activities near Metro area solid waste facilities, and administrative functions.

Business-type activities – Metro charges fees to customers to help cover the costs of certain services. In fiscal year 2008 these activities consisted of the operation of the solid waste system and MERC operations.

Component unit – Metro includes The Oregon Zoo Foundation (OZF) as a discretely presented component unit. OZF is considered a component unit in accordance with GASB Statement No. 39, as the sole purpose of this legally separate non-profit organization is to provide support and significant additional funding for Metro's Oregon Zoo.

Fund financial statements. The fund financial statements provide more detailed information about Metro's funds, not Metro as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Metro, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements – including bond covenants and Oregon local budget law requirements. The funds of Metro can be classified into two categories:

- ***Governmental funds*** are used to account for essentially the same functions as reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, these statements focus on how cash, and other financial assets that can be readily converted to cash, flow in and out and on the balances left at year-end that are available for spending. Thus, the governmental funds statements provide a detailed short-term view that helps the reader determine the comparative level of financial resources that can be spent in the near future to finance Metro's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may understand better the long-term impact of Metro's near-term financing decisions. A reconciliation that follows the governmental funds statements explains the relationship (differences) between the two statements.

Metro maintains eight individual governmental funds (General, Smith and Bybee Lakes, Rehabilitation and Enhancement, General Obligation Bond Debt Service, Open Spaces, Natural Areas, Metro Capital and Cemetery Perpetual Care). Each of these is presented by Metro as a "major fund" in accordance with professional standards, as Metro management believes reporting each of these funds provides consistency and is in the public interest. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for each major fund, as required by GASB Statement No. 34.

Metro maintains budgetary controls over its funds. The objective of budgetary controls is to ensure compliance with legal provisions contained in the annually appropriated budget. Budgetary comparison schedules for all appropriated funds are provided following the notes to the financial statements. Of special note, a portion of one budgetary fund (the General Revenue Bond Fund) is 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 governmental fund financial statements can be found on pages 46 - 52 of this report.

- ***Proprietary funds*** for Metro include two different types.

  Enterprise funds are used to report the same functions as *business-type activities* in the government-wide financial statements. Metro uses enterprise funds to account for its Solid Waste and MERC operations.

  Internal service funds are an accounting device used to accumulate and allocate costs internally among Metro's various functions. Metro uses an internal service fund to account for its risk management operations. The revenues and expenses of the internal service fund that are duplicated in other funds through cost allocations are eliminated in the government-wide statements, with the remaining balances included in the governmental activities column.

  Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail (such as cash flows). The proprietary fund financial statements provide separate information for the Solid Waste Fund, MERC Fund, and Risk Management Fund, which are considered major funds of Metro.

  The proprietary fund financial statements can be found on pages 53 - 59 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 61 - 94 of this report.

FINANCIAL ANALYSIS OF METRO AS A WHOLE

Net assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Metro's net assets total $447,866,609 at June 30, 2008, which reflects an increase of 7.2 percent ($30,031,518) over the prior year. The following table reflects the condensed Government-wide Statement of Net Assets.

Metro's Net Assets

		Governmental Activities		Business-Type Activities		Total - Primary Government	
		2008	2007 (as restated)	2008	2007 (as restated)	2008	2007 (as restated)
Current and other assets	$	213,544,930	235,359,486	76,731,500	73,081,677	290,276,430	308,441,163
Capital assets		267,697,756	239,306,046	215,945,266	222,088,705	483,643,022	461,394,751
Total assets		481,242,686	474,665,532	292,676,766	295,170,382	773,919,452	769,835,914
Long-term debt outstanding		271,486,124	296,057,014	17,979,951	19,566,442	289,466,075	315,623,456
Other liabilities		21,842,484	20,127,623	14,744,284	16,249,744	36,586,768	36,377,367
Total liabilities	$	293,328,608	316,184,637	32,724,235	35,816,186	326,052,843	352,000,823
Net assets							
Invested in capital assets, net of related debt		101,632,452	76,565,255	198,109,226	202,676,454	299,741,678	279,241,709
Restricted		27,246,181	24,458,851	16,295,656	12,688,488	43,541,837	37,147,339
Unrestricted		59,035,445	57,456,789	45,547,649	43,989,254	104,583,094	101,446,043
Total net assets	$	187,914,078	158,480,895	259,952,531	259,354,196	447,866,609	417,835,091

Metro's business-type activities account for the most significant portion of total net assets – totaling $259,952,531 (58.0 percent), whereas governmental activities account for $187,914,078 (42.0 percent). Of Metro's total net assets, 66.9 percent of the total reflects its investment in capital assets, net of related debt, up from 66.8 percent of net assets in the prior year. Metro uses these capital assets to provide services to its citizens and therefore this amount is not available for future spending. Although Metro's investment in its capital assets is reported net of the related debt, it should be noted that the resources needed to repay this debt must come from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The amount invested in capital assets (net of related debt) for governmental activities, $101,632,452, includes the result of Metro financing capital assets for the MERC enterprise, specifically the Oregon Convention Center (OCC), through the issuance of general obligation bonds. The amount of long-term debt outstanding on these bonds is reflected as a liability of the governmental activities in which repayment of the bonds occurs, whereas the associated capital assets financed by this debt are reflected with the business-type activities related to MERC's operations as these assets are used to provide services to citizens. In addition, Metro's investment in its headquarters offices, zoo exhibits, open spaces property and other significant assets is reflected here. Overall, the increase in the amount invested in capital assets (net of related debt) for governmental activities reflects a net increase in capital assets of $28,391,710 and a decrease in capital related long-term debt outstanding of $3,324,513 associated with Open Spaces and Natural Areas acquisitions. Amounts invested in capital assets net of related debt for business-type activities changed primarily due to the amount of increase in accumulated depreciation exceeding capital asset additions, while related long-term debt declined.

In addition, 9.7 percent of net assets are restricted for specific purposes, including capital projects, capital asset renewal and replacement, landfill closure, debt service, cemetery perpetual care and other purposes. This represents an increase in restricted net assets of $6,394,498 (17.2 percent) from the amount at June 30, 2007. The most significant increase in restricted net assets is the increase in amount for debt service (up $4,368,550), which is primarily due to additional amounts restricted for the Natural Areas bonds issued in the prior year. The remaining $104,583,094 is unrestricted, with 56.5 percent ($59,035,445) of this amount attributable to Metro's governmental activities. Unrestricted net assets increased $1,578,656 (2.7 percent) in governmental activities and increased $1,558,395 (3.5 percent) in business-type activities. Unrestricted net assets may be used to meet Metro's ongoing obligations to citizens and creditors.

Current and other assets (composed of cash and investments, receivables, inventories, prepaid items and other assets) decreased 5.9 percent ($18,164,733) on a government-wide basis. The decrease is primarily attributed to the spending for acquisitions and local share grants of the Natural Areas bond program, which accounted for a decrease of $28,632,009, which was offset by additional cash and investments for debt service of $1,450,665, both reflected in governmental-activities restricted assets. Unrestricted cash and investments increased $7,740,846 or 7.5 percent, mostly due to cash from contributions and donations of $2,163,915, which primarily arose from the Oregon Zoo Foundation (OZF) and its *Predators of the Serengeti* fund raising campaign. Unrestricted cash and investments increased $2,757,681 over the prior year in business-type activities with an increase of $3,697,972 attributable to MERC operations. This increase was accompanied by a decrease of $1,055,834 in other assets of business-type activities as MERC cleared settlements with its concession contractor, as well as a decrease of $416,543 in prepaid items primarily resulting from the continued amortization of an advance contractual payment made in a prior year to the solid waste transport contractor.

Other liabilities (consisting of accounts payable, accrued compensation, accrued interest payable, and other current liabilities) of Metro's business-type activities decreased 9.3 percent ($1,505,460) from June 30, 2007, again primarily attributable to MERC's settlement of Aramark concession amounts accrued to the prior year. Other liabilities in the governmental activities increased $1,714,861, primarily due to an increase in accrued interest payable of $1,260,144 related to the Natural Areas bonds. In addition, Metro implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB) in fiscal year 2008, accruing a total of $400,940 for the associated liability arising from implicit rate subsidies, of which $211,053 is attributed to governmental activities and $189,887 to the business-type activities.

Long-term debt outstanding decreased 8.3 percent ($26,157,381). Governmental activity long-term debt decreased $24,570,890 or 8.3 percent, and business-type activity long-term debt decreased $1,586,491 or 8.1 percent from June 30, 2007 as a result of scheduled debt payments. A further discussion of the financing activities undertaken during the year is presented later in this analysis.

Changes in net assets. As noted earlier, Metro's total net assets increased 7.2 percent over the prior year. Governmental activities' net assets increased by $29,433,183, while business-type activities' net assets increased $598,335. The components of this change in net assets are reflected in the condensed information from Metro's Statement of Activities below.

Changes in Metro's Net Assets

		Governmental Activities		Business-Type Activities		Total - Primary Government	
		2008	2007 (as restated)	2008	2007 (as restated)	2008	2007 (as restated)
Revenues:							
Program revenues							
Charges for services	$	21,527,955	20,603,231	83,690,279	83,172,102	105,218,234	103,775,333
Operating grants and contributions		14,963,194	9,674,387	861,851	692,146	15,825,045	10,366,533
Capital grants and contributions		2,163,915	1,378,075	-	-	2,163,915	1,378,075
General revenues							
Property taxes		46,901,621	28,686,523	-	-	46,901,621	28,686,523
Excise taxes		16,850,546	16,640,733	-	-	16,850,546	16,640,733
Local government shared revenues		545,550	519,463	11,156,012	9,976,554	11,701,562	10,496,017
Other		9,206,228	4,978,208	2,828,289	3,104,993	12,034,517	8,083,201
Total revenues	$	112,159,009	82,480,620	98,536,431	96,945,795	210,695,440	179,426,415
Expenses:							
General government operations		14,464,735	11,500,854	-	-	14,464,735	11,500,854
Regional planning and development		15,998,524	11,578,978	-	-	15,998,524	11,578,978
Culture and recreation		12,040,343	6,842,080	-	-	12,040,343	6,842,080
Zoo		27,268,768	25,190,880	-	-	27,268,768	25,190,880
Interest on long-term debt		13,228,648	9,626,880			13,228,648	9,626,880
Solid Waste		-	-	53,514,858	52,581,486	53,514,858	52,581,486
MERC		-	-	44,148,046	45,069,117	44,148,046	45,069,117
Total expenses	$	83,001,018	64,739,672	97,662,904	97,650,603	180,663,922	162,390,275
Increase in net assets before transfers and special items	$	29,157,991	17,740,948	873,527	(704,808)	30,031,518	17,036,140
Transfers		275,192	(289,417)	(275,192)	289,417	-	-
Increase (decrease) in net assets	$	29,433,183	17,451,531	598,335	(415,391)	30,031,518	17,036,140
Net Assets, July 1		158,480,895	141,029,364	259,354,196	259,769,587	417,835,091	400,798,951
Net Assets, June 30	$	187,914,078	158,480,895	259,952,531	259,354,196	447,866,609	417,835,091

Program revenues generated directly from Metro's operations, which includes charges for services, increased $7,687,253 or 6.7 percent from the prior year, while the share of total revenues derived from these sources decreased from the prior year, from 64.4 percent to 58.5 percent due to a significant increase in property tax revenues associated beginning debt repayment on the 2007 Natural Areas bonds, which is reflected as a general revenue. A significant portion (49.5 percent) of Metro's revenues come from, or is based upon, its charges for services and, as a percent of revenues, is down from the prior year (57.8 percent) due to the increase in property tax revenue as well as a larger share of revenue from operating grants and contributions in Metro's planning programs over the prior year. Charges for services revenues include charges to customers for use of Metro facilities and services, such as solid waste fees and admission fees. Program revenues from business-type activities increased 0.8 percent, or $687,882. Governmental activities program revenue increased 22.1 percent ($6,999,371), with the zoo accounting for an increase of $1,073,984, whereas regional planning activities program revenues grew $5,774,856, with the largest share of this increase (95.7 percent) from operating grants and contributions. Charges for services revenues increased 4.5 percent ($924,724) in governmental activities and grew 0.6 percent ($518,177) in business-type activities. Operating grants and contributions remained relatively unchanged from the prior year in programs other than regional planning, whereas capital grants and contributions revenue grew $785,840 in the zoo program due to the OZF's *Predators of the Serengeti* fund raising program mentioned earlier.

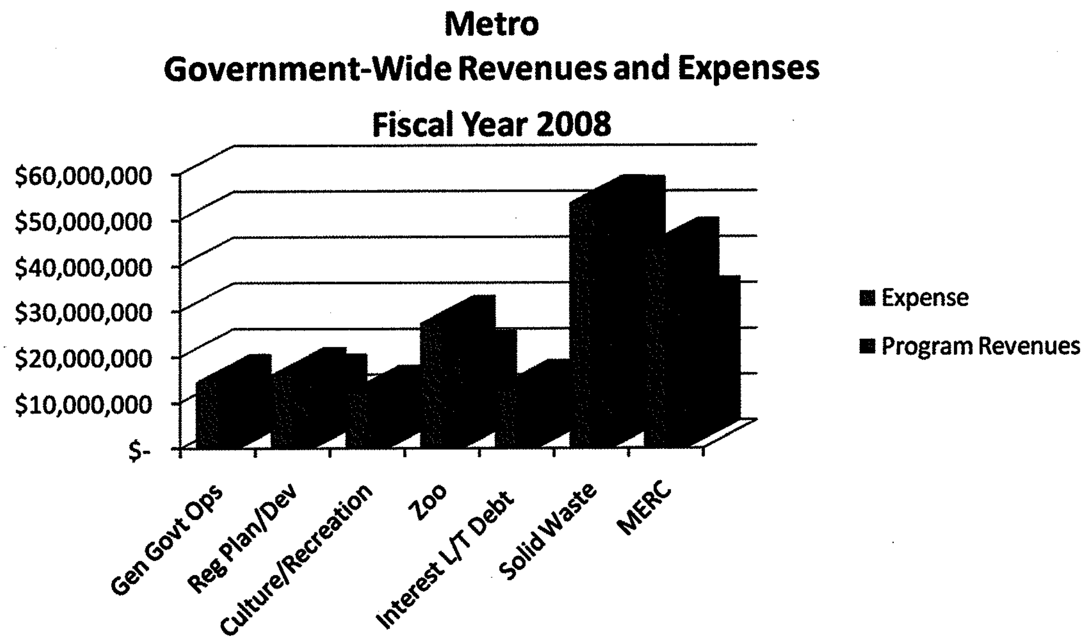
General revenues are used by Metro to fund expenses not covered by program revenues. The most significant general revenue, property taxes, accounts for 41.8 percent of all governmental activities revenues, up from 34.8 percent in the prior fiscal year due primarily to the additional assessments necessary for debt service payments on the new Natural Areas bonds. Property taxes are dedicated to repayment of general obligation bond debt or designated by the Council in support for operations of the Oregon Zoo ($36,388,227 and $10,513,394 respectively). The bonds were originally issued to finance construction of the OCC, construction of the Great Northwest project at the Oregon Zoo, and for acquisition of open spaces and natural areas in the region.

The excise tax – a tax Metro assesses on users of its goods and services at a flat rate per ton on solid waste activities ($8.23, which is down from $8.35 in the prior year) and as a percentage (7.5 percent) of revenues on all other authorized revenues – is used to fund primarily general government and planning functions. An additional $3.22 per ton (up from $3.14 per ton in the prior year) of excise tax on solid waste tonnage is dedicated in support of the operations of the Regional Parks and Greenspaces Department, a contribution to the general renewal and replacement account, and for the support of OCC. The amount dedicated to Regional Parks is used for development and operations of four park sites purchased under the Open Spaces bond measure. The amount dedicated to the OCC is used to fund the Tourism Opportunity and Competitiveness Account designed to enhance the OCC's pursuit of conventions from outside the region, bringing new dollars into the region. The excise tax provided $14,367,409 in general revenue, down $467,312 or 3.2 percent. This decrease is reflective of the net impact of higher revenues at Metro facilities other than solid waste, accounting for an increase of $163,611, a decrease in excise taxes from revenue associated with solid waste tonnage at Metro operated facilities (down $201,402) and decreased revenues from privately owned facilities (down $429,521).

Beginning July 1, 2006, Metro imposed the CET, which collected $2,483,137 during the fiscal year ended June 30, 2008, up $677,125. This tax is imposed on new construction within the region, with limited exceptions, and is intended to raise $6.3 million over three years to fund concept planning in the new areas recently brought into the Urban Growth Boundary. The cumulative total of CET revenues raised since inception is $4,289,149 at the end of fiscal year 2008. Of the amount collected in fiscal year 2008, $2,004,865 was provided by agreement to other local governments for specified planning activities and resulted in additional expenses of $803,399 over the prior year in general government operations expenses. This brings the cumulative total of CET funds provided to local governments since the inception of the program to $3,206,331.

Most of the remaining revenue for Metro comes from federal, state and local grants or other contributions ($15,825,045 or 7.5 percent) that fund various programs such as regional transportation and growth management planning activities. These revenues were up 52.7 percent or $5,458,512 from the prior year due in large part to grant funded project work in the Planning Department and the increase in revenues recognized for the TOD program, as discussed further below in the analysis of governmental funds.

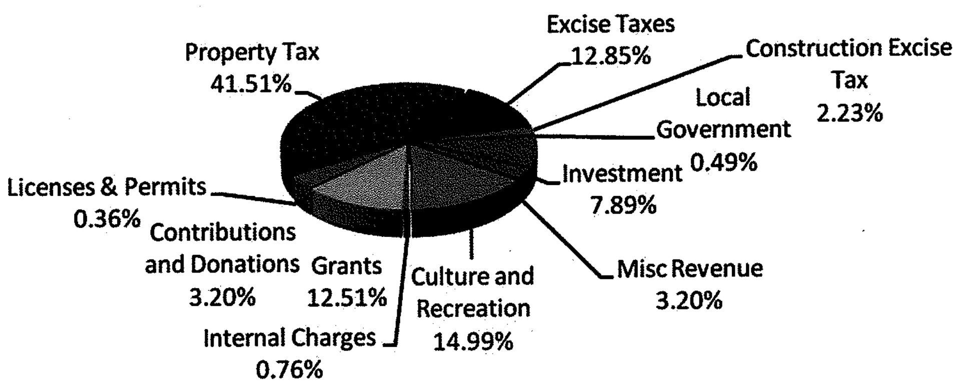
The total cost of all programs and services increased 11.3 percent ($18,273,647) from the prior year to a total of $180,663,922. Business-type activities, consisting of Solid Waste and MERC programs, represent 54.1 percent of this total, compared to 60.1 percent in the prior year. General government operations reflected 8.0 percent of total costs, compared to 7.1 percent in the prior year. Regional planning and development, and culture and recreation (primarily regional parks programs), accounted for 8.9 percent and 6.7 percent of total costs, respectively. The zoo program represented 15.1 percent of total costs for the year. The remainder was primarily interest on long-term debt, which increased by $3,601,768 or 37.4 percent from the prior year and totaled $13,228,648 or 7.3 percent of total costs, up from 5.9 percent in the prior year as a result of a full year of interest on the Natural Areas bonds.



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

Governmental activities. Revenues for Metro's governmental activities increased $29,678,389 (36.0 percent) to a total of $112,159,009 with 41.8 percent of this revenue ($46,901,621) coming from property taxes. Property taxes funded interest expense as noted above and the remainder was used to pay bond principal, reducing outstanding bond liabilities, and to support zoo operations. Investment performance showed increased revenues, up $3,961,049 or 49.2 percent, due primarily to a full year of additional cash for investment from the Natural Areas bond proceeds, which accounted for an increase of $4,299,273, which was offset across all activities to some degree by a significantly lower interest rate environment.

Metro
Governmental Activities
Sources of Revenue, Fiscal Year 2008

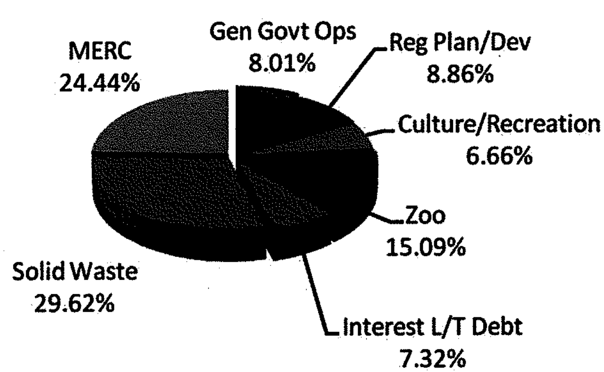


Metro's general government operations accounted for 17.4 percent ($14,464,735) of Metro's total expenses for governmental activities, which was an increase of $2,963,881 over that reported in the prior year. Reported expenses increased primarily due to greater amounts expensed for CET funding of local governments for their concept planning work as noted earlier; increased expenses for the natural areas program by the Office of Metro Attorney; as well as the transfer of public affairs costs to general government operations from other programs. General government operations rely significantly on general revenues, primarily excise taxes and transfers, to offset its net expense of $13,009,975.

Metro's regional planning and development activities had total costs of $15,998,524 for the fiscal year ending June 30, 2008, up $4,419,546 (38.2 percent) from the prior year. Revenues that fund planning activities are primarily from operating grants and contributions ($13,183,874), which increased 72.2 percent or $5,527,843 from the prior year. Overall, regional planning and development is project driven, relying heavily on grant awards. The level of grants received also affects the level of work and expenditures incurred. Transit Oriented Development (TOD) related revenues account for $2,000,000 of the increase, as TriMet provided this additional funding in fiscal year 2008. Local government project support on the Milwaukie Light Rail project increased local grant and contract revenues $1,537,719 over prior year. Federal grant revenue was up $1,857,691 or 77.6 percent over prior year. The Federal Transit Administration (FTA) Lake Oswego – Portland Alternatives Analysis grant ended in fiscal year 2007, but work on this project continued at a reduced level under the FTA Earmark grant for a net decrease of $574,145. Work on other Earmark projects increased grant revenues by $969,531 over the prior year. The largest increase in grant revenue was on the FTA Milwaukie Light Rail project, which ramped up during the fiscal year for a year-over-year increase of $1,254,695. The total amount expended for TOD program purchases totaled $1,426,355, and did not include any additional purchases of TOD assets held for resale in the current fiscal year keeping the amount of property assets held for resale at $8,518,324 (consisting of eight properties) at June 30, 2008. The net expense for regional planning and development of $1,543,025 - a decrease of $1,464,772 - is covered by general revenues such as excise taxes.

Culture and recreation activities, which includes operation of Metro's regional parks and management of open spaces, accounted for total expenses of $12,040,343, up $5,198,263 or 76.0 percent from the prior year. The increase is primarily from local share grant projects funded by the Natural Areas bond program, which totaled $4,801,630. Program revenues from charges for services (e.g., admission fees, rentals, etc.) totaled $2,824,138, up 8.7 percent or $304,798 from the prior year, as park admission fees -

Metro
Function/Program Expenses
Fiscal Year 2008



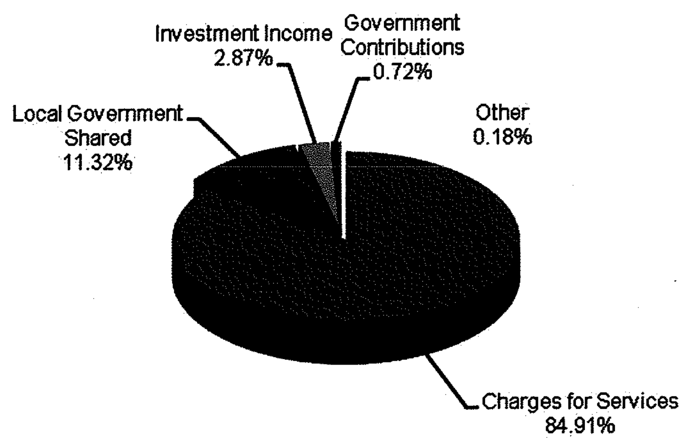
mostly at Blue Lake Park - were substantially higher than the prior year, up 29 percent. Increases were attributed to the combination of the new water sprayground and an unseasonably warm May and June. Additional support was provided from operating grants and contributions in the amount of $312,258, a decrease of $122,401 or 28.2 percent from the prior year. The decrease in this later category was due to a number of grant-funded projects being delayed to fiscal year 2009. The remaining net expense of this function, $8,903,947, was funded from general revenues, including local government shared revenues (e.g., marine fuel taxes and recreational vehicle fees from the State of Oregon), excise taxes and interest – as well as the drawing down of net assets provided from the Natural Areas bonds.

Operations of the Oregon Zoo reflected program revenues of $19,608,409, an increase of $1,073,984 or 5.8 percent from the prior year. An increase of $785,840 in capital grants during fiscal year 2008 was due primarily to capital grants received from OZF for the *Predators of the Serengeti* exhibit. Charges for services revenues (e.g., admission fees, food and retail sales) accounted for 81.6 percent of program revenues, which increased $292,135 or 1.9 percent due to the second highest attendance year in the zoo's history (down 0.5 percent from the prior year) and higher revenues from spending by zoo visitors. Strong attendance was driven by a temporary summer dinosaur exhibit and helped achieve the best ever total for enterprise revenues. Total expenses for zoo operations totaled $27,268,768, an increase of $2,077,888 or 8.2 percent from the prior year. Of this amount, Guest Services expenses increased $1,043,383 or 11 percent, to a total of $10,509,504, primarily driven by more visitors than forecast, and up-front costs associated with the dinosaur exhibit. Expenses for the zoo's animal and plant collections increased $535,267 or 10 percent, due in part to costs associated with an Asian elephant pregnancy, success in the California Condor breeding program, and horticulture costs for the temporary dinosaur exhibit path. Finally, the Oregon Zoo made a one-time contribution of $250,000 to help establish the National Elephant Center, a non-profit sanctuary located in Florida for elephants and the training of elephant caretakers. The resulting net expense of $7,660,359 (an increase of $1,003,904 or 15.1 percent over the prior year) is financed from general revenues, such as property taxes and investment earnings.

Business-type activities. Revenues of Metro's business-type activities (Solid Waste and MERC operations) totaled $98,536,431, up 1.6 percent ($1,590,636). Total expenses increased $12,301 to a total of $97,662,904. As a result, operations of business-type activities reflected an increase in net assets of $598,335, for the fiscal year ended June 30, 2008.

Solid waste tonnage brought to Metro facilities was down slightly (2.9 percent). The decrease in tonnage was offset by an increase in rates charged (tonnage charge was $47.09 per ton, compared to $46.20 per ton in the prior year) resulting in an overall increase of $404,694 in disposal fee revenues. Metro's share of total regional tonnage remained the same at 44 percent for the fiscal year. In the prior year, the Metro Council adopted a split transaction fee based upon two customer classes: users of staffed scalehouses and users of the automated scale system, with fees of $8.50 and $3.00 per transaction, respectively. The drop of 2.4 percent in the number of transactions was offset by an expected shift in fees received from these customer classes and resulted in an overall reduction of $113,488. This decrease was in addition to a decrease in revenue generated from the Regional System Fee, which declined $490,540 as regional disposal tons decreased about 4.0 percent from the prior year, while the fee was raised from $13.57 per ton to $14.08 per ton. Expenses were up $933,372, or 1.8 percent, due to higher costs of operations at Metro transfer stations, higher fuel costs, disposal fees, and higher expenses for payroll and fringe benefits. These increases were offset by decreased depreciation charges as Metro extended the estimated useful lives of certain assets, as well as reduced waste transport contract expenses due primarily to lower tonnage. Net expense for the Solid Waste activity was $236,847 for the fiscal year, down from net revenue of $1,529,661 in the prior year.

Metro
Business-Type Activities
Sources of Revenue, Fiscal Year 2008



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 $31,274,119 in fiscal year 2008, up $1,521,019 or 5.1 percent from the prior year. This was reflected primarily in charges for services revenues, which were up $1,387,859 (4.8 percent) over the prior fiscal year. Revenue increases at both the Expo and OCC were due to new events held at each facility, with Expo revenues up $394,364 and OCC up $1,080,033. PCPA revenues declined slightly, down $94,623.

Total expenses for MERC were $44,148,046, down $921,071, or 2.0 percent. The decreased expenses were primarily attributable to lower depreciation charges resulting from revised estimated useful lives of capital assets (down $3,051,883), which offset cost increases directly associated with the increase in operating revenues, such as food and beverage and facility operations costs. The resulting net expense of MERC operations was $12,873,927 for the fiscal year ended June 30, 2008, compared to $15,316,016 in the prior year, an improvement of $2,442,089 or 15.9 percent. General revenues used to support this net expense include local government shared revenues (transient lodging taxes) of $11,156,012.

Net assets for business-type activities increased $598,335 from the above operations for the fiscal year ended June 30, 2008 compared to a decrease of $415,391 in the prior year. Investment earnings provided $2,828,289 toward this increase, down $276,704 from the prior year. A prior period adjustment of $3,491,700 to adjust historical costs and accumulated depreciation of capital assets as determined from a physical inventory conducted during the year also contributed to increased net assets, which total $259,952,531 at June 30, 2008.

FINANCIAL ANALYSIS OF METRO'S FUNDS

As noted earlier, Metro uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of Metro's governmental funds financial statements is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing Metro's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Metro completed the fiscal year with its governmental funds reporting *combined* fund balances of $167,981,794, with the primary decrease from the prior year reflected in the Natural Areas Capital Project Fund that reflected a fund balance of $93,975,794 at June 30, 2008, down $28,323,673 as a result of natural area property purchases and local share grants.

The General Fund expended $12,191,466 for general government operations. These operational expenditures included the general government share of costs for the Council Office, Metro Auditor, Office of Metro Attorney, Public Affairs and Government Relations, Human Resources, Finance and Administrative Services, as well as special appropriations of $3,472,254, which includes expenditures of $911,518 for the Nature in Neighborhoods program, and the CET funding provided to local governments noted earlier. The General Fund also expended $1,780,000 for principal payments and $2,009,133 for the related interest on long-term debt associated with the Metro Regional Center office building.

The General Fund expenditures for regional planning and development totaled $15,951,042 during fiscal year 2008, up $4,054,096 or 34.1 percent over the prior year. As noted earlier, the work of this program is primarily funded by federal grants and expenditures were higher in correlation to the increased revenues on those projects. Personal services expenditures, including fringe benefits, were up $881,670 or 12.6 percent over prior year. Contracted and professional services reflected an increase of $1,360,947 or 53.1 percent, with $1,554,228 for the Milwaukie Light Rail work, which was offset by a net decrease in other projects. Payments to other agencies were higher by a total of $1,608,158, due primarily to a $1,279,818 increase in spending on the Earmark projects. Program purchases in the TOD program decreased $1,080,092 or 39.0 percent.

The General Fund's culture and recreation expenditures totaled $5,915,743 during the fiscal year ending June 30, 2008. This was $616,224 higher (11.6 percent) than the prior year, as personal services expenditures increased $131,004 or 3.7 percent due to cost of living increases and higher fringe benefit costs. Contract and professional services increased $152,921 and contracted property services were up $227,655, including work performed on the Connecting Green ($33,131) and the Sellwood Interceptor ($125,084) projects.

As noted earlier, the General Fund's Oregon Zoo had its second highest attendance in its 120-year history – with 1,500,570 people passing through the gates, down 0.5 percent from the prior year record. Strong attendance driven by a temporary summer dinosaur exhibit combined with record visitor spending resulted in best-ever enterprise revenues. Zoo related expenditures totaled $25,439,755, up $2,549,788 or 11.1 percent over the prior year. The significant reasons for these increases were noted in the governmental activities discussion earlier in this analysis.

In summary, the General Fund reflected a decrease of $5,385,973 in fund balance from its operations, to a total of $37,696,428 at June 30, 2008, primarily due to a one-time transfer of $5,700,000 to the Metro Capital Fund for renewal and replacement reserves. Of this total fund balance, $8,518,324 is reserved for assets held for resale and $570,627 for long-term loans receivable of the TOD program. Unreserved fund balance in the General Fund stood at $28,607,477 at June 30, 2008, representing 44.9 percent of total fund expenditures.

The Rehabilitation and Enhancement Fund received an additional $387,805 transferred from the Solid Waste Fund for fees collected and earned $91,706 in investment income. During the year, Metro provided funding to the City of Forest Grove ($475,574) and City of Oregon City ($139,645) in accordance with intergovernmental agreements for projects in their jurisdictions. Metro expended an additional $61,206 in North Portland and $118,067 in Northwest Portland for projects approved by the local area's rehabilitation and enhancement committees, including signage, roofing, various childhood education support programs, youth sports, and community garden improvements. Fund balance stood at $2,074,726 at June 30, 2008, up $52,870 from the prior year.

The General Obligation Bond Debt Service Fund accounts for the debt service requirements of Metro's general obligation bonds. During the fiscal year, property tax revenues used to pay debt service totaled $35,931,269, up $17,147,632 over the prior year due to the additional assessments for repayment of the 2007 Series Natural Areas General Obligation Bonds issued in the prior year. Required interest payments on all general obligation bonds totaled $12,838,212, which was $6,366,556 higher than the prior year reflecting the increase in outstanding principal noted above. An additional $22,401,585 was expended on principal payments, leaving $13,661,489 in fund balance reserved for debt service at fiscal year end.

The Open Spaces Fund expended an additional $94,502 primarily on local share projects, including projects for North Clackamas Parks and Recreation ($14,164) and the Gleason Boat Ramp ($72,104). At

June 30, 2008, $350,070 remains in fund balance, with management estimating that this amount will be expended in the next fiscal year.

The Natural Areas Fund reflected capital outlay expenditures of $27,465,835, including the purchase of approximately 497 acres from willing sellers in eight different target areas and 26 separate land transactions, while also covering construction costs at Mount Talbert and Cooper Mountain Nature Parks. Of this amount, 426 acres are owned by Metro and the remainder owned by other governments under the local share component of the program). Additional expenditures of $6,462,723 were incurred to fund various local share projects, including staffing and materials to conduct all the projects accounted for in this fund.

The Metro Capital Fund is used for capital accounts for the zoo, parks and general support functions. All of the $2,163,691 in contributions and donations received by the fund during the year supported projects at the zoo. Of the $2,117,050 in capital outlay expenditures, $1,067,505 funded zoo projects, while $564,784 funded parks projects. Of the $759,501 in non-capital expenditures in the fund, $460,887 was expended for general government projects and $210,409 for parks projects. The more significant projects are described in more detail in the Capital Assets and Debt Administration section later in this analysis. The Metro Capital Fund ended the fiscal year with an unreserved fund balance of $15,989,019.

Proprietary funds. Metro's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Net assets in the Solid Waste Fund totaled $71,057,370 at year-end, up 1.3 percent or $943,036. Of this amount, $25,686,711 is unrestricted, down 4.9 percent, and represents 49.4 percent of annual operating expenses. Additional net assets are restricted for renewal and replacement ($8,203,751), landfill closure ($4,556,201) and debt service ($2,355,090). In addition to the information already provided in the narrative above on business-type activities, the following additional detailed analysis of solid waste expenses is provided:

Total operating expenses increased $837,294 or 1.6 percent from the prior year. Payroll and fringe benefits increased 3.2 percent ($276,183) due to higher fringe benefit costs and scheduled wage increases. Depreciation and amortization expenses decreased 4.0 percent ($67,670) as Metro extended the estimated useful lives on significant assets as a result of the physical inventory conducted during the year. Facility operating expenses for Metro's two solid waste transfer stations increased $795,222 or 8.5 percent and disposal fees paid for waste disposal at the Gilliam County landfill increased 1.2 percent ($148,507), with these increases attributable to increased rates per ton and cost of living increases, offset somewhat by lower tonnage. Waste transport costs decreased 1.3 percent ($101,460), with a 2.9 percent decrease in tonnage. Waste reduction grants, a non-operating expense, totaled $1,369,116 in the current fiscal year, up $301,984 or 28.3 percent from the prior year.

Net assets for MERC totaled $192,997,328 at June 30, 2008, down $818,982 or 0.4 percent from the prior year, with 87.0 percent of net assets invested in capital assets, net of related debt. Of the remaining net assets for MERC, $23,963,105 is unrestricted, and represents 54.9 percent of annual operating expenses. Program revenue includes charges for services of $30,451,878 and operating grants and contributions of $822,241. Charges for services revenue rose $1,387,895 or 4.8 percent from the prior year. This revenue growth is due primarily to a successful year with new events (such as the New Living Show, Lifesavers, Women's conference and a return of the Quilt Show at Expo and OCC). Increases were also experienced in food and beverage sales, which were up $235,055.

Payroll and fringe benefit costs increased $1,094,451 or 7.6 percent, This increase was the result of reorganization and new priorities, including: the first full year of salary for two new positions - a Business Systems Analyst and a Procurement Analyst; the General Manager position was vacant for more than half the prior fiscal year and was recruited at market salary for the position; two new administrative positions were added and a Public Relations Analyst position was reclassified to a Director of Communications and Strategic Development. These increases were offset by partial year vacancies in a new public affairs position, an accounting position and the human resources manager position, which was vacant for half of fiscal year 2008. Food and beverage costs increased $441,555 or 4.6 percent and marketing expenses increased $212,382 or 8.8 percent, partly a result of increases in familiarization tours for event planners. Facility operating costs grew $1,036,556 or 16.0 percent, reflecting increased activity at MERC facilities and expenses for planning of a possible headquarters hotel.

The Risk Management Fund, an internal service fund that is incorporated in governmental activities for government-wide reporting, had net assets of $2,462,255 at June 30, 2008. Total assets were $9,352,290, primarily in equity in Metro's internal cash and investment pool ($9,188,871). Significant liabilities included the actuarially determined accrued self-insurance claims ($854,173), down $192,075 from the prior year, and an environmental impairment liability ($5,225,000), which is unchanged from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

Of the fourteen total budget amendments made during fiscal year 2008, ten involved the General Fund, resulting in an additional $3,052,036 in appropriations between the adopted and amended budget. The largest amendment, Ordinance 07-1160B, appropriated $1,423,365 in spending authority from reserves, including $250,000 for information technology projects, $405,000 for transportation and urban/rural reserves work in Planning, $300,000 for regional parks projects, and $333,000 as a fundraising match for the zoo's *Predators of the Serengeti* campaign (later transferred to the Metro Capital Fund via Ordinance 08-1176). Smaller appropriations, also in Ordinance 07-1160B, provided expenditure authority for the Transportation Speaker Series in Public Affairs ($18,000) and for sponsorships and an earth-friendly design competition in non-departmental special appropriations ($117,365).

Other large amendments during the fiscal year included Ordinance 08-1174, which authorized $619,400 in spending on four grant-funded trails and restoration projects at regional parks facilities and a low-impact-development training series. Ordinance 08-1173 provided $295,000 in increased appropriation in the Council Office, Planning and Public Affairs for the "Building 2040" campaign, placemaking and infrastructure finance. Another amendment, Ordinance 08-1188, authorized $750,000 of additional expenditure authority for operating expenses at the zoo due to record attendance, as well as providing spending authority for a $40,666 in-kind grant of furniture to the zoo.

Smaller amendments included additional appropriation for the Council Office ($45,466) and the Office of the Auditor ($10,480) for elected officials' salaries (Ordinance 07-1158); an additional $106,369 in expenditure authority at the zoo to relocate the wolves and grizzlies and to provide a walk-in cooler at the condor breeding facility, both funded by donations from the Oregon Zoo Foundation (Ordinance 08-1171); a $20,000 appropriation increase in parks to support expenditures in hosting the 2008 Special Parks District Forum (Ordinance 08-1175); additional appropriation authority of $30,000 in Human Resources for an employee survey and $22,370 in Public Affairs and Government Relations for a delayed billing on the website redesign (Ordinance 08-1178); and additional expenditure authority of $21,920 for a position supporting the Regional Travel Options program (Ordinance 08-1182).

The General Fund is appropriated by department with separate designations within the fund for debt service, interfund transfers and contingency. Appropriated departments include the Council Office, Finance and Administrative Services, Human Resources, Metro Auditor, Office of Metro Attorney, Oregon Zoo, Planning, Public Affairs and Government Relations, Regional Parks and Greenspaces, in addition to non-departmental expenditures (including a debt service expenditure category). There were no expenditures in excess of appropriations in the General Fund for the fiscal year ended June 30, 2008.

Departments that spent less than 90.0 percent of their General Fund appropriations included the Metro Auditor (87.9 percent), Regional Parks and Greenspaces (85.7 percent), Planning (74.1 percent) and Finance and Administrative Services (88.9 percent). Planning had work on several large projects deferred until fiscal year 2009, such as the Brownfields and long-range planning projects, and experienced a shift in funding structure which reduced expected payments for the Milwaukie Light Rail project, as well as lower TOD program related expenditures as described earlier.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Metro's investment in capital assets for its governmental and business type activities amounts to $483,643,022 (net of accumulated depreciation) as of June 30, 2008. This investment in capital assets includes land, buildings and exhibits, improvements, and various types of equipment. The total increase (including additions and deductions) in Metro's investment in capital assets for the current fiscal year was $22,248,272 or 4.8 percent, net of accumulated depreciation. Metro reflects an increase of $28,391,710 or 11.9 percent in capital assets attributable to governmental activities and a decrease of $6,143,438 or 2.8 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	
	2008	2007 (as restated)	2008	2007 (as restated)	2008	2007 (as restated)
Land	$ 179,793,373	152,273,020	19,329,786	19,329,786	199,123,159	171,602,806
Buildings and Exhibits	68,431,622	69,950,151	187,425,473	192,100,669	255,857,095	262,050,820
Improvements	13,590,885	12,416,273	2,069,031	2,556,372	15,659,916	14,972,645
Equipment	2,786,265	2,880,143	6,388,070	6,261,102	9,174,335	9,141,245
Office furniture/equip	463,594	278,063	649,674	689,657	1,113,268	967,720
Railroad equip/facilities	111,321	118,594	-	-	111,321	118,594
Construction in Progress	2,520,696	1,389,802	83,232	1,151,118	2,603,928	2,540,920
Total	$ 267,697,756	239,306,046	215,945,266	222,088,704	483,643,022	461,394,750

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

- A comprehensive physical inventory of all Metro's capital assets was completed in May 2008. As a result of this effort, Metro made a prior period adjustment to previously reported capital assets in the amount of $6,092,683 for governmental activities and $3,491,700 for business-type activities. This effort included various reclassifications by the asset categories shown above and as reflected in Note 4 to the financial statements. As part of this review of capital assets, Metro revised the estimated useful lives and is depreciating the assets accordingly.

- Metro acquired ownership of approximately 426 acres from willing sellers in eight different target areas and 26 separate land transactions from the proceeds of the Natural Areas general obligation bonds. The total capitalized cost for the property acquired in the current fiscal year under this program was $29,148,667 and is reflected in governmental activities capital assets.

- The Oregon Zoo received a donated x-ray machine for its veterinary hospital, which added $126,948 to governmental activities capital assets. In addition, work was underway for *Predators of the Serengeti* ($400,146) and the *Red Ape Reserve* renovation ($282,724).

- Regional Parks and Greenspaces capitalized work on several projects accounted for in the Metro Capital Fund, including the Gleason Boat Ramp attenuator project ($1,170,000) and the Blue Lake Nature and Golf Learning Center design and engineering ($808,000).

- Solid Waste capitalized the acquisition of a Peterbilt Diesel Tractor ($88,287), two Toyota trucks ($68,698), and various improvements at Metro Central Transfer Station ($156,790).

- MERC's largest capitalized project in fiscal year 2008 was for the OCC's Audio Visual Control Room project, which capitalized $130,934, followed by additional work for Leadership in Energy and Environmental Design (LEED) variable frequency drives at OCC totaling $129,148, as well as other lighting and other improvements at OCC in the amount of $257,242. Various equipment was acquired during the year, including a scissor lift, kitchen ovens, voice mail systems and other software for a total of $247,889.

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

Long-term debt. At the end of the current fiscal year, Metro had total bonded debt outstanding of $288,729,664 net of discounts and deferred amounts on refunding. Of this amount, $229,338,399 comprises debt backed by the full faith and credit of Metro and the remainder ($59,391,265) represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

In addition, Metro had other long-term debt outstanding in the form of loans. The following table provides a summary of Metro's debt activity for the primary government. 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	
	2008	2007	2008	2007	2008	2007
Gen. obligation bonds	229,338,399	252,287,497	-	-	229,338,399	252,287,497
Revenue bonds	41,555,225	42,697,278	17,836,040	19,412,251	59,391,265	62,109,529
Loans	592,500	1,072,239	143,911	154,191	736,411	1,226,430
Total	$ 271,486,124	296,057,014	17,979,951	19,566,442	289,466,075	315,623,456

Metro's total debt decreased $26,157,381 (8.3 percent) during the current fiscal year. The key factor in this decrease was the scheduled payments of principal maturities on outstanding bonds and the final payment on an energy loan.

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

Bonds, 2003 Series have been rated "AAA" as they are insured, with the underlying ratings of "A" by Standard & Poor's and "A2" by Moody's. The Metro Full Faith and Credit Refunding Bonds have been rated "AA+" and "Aa2" by Standard & Poor's and Moody's, respectively.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for Metro is $20,745,584,398, 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 9 through 13 in the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Oregon's economy has experienced positive trends since the mid-1980s, with the strongest growth occurring during the early to mid-1990s. The exodus of Californians to the less populated and more affordable Portland area stimulated the local economy. Between 1990 and 2006 Oregon recorded the second highest increase in home prices in the nation, in large part because of continued in-migration. Substantial Pacific Rim investment in the Pacific Northwest also stimulated the economy of the Portland area. The Portland area has one of the most diversified economies of any major metropolitan area on the West Coast. High-tech companies such as Tektronix, Inc., Intel Corporation, LSI Logic and Sequent Computers are located in the area. In addition, several large sports-oriented companies such as Nike, Adidas, Jantzen and Columbia Sportswear have headquarters in the Portland area.

By 2008, however, the national housing crisis had spread to the Portland area, and the local economy is now feeling the effects of the instability in the national financial and credit markets. By September 2008, housing prices in the Portland metro area were down 9 percent from their August 2007 peak. In October 2008, Oregon's unemployment rate reached 7.3 percent, up from September's 6.4 percent, and the state's highest since August 2004. The Federal Reserve has cut the overnight Fed funds rate six times during 2008; it currently stands at 1 percent, its lowest rate since 2004.

The Metro fiscal year 2009 budget continues a focus on controlling overhead costs and creating efficiencies in order to protect core public services and investments, while continuing to support the region's commitment to the "triple bottom line" of social, economic and environmental responsibility. Metro also continues its commitment to a short term appropriated contingency, as well as an unappropriated stabilization reserve to safeguard against economic disruption. These reserves, combined with careful financial management during the year will help Metro navigate through unstable economic times. The following paragraphs provide a summary of the significant initiatives planned and budgeted for in the coming fiscal year.

Metro's regional planning efforts will continue to focus on *Making the Greatest Place*, developing tools and resources to create more vibrant town centers, transit station areas, corridors and employment centers. During the coming year, Metro will develop a strategy to address infrastructure needs, provide leadership to develop a regional transportation finance strategy and prepare the next Urban Growth Report to inform growth management decisions.

Metro will complete negotiations with Walsh Trucking Co. Ltd. on a new long-term contract for transport of waste to the Columbia Ridge Landfill in Gilliam County, worth more than $125 million over ten years; the contract will begin in January 2010. During fiscal year 2009, Solid Waste programs will focus on sustainability, including the hiring of Metro's first sustainability coordinator, an increase of $1 million in the Recycle at Work program and the addition of $1.4 million to be used by local school districts to increase waste reduction awareness via the regional Outdoor School programs.

The Natural Areas program, funded by bonds approved by citizens in November 2006, continues to dominate capital spending in fiscal year 2009, with $40 million budgeted for land acquisition.

During the coming year, the Metro Council will make a "go/no go" decision regarding a convention center headquarters hotel. Should the project go forward, the year would also include development of a hotel financing plan.

For fiscal year 2009, MERC facilities expect a 6 percent, or $1.7 million, increase in enterprise revenues, to $30.4 million. The increase includes increased local events, rental rate increases of 10 percent at the Oregon Convention Center and 3 percent at the Portland Expo Center, and an exceptional Broadway series.

The General Fund includes enterprise revenues such as admission fees, parking fees, food and beverage sales, and other sales and contracted services generated from income producing activities such as the Oregon Zoo and Metro Regional Parks. Admission fees at the zoo will increase $0.25 in fiscal year 2009, and zoo parking fees will increase from $1.00 to $2.00 per car. No fee increases are anticipated at Metro Regional Parks.

The fiscal year 2009 budget assumes attendance of 1.5 million visitors at the Oregon Zoo, a figure that matches the record set in fiscal year 2007. Annual attendance and admission rates determine the per capita estimate used to budget most enterprise revenues, such as food and catering. As of September 1, 2008, Oregon Zoo enterprise revenues are exempt from excise tax. Projections for fiscal year 2009 enterprise revenues from zoo operations total $18,498,650, or 21 percent more than budgeted the prior year. Of this amount, $916,000 represents excise tax elimination for the last nine months of the fiscal year. Enterprise revenues from Regional Parks facilities are budgeted at $2,625,687, up 6 percent from the fiscal year 2008 budget.

Metro's solid waste system is funded largely through three types of user fees: the regional system fee, the Metro tonnage charge and a flat fee charged for each transaction at Metro transfer stations. The regional system fee is imposed on all waste generated in the Metro region and ultimately disposed of for a fee, regardless of disposal site. The Metro tonnage charge is a user fee collected only at Metro transfer stations. The fiscal year 2009 budget includes a scheduled increase of $1.91 per ton in the Metro tonnage charge and a $1.96 increase in the regional system fee, both effective September 1, 2008. The transaction fee will remain a split rate and has not changed from fiscal year 2008. Total solid waste enterprise revenues are budgeted to grow 12.8 percent during the fiscal year 2009, although the economic downturn makes it likely that year-end enterprise revenues will be lower than budgeted.

The fiscal year 2009 budget includes an excise tax rate of 7.5 percent on all non-solid waste generated revenues and a flat excise tax fee on all solid waste tonnage that will increase from $8.35 per ton in fiscal year 2008 to $8.97 per ton in fiscal year 2009. Of this flat rate, $3.34 per ton (up from $3.23 in the prior year) is dedicated to Regional Parks operations and to the Tourism Opportunity and Competitiveness Account to provide assistance to MERC in marketing the OCC. The excise tax is budgeted to raise $15.1 million from all sources during fiscal year 2009.

As noted earlier, the Metro Council established a Construction Excise Tax (CET), effective July 1, 2006, to provide funding for regional and local planning required to make land ready for development after its inclusion in the Urban Growth Boundary. The tax will sunset when a total of $6.3 million has been collected. While collections have slowed with contraction in new housing construction, the CET is expected to generate $1.5 million in fiscal year 2009, reaching the $6.3 million total.

Metro expects to collect 95 percent of property taxes levied and approximately $318,000 in delinquent taxes, consistent with historical experience.

With the November 4, 2008 passage by the regions' voters of a $125 million general obligation bond issue for zoo capital construction, as noted earlier, Metro will be working to issue these bonds to fund capital projects to protect animal health and safety, conserve and recycle water, and improve access to conservation education.

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 Administrative Services, Metro, 600 NE Grand Avenue, Portland, Oregon, 97232-2736.

METRO

Statement of Net Assets

June 30, 2008

		Primary Government			Component Unit
		Governmental Activities	Business-type Activities	Total	Oregon Zoo Foundation
Assets					
Equity in internal cash and investment pool	$	60,961,640	48,740,676	109,702,316	1,965,818
Investments		-	-	-	5,611,234
Receivables (net of allowance for uncollectibles):					
Property taxes		1,815,332	-	1,815,332	-
Trade		628,081	6,011,042	6,639,123	637,532
Other		1,820,195	5,122,091	6,942,286	296,726
Interest		1,522,765	270,431	1,793,196	95,028
Grants		4,669,193	-	4,669,193	-
Internal balances		4,102,167	(4,102,167)	-	-
Inventories		123,156	451,706	574,862	-
Assets held for resale		8,518,324	-	8,518,324	-
Prepaid items		446,102	702,442	1,148,544	-
Loan receivable (net of discount)		570,627	-	570,627	-
Net pension asset		21,107,890	-	21,107,890	-
Other assets		308,153	90,607	398,760	38,537
Restricted assets:					
Equity in internal cash and investment pool		26,284,224	17,090,326	43,374,550	-
Investments		80,667,081	2,354,346	83,021,427	-
Capital assets:					
Land, improvements and construction in progress		182,314,069	19,413,018	201,727,087	-
Other capital assets (net of accumulated depreciation)		85,383,687	196,532,248	281,915,935	27,390
Total assets	$	481,242,686	292,676,766	773,919,452	8,672,265
Liabilities					
Accounts payable	$	6,532,757	4,555,966	11,088,723	265,226
Salaries, withholdings and payroll taxes payable		2,597,999	960,556	3,558,555	-
Contracts payable		55,113	-	55,113	876,585
Accrued interest payable		3,094,791	109,976	3,204,767	-
Accrued self-insurance claims		854,173	-	854,173	-
Unearned revenue		895,469	2,194,959	3,090,428	2,411,628

(Continued)

METRO

Statement of Net Assets

June 30, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Oregon Zoo Foundation
Liabilities, Continued				
Deposits payable	$ 151,554	2,054,710	2,206,264	6,646
Other liabilities	3,438	437,695	441,133	-
Payable from restricted assets:				
Contracts payable	-	257,716	257,716	92,253
Post-closure costs payable	-	2,891,299	2,891,299	-
Non-current liabilities:				
Due within one year:				
Bonds payable	25,854,775	2,845,000	28,699,775	-
Loans payable	-	10,279	10,279	-
Compensated absences	1,520,923	905,777	2,426,700	-
Due in more than one year:				
Environmental impairment liability	5,225,000	-	5,225,000	-
Bonds payable (net of unamortized premium or discount and deferred amount on refunding)	245,038,849	14,991,040	260,029,889	-
Loans payable	592,500	133,632	726,132	-
Net other postemployment benefits obligation	211,053	189,887	400,940	-
Compensated absences	700,214	185,743	885,957	-
Total liabilities	$ 293,328,608	32,724,235	326,052,843	3,652,338
Net Assets				
Invested in capital assets, net of related debt	101,632,452	198,109,226	299,741,678	27,390
Restricted for:				
Renewal and replacement	-	8,203,751	8,203,751	-
Landfill closure	-	4,556,201	4,556,201	-
Debt service	12,144,381	2,355,393	14,499,774	-
Rehabilitation and enhancement	2,074,726	-	2,074,726	-
Capital projects	12,770,734	1,180,311	13,951,045	-
Perpetual care-non-expendable	256,340	-	256,340	-
Zoo purposes:				
Expendable	-	-	-	769,374
Non-expendable	-	-	-	170,001
Unrestricted	59,035,445	45,547,649	104,583,094	4,053,162
Total net assets	$ 187,914,078	259,952,531	447,866,609	5,019,927

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

Metro

METRO

Statement of Activities

For the year ended June 30, 2008

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary Government:				
Governmental activities:				
General government operations	$ 14,464,735	1,440,462	14,298	-
Regional planning and development	15,998,524	1,271,625	13,183,874	-
Culture and recreation	12,040,343	2,824,138	312,258	-
Zoo	27,268,768	15,991,730	1,452,764	2,163,915
Interest on long-term debt	13,228,648	-	-	-
Total governmental activities	83,001,018	21,527,955	14,963,194	2,163,915
Business-type activities:				
Solid Waste	53,514,858	53,238,401	39,610	-
MERC	44,148,046	30,451,878	822,241	-
Total business-type activities	97,662,904	83,690,279	861,851	-
Total primary government	$ 180,663,922	105,218,234	15,825,045	2,163,915
Component Unit:				
Oregon Zoo Foundation	$ 6,330,654	3,996,985	2,867,433	-

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, 2007, as previously stated
Prior period adjustment
Net assets-July 1, 2007, as restated

Net assets-June 30, 2008

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
(13,009,975)	-	(13,009,975)	
(1,543,025)	-	(1,543,025)	
(8,903,947)	-	(8,903,947)	
(7,660,359)	-	(7,660,359)	
(13,228,648)	-	(13,228,648)	
(44,345,954)	-	(44,345,954)	
-	(236,847)	(236,847)	
-	(12,873,927)	(12,873,927)	
-	(13,110,774)	(13,110,774)	
(44,345,954)	(13,110,774)	(57,456,728)	
			533,764
$ 46,901,621	-	46,901,621	-
14,367,409	-	14,367,409	-
2,483,137	-	2,483,137	-
23,267	-	23,267	-
545,550	11,156,012	11,701,562	-
9,182,961	2,828,289	12,011,250	209,307
275,192	(275,192)	-	-
73,779,137	13,709,109	87,488,246	209,307
29,433,183	598,335	30,031,518	743,071
152,388,212	255,862,496	408,250,708	4,276,856
6,092,683	3,491,700	9,584,383	-
158,480,895	259,354,196	417,835,091	4,276,856
$ 187,914,078	259,952,531	447,866,609	5,019,927

Fund Financial Statements

Major Governmental Funds

General Fund

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

The budgetary General Fund is combined with another budgetary fund, the General Revenue Bond Fund – General, to become one fund in accordance with accounting principles generally accepted in the United States of America.

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.

Debt Service Fund

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

(Continued)

Major Governmental Funds, continued

Capital Projects Funds

Open Spaces Fund

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

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 resource is investment income.

Metro Capital Fund

This fund accounts for all major capital development projects and renewal and replacement reserves of Metro. The principal sources of revenue are investment income and capital contributions and donations.

Permanent Fund

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

METRO

Balance Sheet
Governmental Funds

June 30, 2008

	General	Special Revenue: Smith and Bybee Lakes	Special Revenue: Rehabilitation and Enhancement
Assets			
Equity in internal cash and investment pool	$ 28,995,565	4,015,658	2,129,286
Investments	-	-	-
Receivables:			
Property taxes	454,965	-	-
Trade	627,311	-	-
Other	1,820,195	-	-
Interest	154,932	21,615	11,268
Grants	4,658,047	-	-
Inventories	123,156	-	-
Assets held for resale	8,518,324	-	-
Prepaid items	443,886	-	-
Loan receivable (net of discount)	570,627	-	-
Other assets	97,465	-	-
Restricted assets:			
Equity in internal cash and investment pool	767	-	-
Total assets	$ 46,465,240	4,037,273	2,140,554
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	$ 5,450,303	59,345	65,828
Salaries, withholdings and payroll taxes payable	1,851,067	-	-
Contracts payable	1,000	-	-
Deferred revenue	415,981	-	-
Unearned revenue	895,469	-	-
Deposits payable	151,554	-	-
Other liabilities	3,438	-	-
Total liabilities	8,768,812	59,345	65,828
Fund balances:			
Reserved for:			
Assets held for resale	8,518,324	-	-
Loans receivable	570,627	-	-
Debt service	-	-	-
Unreserved	28,607,477	3,977,928	2,074,726
Total fund balances	37,696,428	3,977,928	2,074,726
Total liabilities and fund balances	$ 46,465,240	4,037,273	2,140,554

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.

Deferrred 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			Permanent	Total
Debt Service	Open Spaces	Natural Areas	Metro Capital	Cemetery Perpetual Care	Governmental Funds
7,253,099	353,487	18,576,822	16,377,351	254,909	77,956,177
6,031,875	-	74,635,206	-	-	80,667,081
1,360,367	-	-	-	-	1,815,332
-	-	-	-	70	627,381
-	-	-	-	-	1,820,195
175,488	2,048	1,021,377	86,377	1,361	1,474,466
-	10,000	-	1,146	-	4,669,193
-	-	-	-	-	123,156
-	-	-	-	-	8,518,324
-	-	2,216	-	-	446,102
-	-	-	-	-	570,627
-	-	-	196,316	-	293,781
-	-	-	-	-	767
14,820,829	365,535	94,235,621	16,661,190	256,340	178,982,582
-	15,465	207,269	613,918	-	6,412,128
-	-	52,558	4,140	-	1,907,765
-	-	-	54,113	-	55,113
1,159,340	-	-	-	-	1,575,321
-	-	-	-	-	895,469
-	-	-	-	-	151,554
-	-	-	-	-	3,438
1,159,340	15,465	259,827	672,171	-	11,000,788
-	-	-	-	-	8,518,324
-	-	-	-	-	570,627
13,661,489	-	-	-	-	13,661,489
-	350,070	93,975,794	15,989,019	256,340	145,231,354
13,661,489	350,070	93,975,794	15,989,019	256,340	167,981,794
14,820,829	365,535	94,235,621	16,661,190	256,340	
					267,697,756
					21,107,890
					1,575,321
					6,564,422
					(277,013,105)
					$ 187,914,078

METRO

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

For the year ended June 30, 2008

	General	Special Revenue: Smith and Bybee Lakes	Special Revenue: Rehabilitation and Enhancement
Revenues:			
Property taxes	$ 10,381,369	-	-
Excise taxes	14,341,764	-	-
Construction excise tax	2,483,137	-	-
Cemetery revenue surcharge	-	-	-
Local government shared revenues	545,550	-	-
Investment income	1,495,047	176,975	91,706
Government fees	576,342	-	-
Culture and recreation fees	16,728,873	-	-
Other fees	2,568,934	958	-
Internal charges for services	849,709	-	-
Licenses and permits	405,408	-	-
Miscellaneous revenue	303,277	-	-
Grants	13,897,010	-	-
Government contributions	12,500	-	-
Contributions and donations	1,391,471	-	-
Capital contributions and donations	224	-	-
Total revenues	65,980,615	177,933	91,706
Expenditures:			
Current:			
General government operations	12,291,466	-	-
Regional planning and development	15,951,042	-	-
Culture and recreation	5,915,743	108,828	426,641
Zoo	25,439,755	-	-
Debt service:			
Principal	1,780,000	-	-
Interest	2,009,133	-	-
Capital outlay	307,788	-	-
Total expenditures	63,694,927	108,828	426,641
Revenues over (under) expenditures	2,285,688	69,105	(334,935)
Other financing sources (uses):			
Sale of capital assets	-	-	-
Transfers in	599,123	-	387,805
Transfers out	(8,270,784)	-	-
Total other financing sources (uses)	(7,671,661)	-	387,805
Net change in fund balances	(5,385,973)	69,105	52,870
Fund balances - July 1, 2007	43,082,401	3,908,823	2,021,856
Fund balances - June 30, 2008	$ 37,696,428	3,977,928	2,074,726

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

Debt Service	Capital Projects: Open Spaces	Capital Projects: Natural Areas	Capital Projects: Metro Capital	Permanent: Cemetery Perpetual Care	Total Governmental Funds
35,931,269	-	-	-	-	46,312,638
-	-	-	-	-	14,341,764
-	-	-	-	-	2,483,137
-	-	-	-	23,267	23,267
-	-	-	-	-	545,550
887,587	18,183	5,600,503	521,496	10,621	8,802,118
-	-	-	-	-	576,342
-	-	-	-	-	16,728,873
-	-	-	-	-	2,569,892
-	-	-	-	-	849,709
-	-	-	-	-	405,408
-	-	27,380	67,074	-	397,731
-	10,000	-	54,391	-	13,961,401
-	-	-	-	-	12,500
-	-	-	-	-	1,391,471
-	-	-	2,163,691	-	2,163,915
36,818,856	28,183	5,627,883	2,806,652	33,888	111,565,716
-	-	-	460,887	-	12,752,353
-	-	-	-	-	15,951,042
-	94,502	6,462,723	210,409	-	13,218,846
-	-	-	88,205	-	25,527,960
22,401,585	-	-	-	-	24,181,585
12,838,212	-	-	-	-	14,847,345
-	-	27,465,835	2,117,050	-	29,890,673
35,239,797	94,502	33,928,558	2,876,551	-	136,369,804
1,579,059	(66,319)	(28,300,675)	(69,899)	33,888	(24,804,088)
-	16,000	-	-	-	16,000
-	-	-	7,588,064	-	8,574,992
-	-	(22,998)	(2,307)	-	(8,296,089)
-	16,000	(22,998)	7,585,757	-	294,903
1,579,059	(50,319)	(28,323,673)	7,515,858	33,888	(24,509,185)
12,082,430	400,389	122,299,467	8,473,161	222,452	192,490,979
13,661,489	350,070	93,975,794	15,989,019	256,340	167,981,794

METRO

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

For the year ended June 30, 2008

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

Net change in fund balances-total governmental funds		$ (24,509,185)
Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlays exceeded depreciation in the current period.		
Expenditures for capital assets	$ 32,126,473	
Less current year depreciation	(3,695,780)	28,430,693
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.		(38,983)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in deferred property taxes	588,983	
Change in other deferred revenue	25,645	614,628
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.		886,838
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.		
Principal payments on bonds	23,731,585	
Principal payments on loans	479,739	24,211,324
Expenses in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the funds.		
Loans receivable allowance	(402,179)	
Other postemployment benefits	(211,053)	
Compensated absences	(108,800)	
Amortization of deferred amounts on refunding	359,566	
Amortization of net pension asset	(1,059,810)	
Accrued interest on long-term debt	1,260,144	(162,132)
Change in net assets of governmental activities		$ 29,433,183

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

Fund Financial Statements

Proprietary Funds

Enterprise Funds

Solid Waste Fund

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

MERC Fund

This fund accounts for revenues and expenses related to the management and operation of facilities managed by MERC, including the OCC, Expo Center, and PCPA. The principal sources of revenue are local government shared revenue and charges for services. Expenses consist primarily of management, marketing and operation costs. This fund consists of two budgetary funds (MERC Fund and General Revenue Bond Fund-Expo) that are combined as one Enterprise Fund to be in accordance with accounting principles generally accepted in the United States of America..

Internal Service Fund

Risk Management Fund

This fund accounts for risk management and self-insurance programs performed for other organizational units within Metro. Primary revenues are charges for services to user funds and investment income. Primary expenses are insurance premiums, claims costs, and studies related to insurance issues.

METRO

Statement of Net Assets
Proprietary Funds

June 30, 2008

	Business-type Activities-Enterprise Funds			Governmental Activities-Internal Service Fund
Assets	Solid Waste	MERC	Total	Risk Management
Current assets:				
Equity in internal cash and investment pool	$ 23,078,986	25,661,690	48,740,676	9,188,871
Receivables:				
Trade	4,834,752	1,176,290	6,011,042	700
Other	987,231	4,134,860	5,122,091	-
Interest	209,188	61,243	270,431	48,299
Inventories	451,706	-	451,706	-
Prepaid items	689,164	13,278	702,442	-
Other assets	40,892	49,715	90,607	14,371
Total current assets	30,291,919	31,097,076	61,388,995	9,252,241
Noncurrent assets:				
Restricted equity in internal cash and investment pool	15,909,712	1,180,614	17,090,326	100,049
Restricted investments	2,354,346	-	2,354,346	-
Capital assets, net	34,673,164	181,272,102	215,945,266	-
Total noncurrent assets	52,937,222	182,452,716	235,389,938	100,049
Total assets	83,229,141	213,549,792	296,778,933	9,352,290
Liabilities				
Current liabilities:				
Accounts payable	3,608,794	947,172	4,555,966	120,628
Salaries, withholdings and payroll taxes payable	397,565	562,991	960,556	690,234
Accrued interest payable	54,481	55,495	109,976	-
Accrued self-insurance claims	-	-	-	854,173
Unearned revenue	-	2,194,959	2,194,959	-
Deposits payable	-	2,054,710	2,054,710	-
Other liabilities	1,583	436,112	437,695	-
Bonds payable-current	2,265,000	580,000	2,845,000	-
Loans payable-current	-	10,279	10,279	-
Compensated absences-current	426,966	478,811	905,777	-
Total current liabilities	6,754,389	7,320,529	14,074,918	1,665,035

(Continued)

METRO

Statement of Net Assets, Continued
Proprietary Funds

June 30, 2008

Liabilities, continued	Business-type Activities- Enterprise Funds		Total	Governmental Activities- Internal Service Fund
	Solid Waste	MERC		Risk Management
Noncurrent liabilities:				
Payable from restricted assets:				
Contracts payable	$ 257,716	-	257,716	-
Post-closure costs payable	2,891,299	-	2,891,299	-
Environmental impairment liability	-	-	-	5,225,000
Bonds payable (net of unamortized discount and deferred amount on refunding)	2,152,547	12,838,493	14,991,040	-
Loans payable	-	133,632	133,632	-
Net other postemployment benefits obligation	66,924	122,963	189,887	-
Compensated absences	48,896	136,847	185,743	-
Total non-current liabilities	5,417,382	13,231,935	18,649,317	5,225,000
Total liabilities	12,171,771	20,552,464	32,724,235	6,890,035
Net Assets				
Invested in capital assets, net of related debt	30,255,617	167,853,609	198,109,226	-
Restricted for:				
Renewal and replacement	8,203,751	-	8,203,751	-
Landfill closure	4,556,201	-	4,556,201	-
Debt service	2,355,090	303	2,355,393	-
Capital projects	-	1,180,311	1,180,311	-
Unrestricted	25,686,711	23,963,105	49,649,816	2,462,255
Total net assets	$ 71,057,370	192,997,328	264,054,698	2,462,255
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(4,102,167)	
Net assets of business-type activities			$ 259,952,531	

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

METRO

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds

For the year ended June 30, 2008

	Business-type Activities- Enterprise Funds			Governmental Activities- Internal Service Fund
	Solid Waste	MERC	Total	Risk Management
Operating revenues:				
Charges for services	$ 53,209,006	30,451,878	83,660,884	98,885
Internal charges for services	29,395	-	29,395	8,374,182
Government contributions	-	711,375	711,375	-
Total operating revenues	53,238,401	31,163,253	84,401,654	8,473,067
Operating expenses:				
Payroll and fringe benefits	9,021,634	15,589,871	24,611,505	149,040
Depreciation and amortization	1,526,200	5,576,939	7,103,139	-
Administrative expenses	3,397,066	2,066,618	5,463,684	-
Facility operating expenses	10,151,854	7,519,550	17,671,404	-
Marketing expense	-	2,621,997	2,621,997	-
Food and beverage expense	-	10,072,089	10,072,089	-
Contributions to other governments	-	206,302	206,302	-
Disposal fees	13,043,390	-	13,043,390	-
Waste transport costs	7,971,763	-	7,971,763	-
Special waste disposal fees	825,466	-	825,466	-
Recycling credits	449,591	-	449,591	-
Consulting services	2,213,724	-	2,213,724	-
Charges for services	668,387	-	668,387	-
Payments to other governments	561,297	-	561,297	-
Insurance expense	-	-	-	6,734,497
Claims expense	-	-	-	786,667
Actuarial claims expense (reduction)	-	-	-	(192,075)
Other materials and services	2,148,177	-	2,148,177	82,397
Total operating expenses	51,978,549	43,653,366	95,631,915	7,560,526
Operating income (loss)	1,259,852	(12,490,113)	(11,230,261)	912,541
Non-operating revenues (expenses):				
Local government shared revenue	-	11,156,012	11,156,012	-
Investment income	1,880,966	947,323	2,828,289	380,843
Grants	34,966	-	34,966	71,446
Contributions and donations	4,644	110,866	115,510	-
Loss on disposal of capital assets	-	(182,506)	(182,506)	-
Waste reduction grants	(1,369,116)	-	(1,369,116)	-
Interest expense	(276,416)	(677,232)	(953,648)	-
Total non-operating revenues (expenses)	275,044	11,354,463	11,629,507	452,289
Income (loss) before transfers	1,534,896	(1,135,650)	399,246	1,364,830

(Continued)

METRO

Statement of Revenues, Expenses and Changes in Fund Net Assets, Continued
Proprietary Funds

For the year ended June 30, 2008

	Business-type Activities- Enterprise Funds			Governmental Activities- Internal Service Fund
	Solid Waste	MERC	Total	Risk Management
Transfers in	13,000	669,720	682,720	-
Transfers out	(604,860)	(353,052)	(957,912)	(3,711)
Change in net assets	943,036	(818,982)	124,054	1,361,119
Total net assets - July 1, 2007, as previously stated	66,622,634	193,816,310		1,101,136
Prior period adjustment	3,491,700	-		-
Total net assets - July 1, 2007, as restated	70,114,334	193,816,310		1,101,136
Total net assets - June 30, 2008	$ 71,057,370	192,997,328		2,462,255
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			474,281	
Change in net assets of business-type activities			$ 598,335	

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

METRO

Statement of Cash Flows
Proprietary Funds

For the year ended June 30, 2008

	Business-type Activities- Enterprise Funds			Governmental Activities- Internal Service Fund
	Solid Waste	MERC	Total	Risk Management
Cash flows from operating activities:				
Receipts from customers	$ 52,894,709	30,090,946	82,985,655	6,642,364
Receipts from other governments	-	711,375	711,375	-
Receipts from interfund services provided	-	-	-	1,473,146
Other operating receipts	113,360	170,316	283,676	98,185
Payments to suppliers for goods and services	(37,375,970)	(19,985,431)	(57,361,401)	(6,904,396)
Payments for claims	-	-	-	(786,667)
Payments and contributions to other governments	(561,297)	(206,302)	(767,599)	-
Payments to employees for services	(8,884,318)	(15,531,681)	(24,415,999)	(148,627)
Payments for interfund services used	(3,397,066)	(2,066,618)	(5,463,684)	-
Net cash provided by (used in) operating activities	2,789,418	(6,817,395)	(4,027,977)	374,005
Cash flows from noncapital financing activities:				
Local government shared revenues	-	11,156,012	11,156,012	-
Grants received	34,966	-	34,966	74,349
Contributions and donations	4,644	-	4,644	-
Grants to others	(1,369,116)	-	(1,369,116)	-
Transfers from other funds	-	669,720	669,720	-
Transfers to other funds	(591,861)	(353,052)	(944,913)	(3,711)
Net cash provided by (used in) noncapital financing activities	(1,921,367)	11,472,680	9,551,313	70,638
Cash flows from capital and related financing activities:				
Capital contributions	-	110,866	110,866	-
Principal payment on bonds	(1,225,000)	(555,000)	(1,780,000)	-
Interest payments	(110,513)	(642,997)	(753,510)	-
Acquisition and construction of capital assets	(320,032)	(822,175)	(1,142,207)	-
Principal payments on loans	-	(10,279)	(10,279)	-
Net cash used in capital and related financing activities	(1,655,545)	(1,919,585)	(3,575,130)	-
Cash flows from investing activities:				
Investment income	1,959,729	961,884	2,921,613	390,377
Proceeds from sale of investments	3,827,806	-	3,827,806	-
Purchase of investments	(4,870,512)	-	(4,870,512)	-
Net cash provided by investing activities	917,023	961,884	1,878,907	390,377
Net increase in cash including restricted amounts	129,529	3,697,584	3,827,113	835,020
Cash at beginning of year including restricted amounts	38,859,169	23,144,720	62,003,889	8,453,900
Cash at end of year including restricted amounts	$ 38,988,698	26,842,304	65,831,002	9,288,920
Equity in internal cash and investment pool	$ 23,078,986	25,661,690	48,740,676	9,188,871
Restricted equity in internal cash and investment pool	15,909,712	1,180,614	17,090,326	100,049
	$ 38,988,698	26,842,304	65,831,002	9,288,920

(Continued)

METRO

Statement of Cash Flows, Continued
Proprietary Funds

For the year ended June 30, 2008

	Business-type Activities- Enterprise Funds Solid Waste	MERC	Total	Governmental Activities- Internal Service Fund Risk Management
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	$ 1,259,852	(12,490,113)	(11,230,261)	912,541
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	1,526,200	5,576,939	7,103,139	-
Change in assets and liabilities:				
Trade/other accounts receivable	(230,332)	102,221	(128,111)	(700)
Inventory	(142,415)	-	(142,415)	-
Other assets	481,449	1,390,031	1,871,480	-
Accounts payable	162,325	(1,051,993)	(889,668)	(27,635)
Salaries, withholdings and payroll taxes payable/compensated absences	3,468	58,189	61,657	(59,454)
Accrued self-insurance claims	-	-	-	(192,075)
Contracts payable	(16,644)	-	(16,644)	-
Unearned revenue	-	(170,138)	(170,138)	-
Deposits payable	-	(122,697)	(122,697)	-
Other liabilities	68,316	(109,834)	(41,518)	(258,672)
Post-closure costs payable	(322,801)	-	(322,801)	-
Total adjustments	1,529,566	5,672,718	7,202,284	(538,536)
Net cash provided by (used in) operating activities	$ 2,789,418	(6,817,395)	(4,027,977)	374,005
Noncash investing, capital, and financing activities:				
Investment income relating to the change in the fair value of investments	$ (128,930)	(38,041)	(166,971)	(22,722)

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

Metro

HISTORICAL INTRODUCTION

Metro, the nation's only directly elected regional government, was organized under the provisions of Oregon Revised Statutes (ORS) Chapter 268 to make available, in the Portland, Oregon metropolitan area, public services not adequately available through previously authorized governmental agencies. Under the 1992 Metro Charter, Metro's primary function is regional planning services. Metro is also authorized to exercise the following functions and is permitted by Charter to assume additional functions if approved by ordinance:

- Acquisition, development, maintenance and operation of:
  - a metropolitan zoo,
  - public cultural, trade, convention, exhibition, sports, entertainment, and spectator facilities,
  - facilities for disposal of solid and liquid wastes, and
  - a system of parks, open spaces and recreational facilities of metropolitan concern
- Metropolitan aspects of natural disaster planning and response coordination
- Development and marketing of data
- Performance of any other function required by state law or assigned to Metro by voters

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

The Metropolitan Exposition-Recreation Commission (MERC) was established by Metro ordinance to operate, maintain and renovate metropolitan convention, trade and spectator facilities pursuant to appropriate state statutes. The Commission consists of seven members appointed by the Council President and confirmed by the Council. MERC is not legally separate from Metro.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Metro have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The following summary of Metro's significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented, should be viewed as an integral part of the accompanying financial statements.

1. THE REPORTING ENTITY

Metro is a municipal corporation governed by a Council President and six Councilors. As required by GAAP, Metro's financial statements present Metro (the primary government) and its component unit –the Oregon Zoo Foundation (OZF), a legally separate non-profit organization whose sole purpose is to provide support and significant additional funding for Metro's Oregon Zoo. This discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from Metro. For materiality reasons, disclosures accompanying Metro's financial statements have generally been limited to those of the primary government.

Discretely Presented Component Unit

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

2. BASIC FINANCIAL STATEMENTS

Government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the activities of the primary government and its component unit. For the most part, the effect of interfund activity has been eliminated from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The primary government is reported separately from its legally separate component unit.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and 3) capital grants and contributions. Taxes and other items not properly included among program revenues are reported instead as *general revenues*, as are internally dedicated resources.

Fund financial statements are presented for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements.

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using *an economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. All transactions affecting increases (revenues) and decreases (expenses) in total net assets during the period are reported. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants are recognized as revenue when all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using *a current financial resources measurement focus* and the *modified accrual basis of accounting*. Only current assets and current liabilities are generally reported on the balance sheet. Governmental funds' operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) of net current assets during a period. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are both "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Metro considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on long-term debt that is recorded when due and certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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. For consistency purposes and in the public interest, Metro chooses to report all of its funds as "major funds" under governmental financial reporting requirements.

Metro reports the following major governmental funds:

General Fund – This fund accounts for all activities not required to be accounted for in another fund: Metro's primary governmental programs and support services including Council Office, Finance and Administrative Services, Human Resources, Metro Auditor, Office of Metro Attorney, Oregon Zoo, Planning (land use, urban growth management, and environmental and transportation planning), Public Affairs and Government Relations, Regional Parks and Greenspaces (parks, marine facilities, pioneer cemeteries, and a golf course) and non-departmental special appropriations. The budgetary General Fund is combined with another budgetary fund, the General Revenue Bond Fund – General, to become one fund in accordance with accounting principles generally accepted in the United States of America.

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

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.

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

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

Capital Projects Funds - This fund type is used to account for resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). Metro's capital projects funds are:

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

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 Capital Fund – This fund accounts for all major capital development projects and renewal and replacement reserves of Metro.

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

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

Metro reports the following major proprietary funds:

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

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

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.

Private-sector standards of accounting and financial reporting issued on or before November 30, 1989 have been applied to the government-wide financial statements and enterprise fund financial statements, unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. Metro has elected not to follow subsequent private-sector guidance.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions are direct charges for services between various funds that represent services provided and used. Elimination of these charges would distort the measurement of the cost of individual functional activities. Certain indirect costs for central administration and support have been included as part of program expenses reported for the various functions in the government-wide financial statements.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Solid Waste Fund, MERC Fund, and of the internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and the internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

It is Metro's policy to use restricted resources first, then unrestricted resources as needed when both restricted and unrestricted resources are available for use.

4. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Cash and Investments

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

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

As authorized by State statutes, policies adopted by Metro's Investment Advisory Board and the Metro Council authorize Metro to invest in obligations of U.S. government agencies, U.S. Government Sponsored Enterprises (USGSE), the U.S. Treasury, time certificates of deposit, repurchase agreements, money market investments, bankers' acceptances, commercial paper, State of Oregon and local government securities, and the State Treasurer's Local Government Investment Pool (LGIP).

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at fiscal year-end are referred to as "due to/from other funds." The residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Uncollected property taxes receivable collected and remitted to Metro by county treasurers within approximately 60 days of fiscal year-end are recognized as revenue. The remaining balance is recorded as deferred revenue because it is not deemed available to finance operations of the current period. Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collections to entities levying taxes. Property taxes are assessed and become a lien against the property as of July 1 each year. Since property taxes may be collected by foreclosure, no allowance for doubtful accounts is deemed necessary. Property taxes are levied on November 15 and are payable in three installments that are due on November 15, February 15 and May 15. Taxes unpaid and outstanding after May 16 are considered delinquent.

Receivables are stated net of an allowance for uncollectibles when required.

Metro allocates indirect costs, primarily of an administrative nature, to grants in compliance with cost allocation plans that are subject to the approval of Metro's oversight agency. The plan in effect for fiscal year 2008 allocated indirect costs to grants at a rate of approximately 32% of the related direct personnel costs.

Inventories and Prepaid Items

Inventories, consisting of consumable food and items held for resale, are valued at cost (first-in, first-out method), and are charged as expenses upon sale. Payments to vendors for services that will benefit future periods are recorded as prepaid items.

Animal Collections

In accordance with industry practice, animal collections of the Zoo are recorded at the nominal amount of $1, as there is no objective basis for establishing value. Differences in attributes such as species, age, sex, endangered status, and breeding potential make it impracticable to assign value. Acquisitions are recorded as expenses of the operating activity.

Restricted Assets and Liabilities

Resources for future payment of bonds and certain long-term liabilities or activities have been classified as restricted assets (a portion of the equity in the internal cash and investment pool and a portion of investments) on the statement of net assets because their use is limited by applicable bond covenants or other agreements. Such restrictions include amounts for debt service and Natural Areas programs in governmental activities; for renewal and replacement, debt service, and the payment of the post-closure liability in the Solid Waste Enterprise Fund; and for debt service and capital projects in the MERC Enterprise Fund.

Transit-Oriented Development (TOD) Program Easements

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

Capital Assets

Capital assets, which include land, buildings and exhibits, improvements, equipment, office furniture and equipment, and railroad equipment and facilities, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by Metro as assets with an initial cost of $5,000 or more ($10,000 or more for MERC) and an estimated useful life in excess of one year. Capital assets are recorded at cost, and donated capital assets are stated at estimated fair market value when received. Normal maintenance and repairs are charged to operations as incurred. For Metro, replacements exceeding $5,000 that improve or extend the lives of property are capitalized; for MERC the amount is $10,000.

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

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

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

Pursuant to an intergovernmental agreement with the City of Portland, Metro (through MERC) operates and manages activities for the PCPA, but capital assets purchased from funds derived from these operations become property of the City. As such, these expenses are reflected as contributions to other governments and are not capitalized.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums, discounts, issuance costs and deferred amounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported on the statement of net assets net of the unamortized portion of those costs.

For governmental fund types in the fund financial statements, bond premiums, discounts and issuance costs are recognized in the period incurred. The face amount of debt issued plus any premium received on issuance is reported as other financing sources. Discounts on issuance are reported as other financing uses. Issuance costs are reported as expenditures.

Liability for Compensated Absences

Accumulated unpaid vacation benefits are accrued as earned in government-wide and proprietary fund financial statements. Accumulated unpaid vacation benefits are recorded as liabilities in the governmental fund types only if they have matured as the result of employee resignations or retirements. Calculated amounts of vacation leave payable include salary-related payments associated with the leave, such as Metro's share of Social Security and Medicare taxes. Accumulated sick leave does not vest and is, therefore, recorded in all funds when leave is taken.

Fund Balances and Net Assets

In the fund financial statements' balance sheet, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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

RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes a reconciliation between fund balance-total governmental funds and net assets-governmental activities as reported in the government-wide statement of net assets. Elements of that reconciliation explain that capital assets, other long-term assets and long-term liabilities are either not reported or are deferred in the funds. The details of these differences are:

	Capital assets	Other long-term assets	Long-term liabilities
Capital assets	$ 327,398,073	-	-
Accumulated depreciation	(59,700,317)	-	-
Net pension asset	-	21,107,890	-
Net other postemployement benefits obligation	-	-	(211,053)
Accrued interest payable	-	-	(3,094,791)
Bonds payable (net of unamortized premium and deferred amount on refunding)	-	-	(270,893,624)
Loans payable	-	-	(592,500)
Compensated absences	-	-	(2,221,137)
Net adjustment to fund balance-total governmental funds to arrive at net assets-governmental activities	$ 267,697,756	21,107,890	(277,013,105)

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

PRIOR PERIOD ADJUSTMENT

During May 2008, Metro completed a comprehensive physical inventory of its capital assets. The physical inventory included the determination of estimated historical costs for various assets that had not been previously segregated, estimated historical costs for capital assets that had been transferred to Metro by other entities in prior years (including certain infrastructure assets), and identified assets that had been disposed of as of June 30, 2007. The inventory also included adjustments to accumulated depreciation on those assets, as well as categorical reclassification of certain assets held at June 30, 2007. As a result of these efforts, governmental activities' capital assets net of accumulated depreciation were increased $6,092,683 and net assets invested in capital assets net of related debt was restated accordingly. Net income for the governmental activities would have been $318,245 higher in fiscal year 2007 as a result of this correction for depreciation expense. Business-type activities' capital assets net of accumulated depreciation and net assets invested in capital assets net of related debt were increased $3,491,700, with that restatement also reflected in the Solid Waste enterprise fund statements. Net income for the Solid Waste business-type activities would have been $223,631 higher in fiscal year 2007 as a result of this correction for depreciation expense.

DETAILED NOTES ON ALL FUNDS

1. CASH AND INVESTMENTS

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

Oregon statutes require each depository institution to maintain on deposit (on balances above federal deposit insurance) securities valued at not less than 25% of the certificates of participation issued by its pool manager.

Policies adopted by Metro's Investment Advisory Board and the Metro Council authorize Metro to invest in obligations of U.S. government agencies, U.S. Government Sponsored Enterprises (USGSE), the U.S. Treasury, time certificates of deposit, repurchase agreements, money market investments, bankers' acceptances, commercial paper, State of Oregon and local government securities, and the State Treasurer's local government investment pool (LGIP). The LGIP is an external investment pool that is not rated by any national rating agency. LGIP investments are reported at fair value and are materially the same as the value of the pool shares. The State Treasurer's investment policies are governed by Oregon Revised Statutes and the Oregon Short Term Fund Board (OSTFB).

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, 2008, Metro had the following investments and maturities:

		Held by			Investment Maturities (in months)		
Investment Type		Individual funds	Internal pool	Fair Value	Less than 3	3-17	18-59
Bankers' Acceptances	$	2,858,910	22,861,509	25,720,419	15,754,860	9,965,559	-
U.S. Government securities - USGSE		77,605,733	35,973,616	113,579,349	29,908,644	83,670,705	-
Commercial paper		-	2,980,849	2,980,849	2,980,849	-	-
State Treasurer's investment pool		2,556,784	26,637,265	29,194,049	29,194,049	-	-
Total Investments		83,021,427	88,453,239	171,474,666	77,838,402	93,636,264	-
Cash deposits		-	64,623,627				
Total cash and investments		83,021,427	153,076,866				
Per statement of net assets:							
Unrestricted		-	109,702,316				
Restricted		83,021,427	43,374,550				
Total	$	83,021,427	153,076,866				

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% minimum
Under 18 months	75% minimum
Under 60 months	100% minimum

Credit Risk - Neither Oregon Revised Statutes nor Metro investment policy limits investments as to credit rating for securities purchased from U.S. Government Agencies or from USGSE. Metro's Investments in USGSE were rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. All of Metro's commercial paper had a minimum credit rating of A-1 by Standard & Poor's and P-1 by Moody's Investors Service. The State Investment Pool is unrated.

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

Custodial Credit Risk - Metro monitors custodial credit risk on deposits (the risk that if a bank failed, Metro's deposits would not be returned) in accordance with Oregon statutes and Metro investment policy. Oregon statutes require each depository institution to maintain on deposit (on balances above federal deposit insurance) securities valued at not less than 25% of the certificates of participation issued by its pool manager, resulting in 75% of deposits not being collateralized. Metro monitors its depository institutions for indications that could potentially cause loss of Metro funds. At June 30, 2008, Metro had $32,699,958 that was exposed to custodial credit risk because it was uninsured and uncollateralized.

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, 2008 Metro was in compliance with all percentage restrictions. More than 5 percent of Metro's total investments are in securities by the following issuers:

			Fund Concentrations Exceeding Total Entity Concentration	
Issuer	Percentage of Total Investments (Total Entity Concentration)	Policy Allowed Maximum	Debt Service Fund	Natural Areas Fund
Federal Home Loan Bank (FHLB)	19.5%	40.0%	45.9%	22.1%
Federal Home Loan Mortgage Corporation (FHLMC)	6.0%	40.0%	-	8.1%
Federal Farm Credit Bank (FFCB)	13.0%	40.0%	-	23.4%
Federal National Mortgage Association (FNMA)	9.8%	40.0%	-	19.5%
Bankers' Acceptances	11.7%	100.0%	-	-

2. ASSETS HELD FOR RESALE

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

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

3. LOANS RECEIVABLE

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

Maximum Term	Interest Rate	Gross Loan Receivable	Unamortized Discount	Net Loan Receivable
50 years	0 to 1%	$555,000	$429,599	$125,401
50 years	0 to 1%	265,000	219,774	45,226
2 years	1%	400,000	-	400,000
			Total	$570,627

The $555,000 50-year loan agreement, discounted at 6.78%, calls for annual payments beginning March 15, 2026 and continuing through March 15, 2056. The $265,000 50-year loan agreement, discounted at 6.45%, calls for annual payments beginning March 1, 2028 and continuing through March 1, 2058 and includes a commitment for Metro to advance an additional gross loan amount of $100,000 upon completion of the project's building shell.

The 2-year loan agreement bears simple interest, and the outstanding principal balance and accrued interest are due and payable no later than January 5, 2010. During fiscal year 2008, the agreement between the parties was amended with Metro advancing an additional $100,000 and extending the repayment period as stated above.

4. CAPITAL ASSETS

Capital asset balances and activity for fiscal year 2008 were as follows:

	Balance July 1, 2007	Prior Period Adjustment	Increases	Decreases	Transfers	Balance June 30, 2008
Governmental activities:						
Capital assets, non-depreciable:						
Land	$ 154,446,228	(2,173,208)	27,438,783	-	81,570	179,793,373
Construction in progress	1,194,440	195,362	1,815,198	(6,593)	(677,711)	2,520,696
Total non-depreciable	155,640,668	(1,977,846)	29,253,981	(6,593)	(596,141)	182,314,069
Capital assets, depreciable:						
Buildings and exhibits	101,997,122	5,791,976	783,809	(41,000)	33,296	108,565,203
Improvements	11,831,637	10,814,408	1,450,634	-	548,777	24,645,456
Equipment	4,627,596	1,717,216	334,286	-	14,068	6,693,166
Office furniture/equipment	4,267,303	(1,456,912)	303,763	-	-	3,114,154
Railroad equipment/facilities	2,337,620	(271,595)	-	-	-	2,066,025
Total depreciable	125,061,278	16,595,093	2,872,492	(41,000)	596,141	145,084,004
Accumulated depreciation:						
Buildings and exhibits	(34,472,662)	(3,366,285)	(2,303,244)	8,610	-	(40,133,581)
Improvements	(4,321,547)	(5,908,225)	(824,799)	-	-	(11,054,571)
Equipment	(3,084,629)	(380,040)	(442,232)	-	-	(3,906,901)
Office furniture/equipment	(3,678,465)	1,146,137	(118,232)	-	-	(2,650,560)
Railroad equipment/facilities	(1,931,280)	(16,151)	(7,273)	-	-	(1,954,704)
Total accumulated depreciation	(47,488,583)	(8,524,564)	(3,695,780)	8,610	-	(59,700,317)
Total capital assets, depreciable, net	77,572,695	8,070,529	(823,288)	(32,390)	596,141	85,383,687
Governmental activities capital assets, net	$ 233,213,363	6,092,683	28,430,693	(38,983)	-	267,697,756

		Balance July 1, 2007	Prior Period Adjustment	Increases	Transfers/ Adjustments	Balance June 30, 2008
Business-type activities:						
Capital assets, non-depreciable:						
Land	$	19,329,786	-	-	-	19,329,786
Construction in progress		1,151,118	-	83,232	(1,151,118)	83,232
Total non-depreciable		20,480,904	-	83,232	(1,151,118)	19,413,018
Capital assets, depreciable:						
Buildings		277,115,939	(2,924,053)	600,976	(360,932)	274,431,930
Improvements		6,209,209	7,623,644	-	2,714,544	16,547,397
Equipment		7,366,746	6,490,545	284,320	1,309,569	15,451,180
Office furniture/equipment		5,256,952	(114,232)	173,679	(3,898,739)	1,417,660
Leasehold improvements		9,086,791	(9,086,791)	-	-	-
Total depreciable		305,035,637	1,989,113	1,058,975	(235,558)	307,848,167
Accumulated depreciation:						
Buildings		(85,936,000)	3,844,783	(5,792,714)	877,474	(87,006,457)
Improvements		(2,769,159)	(8,507,322)	(333,224)	(2,868,661)	(14,478,366)
Equipment		(4,566,751)	(3,029,438)	(826,294)	(640,627)	(9,063,110)
Office furniture/equipment		(4,567,295)	114,232	(150,907)	3,835,984	(767,986)
Leasehold improvements		(9,080,332)	9,080,332	-	-	-
Total accumulated depreciation		(106,919,537)	1,502,587	(7,103,139)	1,204,170	(111,315,919)
Total capital assets, depreciable, net		198,116,100	3,491,700	(6,044,164)	968,612	196,532,248
Business-type activities capital assets, net	$	218,597,004	3,491,700	(5,960,932)	(182,506)	215,945,266

Based on the physical inventory performed in fiscal year 2008, Metro made certain reclassifications and adjustments among asset categories as reflected in the tables above.

An agreement between the City of Portland and Metro regarding the real property at the Zoo provides that the property must be used for zoo or zoo-related purposes and, if such property ceases to be used for such purposes or is used for other purposes, title reverts to the City. Metro was in compliance with this agreement for the year ended June 30, 2008.

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 will be included in the Comprehensive Annual Financial Report of the City of Portland.

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:		
General government operations	$	685,181
Regional planning and development		1,515
Culture and recreation		764,980
Zoo		2,244,104
Total depreciation expense - governmental activities	$	3,695,780
Business-type activities:		
Solid Waste	$	1,526,200
MERC		5,576,939
Total depreciation expense - business-type activities	$	7,103,139

5. DEFERRED AND UNEARNED REVENUE

Deferred revenue is reported in governmental funds for taxes receivable not collected within 60 days after year-end and other receivables not susceptible to accrual under the modified accrual basis of accounting. Governmental funds also defer revenue recognition for resources that have been received, but not yet earned. The details of these amounts at June 30, 2008 were:

	Deferred	Unearned
Delinquent property taxes-General Fund	$ 390,336	-
Delinquent property taxes-Debt Service Fund	1,159,340	
Other delinquent revenue-General Fund	25,645	-
Grant and contract drawdowns prior to meeting all eligibility requirements-General Fund	-	104,328
Advance ticket sales/registrations-General Fund	-	791,141
	$1,575,321	895,469

6. DEFERRED COMPENSATION PLAN

Metro offers its employees a 401(k) deferred compensation plan in accordance with Internal Revenue Code provisions. The plan is available to all Metro employees and permits employees to contribute a portion of their salary to the plan to obtain favorable tax treatment for amounts contributed. Moneys accumulated under the plan are deposited with a trustee for the exclusive benefit of the participants and are invested in mutual funds that are self-directed by participants. The deferred compensation is not available to participants until termination, retirement, death, or certain hardship conditions. In accordance with authoritative guidance, the plan is not included in Metro's financial statements.

7. PENSION PLAN

Defined Benefit Plan Description

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

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

Funding Policy

Employer contributions to both the OPSRP and PERS plans are required by state statute and are made at actuarially determined rates as adopted by the OPERB. Actuarial valuations are performed at least every two years. Metro participates in the PERS state and local government rate pool as created by the Legislature. Under the provisions of state statutes, all covered employees, except elected officials, are required to contribute 6% 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% contribution in accordance with the collective bargaining agreements covering those employees. Metro's current required employer contribution rates, based on the 2005 valuation, are 7.63% of covered employees' salaries for the OPSRP plan, and 5.17% for the PERS plan. Metro also charges an internal rate of 3.4% of payroll to departments to fund the repayment of pension obligation bonds issued in fiscal year 2006.

Annual Pension Cost/Pension Asset

For fiscal year 2008, Metro's annual pension cost was $3,547,568. This amount consisted of Metro's actual required contributions of $743,401 to the OPSRP plan and $1,744,257 for the PERS plan, as well as $1,059,810 in amortization of pension assets. In addition, Metro paid $2,303,886 for the 6% 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 $21,107,890 at June 30, 2008. Metro's required employer contribution was determined as part of an actuarial valuation at December 31, 2005.

Three-year historical trend information:

Fiscal year ended June 30:	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2006	$4,110,699	100%	0
2007	4,120,627	100%	0
2008	3,547,568	100%	0

8. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

All employees of Metro retiring from active service with a pension benefit payable immediately under Oregon PERS are eligible for other postemployment benefits (OPEB) relating to health care. Retirees of Metro and their dependents under age 65 are allowed to receive the same health care coverage at tiered premium rates as offered to active Metro employees, resulting in an implicit employer subsidy (health care premiums priced only for retirees would be more expensive than tiered premiums because retirees have higher health care claims on average). The retiree is responsible for paying the full premium. The implicit employer subsidy is only measured for retirees and spouses younger than age 65, at which point such retirees and spouses typically become eligible for Medicare. Metro's single-employer OPEB plan does not issue a publicly available financial report. Metro implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* for the fiscal year ending June 30, 2008.

Funding Policy

Metro has not established a trust fund for future net OPEB obligations. At June 30, 2008, 25 retirees and spouses were paying premiums through Metro for health insurance coverage. Metro's required contribution is based on projected pay-as-you-go financing requirements. Metro contributed an estimated $113,093 of implicit subsidies in postemployment health care in fiscal year 2008.

Annual OPEB Cost/Net OPEB Obligation

Metro's annual OPEB cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the guidance of GASB Statement No. 45. The ARC is equal to the normal cost plus an amount to amortize the unfunded actuarial accrued liability (UAAL) as a level dollar amount over 20 years. A schedule of Metro's annual OPEB Obligation for the year ended June 30, 2008 is:

Annual Required Contribution (ARC)	$ 514,033
Interest on prior year Net OPEB Obligation	-
Adjustment to ARC	-
Annual OPEB cost	514,033
Estimated benefits payments	(113,093)
Increase in Net OPEB Obligation	400,940
Net OPEB Obligation – beginning of year	-
Net OPEB Obligation – end of year	$ 400,940
Percentage of annual OPEB cost contributed	22%

Additional information for fiscal year 2008 and the two preceding years is:

Fiscal year ended June 30:	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2006	N/A	N/A	N/A
2007	N/A	N/A	N/A
2008	$514,033	22%	$400,940

Funding Status/Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was $3,364,684, and the actuarial value of assets was zero, resulting in an UAAL of $3,364,684. The covered payroll was $43,483,110 for fiscal year 2008, and the UAAL as a percentage of covered payroll was 8%.

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the June 30, 2007 actuarial valuation, the projected unit credit actuarial cost method was used. This method attempts to track the actual economic pattern of benefit accrual over an employee's working lifetime. Significant actuarial assumptions used in the valuation include a discount rate of 4.5%, and health care cost trend rate of 8% initially, decremented to an ultimate rate of 5% after 10 years for the major medical component, which is representative of the entire plan. Metro's UAAL is being amortized using the level-dollar method with a rolling 20 year amortization methodology. The remaining amortization period at June 30, 2008 is 20 years.

9. COMMITMENTS

Columbia Ridge Landfill

Metro has a waste disposal services contract with the owner and operator of the Columbia Ridge Landfill in Arlington, Oregon for disposal of solid waste from the Metro region; this contract expires December 31, 2019. For fiscal year 2008, the contract required a per ton unit price of $24.84 for the first 550,000 tons and a declining incremental price scale for each ton of waste in excess of 550,000 tons. The per ton rate is adjusted annually on July 1 to reflect changes in the Consumer Price Index (CPI). Effective July 1, 2007, Metro received a reduction of $0.45 per ton from the rate that would have otherwise been charged for disposal at Columbia Ridge Landfill. Metro will receive an additional reduction of $0.93 per ton, effective July 1, 2010.

Waste Transport

Solid waste transport from Metro facilities to the Columbia Ridge Landfill and other disposal sites is privately contracted through December 31, 2009. The contract specifies a per load unit price that equates to a per ton rate of $13.33. The unit price is adjusted annually on January 1 in an amount equivalent to 75% of the CPI. In fiscal year 1999, Metro prepaid future fixed costs under the contract in an amount of approximately $6.6 million. $689,164 of this payment is unamortized at June 30, 2008 and is recorded on the statement of net assets as a prepaid item. In October 2008, Metro executed a new contract with a trucking company to continue the delivery of waste to Columbia Ridge Landfill from January 1, 2010 through December 31, 2019.

Metro South Station and Metro Central Station

Operations of Metro South and Metro Central stations, solid waste transfer stations and materials recovery facilities, are privately contracted through March 31, 2010. The agreement sets an annual payment for a fixed number of tons and a per ton price above the fixed tonnage for each facility. For fiscal year 2008, the fixed amount for Metro South is $1,910,766 per year based on

17,000 tons of waste received each month and a price of $8.90 per ton in excess of 17,000 tons per month. For Metro Central, figures for fiscal year 2008 are $2,136,825 per year for 18,000 tons per month and $9.39 per ton. The contractor also receives incentives for materials recovered from the waste stream and not sent to the Columbia Ridge Landfill. The unit price is adjusted annually on July 1 in accordance with the CPI.

The following table presents approximate annual commitments based on forecasted refuse tons and a 4.0% annual inflation factor for all of the previously described contracts:

Fiscal year ending June 30:	Columbia Ridge Landfill Variable payment based on tons	Waste Transport Variable payment based on loads	Metro South Variable payment based on tons	Metro Central Variable payment based on tons
2009	$11,198,025	8,451,388	3,502,333	4,428,706
2010	11,507,544	4,394,778	2,696,758	3,396,469
2011	10,995,206	-	-	-
2012	11,384,886	-	-	-
2013	11,788,663	-	-	-
Thereafter	88,620,599	-	-	-
Total	$145,494,923	12,846,166	6,199,091	7,825,175

Construction Projects

Metro is committed under a number of contracts for construction services. The amount of uncompleted contracts totals $431,181 at June 30, 2008.

10. LEASE OBLIGATIONS

Operating Lease

The Portland Center for the Performing Arts Theater Complex leases the grounds for the Complex under an operating lease expiring in 2083. The term of the original agreement may be extended in ten-year increments for a total of 50 additional years. Rent adjustments may be negotiated every five years commencing on November 1, 1994. The scheduled lease payments are $11,184 per month.

The future minimum lease payments are as follows:

Fiscal year ending June 30:		Fiscal year ending June 30:		Fiscal year ending June 30:	
2009	$134,214	2024-28	$671,070	2059-63	$ 671,070
2010	134,214	2029-33	671,070	2064-68	671,070
2011	134,214	2034-38	671,070	2069-73	671,070
2012	134,214	2039-43	671,070	2074-78	671,070
2013	134,214	2044-48	671,070	2079-83	671,070
2014-18	671,070	2049-53	671,070	2084	44,738
2019-23	671,070	2054-58	671,070		
				Total	$10,110,788

11. BONDS PAYABLE

Governmental Activities

Open Spaces Program 1995 Series B General Obligation Bonds

In prior years, Metro issued Open Spaces Program General Obligation Bonds, of which the Series A and C bonds have been refunded. The 1995 Series B (Capital Appreciation) bonds, originally issued in the amount $5,219,923, remain on their original redemption schedule. The Open Spaces Bonds were issued by Metro under authority granted by voters for $135.6 million in general obligation bonds to finance land acquisition and capital improvements pursuant to Metro's Open Spaces Program. The program establishes a cooperative regional system of parks, natural areas, open spaces, trails and greenways for wildlife and people.

The bonds are to be repaid with proceeds of Metro's *ad valorem* property tax levied each year. Interest rates on individual remaining Series B bonds range from 5.3% to 5.5%.

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

Fiscal year ending June 30:	Principal	Interest
2009	$254,775	245,225
2010	238,540	261,460
2011	223,356	277,644
	$716,671	784,329

2002 Series General Obligation Refunding Bonds

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

The 2002 bonds are to be repaid with proceeds of Metro's *ad valorem* property tax levied each year. The individual bonds have interest rates ranging from 5.0% to 5.25%.

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

Fiscal year ending June 30:	Principal	Interest
2009	$ 6,685,000	3,254,688
2010	7,030,000	2,911,812
2011	7,395,000	2,551,188
2012	8,265,000	2,159,687
2013	8,690,000	1,735,813
2014-16	28,925,000	2,331,131
	66,990,000	14,944,319
Unamortized costs/premium	4,620,019	
Deferred amount on refunding	(3,095,328)	
Per statement of net assets	$68,514,691	

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 4.375% to 5.0%.

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

Fiscal year ending June 30:	Principal	Interest
2009	$ 4,270,000	1,131,545
2010	4,525,000	918,045
2011	4,785,000	691,795
2012	5,035,000	486,040
2013	5,290,000	264,500
	$23,905,000	3,491,925

2005 Series General Obligation Refunding Bonds

In prior years, Metro issued $18,085,000 of General Obligation Refunding Bonds, 2005 Series to refund all callable outstanding Metro Washington Park Zoo Oregon Project 1996 Series A General Obligation Bonds. The defeased bonds have been called and paid and the escrow account for the defeasance is closed.

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

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

Fiscal year ending June 30:	Principal	Interest
2009	$ 1,480,000	772,075
2010	1,555,000	698,075
2011	1,620,000	643,650
2012	1,710,000	562,650
2013	1,795,000	477,150
2014-17	8,190,000	961,850
	16,350,000	4,115,450
Unamortized costs/premium	766,765	
Deferred amount on refunding	(620,199)	
Per statement of net assets	$16,496,566	

2007 Series Natural Areas General Obligation Bonds

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

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

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

Fiscal year ending June 30:	Principal	Interest
2009	$ 11,750,000	5,432,650
2010	12,340,000	4,845,150
2011	3,910,000	4,228,150
2012	4,070,000	4,071,750
2013	4,230,000	3,908,950
2014-18	24,315,000	16,386,000
2019-23	31,025,000	9,668,750
2024-26	22,375,000	2,043,450
	114,015,000	50,584,850
Unamortized costs/premium	5,690,471	
Per statement of net assets	$119,705,471	

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 2.625% to 4.4%.

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

Fiscal year ending June 30:	Principal	Interest
2009	$ 1,195,000	711,431
2010	1,225,000	679,668
2011	1,265,000	644,615
2012	1,300,000	605,327
2013	1,340,000	562,905
2014-18	6,845,000	2,067,311
2019-23	6,815,000	753,917
	19,985,000	6,025,174
Unamortized costs/discount	(133,829)	
Deferred amount on refunding	(2,192,315)	
Per statement of net assets	$17,658,856	

Pension Obligation Bonds Metro Limited Tax Series 2005

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

The bonds are to be repaid through assessments on Metro departments in exchange for the lower pension cost. The individual bonds have interest rates ranging from 4.379% to 5.5%.

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

Fiscal year ending June 30:	Principal	Interest
2009	$ 220,000	1,191,973
2010	290,000	1,182,339
2011	360,000	1,169,472
2012	435,000	1,153,214
2013	525,000	1,129,289
2014-18	4,130,000	5,182,223
2019-23	7,455,000	3,874,039
2024-28	10,715,000	1,570,506
	24,130,000	16,453,055
Unamortized costs/premium	(233,631)	
Per statement of net assets	$23,896,369	

Business-type Activities

Waste Disposal System Refunding Revenue Bonds 2003 Series

In prior years, Metro used a combination of available funds and the issuance of $4,990,000 of Waste Disposal System Refunding Revenue Bonds, 2003 Series to defease certain maturities of the Waste Disposal System Revenue Bonds 1990 Series A and Waste Disposal System Refunding Revenue Bonds 1993 Series A and to refund all callable maturities of the 1993 bonds. The defeased bonds have been called and paid and the escrow account for the defeasance is closed.

Future solid waste disposal revenues, net of specified operating expenses, are pledged revenue for debt service over the life of these bonds. The individual bonds have interest rates ranging from 2.25% to 2.5%, and interest is payable semiannually on July 1 and January 1. The bonds mature serially each January 1 and July 1 through 2010, with total principal and interest remaining to be paid on the bonds of $4,697,481. Principal and interest paid for the current year and total applicable net revenues were $1,335,513 and $4,215,749, respectively.

These bonds are subject to covenants which specify the order of application of gross revenues to requirements and which require Metro to: maintain its existing solid waste disposal system; establish rates to produce net revenues each year which at least equal 110% of annual debt service; maintain and enforce regulations governing the disposal of solid waste in the service area; and comply with the Internal Revenue Code to maintain the tax exempt status of the bonds. Other covenants also apply. Metro is in compliance with all covenants as of and for the year ended June 30, 2008.

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

Fiscal year ending June 30:	Principal	Interest
2009	$2,265,000	83,481
2010	2,320,000	29,000
	4,585,000	112,481
Unamortized costs/discount	(29,434)	
Deferred amount on refunding	(138,019)	
Per statement of net assets	$4,417,547	

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 (OECDD) 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 net proceeds of the issue were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to pay the full amount of the refunded loan when due. The loan was paid in full on December 1, 2007 and the escrow account for the defeasance is now closed.

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

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

Fiscal year ending June 30:	Principal	Interest
2009	$ 580,000	612,231
2010	600,000	588,631
2011	625,000	564,131
2012	650,000	538,631
2013	675,000	512,131
2014-18	3,830,000	2,094,790
2019-23	4,810,000	1,080,508
2024-25	2,245,000	100,688
	14,015,000	6,091,741
Unamortized costs/discount	110,118	
Deferred amount on refunding	(706,625)	
Per statement of net assets	$13,418,493	

12. OTHER LONG-TERM DEBT

TOD Property Loan

In prior years, Metro entered into a loan arrangement with a private party to purchase a TOD property (asset held for resale). The loan bears an interest rate of 6.5%, with a remaining interest-only payment due in fiscal year 2009. The loan will be repaid in full on January 26, 2010. The outstanding balance at June 30, 2008 was $592,500.

Local Improvement District Assessment Loan

In prior years, the City of Portland made a Local Improvement District (LID) assessment on MERC facilities for the construction of a pedestrian walkway across the Willamette River. The installment loan bears an interest rate of 5.32% and will be repaid in semi-annual installments through January 13, 2022. The outstanding balance at June 30, 2008 was $143,911.

Debt service requirements to maturity for these long-term debts are as follows:

Fiscal year ending June 30:		Governmental Activities: TOD Property Loan Principal	Governmental Activities: TOD Property Loan Interest	Business-type Activities: LID Payable Principal	Business-type Activities: LID Payable Interest
2009	$	-	38,513	10,279	7,525
2010		592,500	38,513	10,279	6,978
2011		-	-	10,279	6,432
2012		-	-	10,279	5,885
2013		-	-	10,279	5,338
2014-18		-	-	51,398	18,487
2019-22		-	-	41,118	4,946
	$	592,500	77,026	143,911	55,591

13. CHANGES IN LONG-TERM LIABILITIES

The following changes occurred during fiscal year 2008 in long-term liabilities:

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	$ 244,378,256	-	(22,401,585)	221,976,671	24,439,775
Full faith and credit bonds	21,155,000	-	(1,170,000)	19,985,000	1,195,000
Pension obligation bonds	24,290,000	-	(160,000)	24,130,000	220,000
Less deferred amounts:					
For premium or discount	11,739,403	-	(1,029,608)	10,709,795	-
On refunding	(6,577,884)	-	670,042	(5,907,842)	-
Total bonds payable	294,984,775	-	(24,091,151)	270,893,624	25,854,775
Environmental impairment liability	5,225,000	-	-	5,225,000	-
Loans payable	1,072,239	-	(479,739)	592,500	-
Net other postemployment benefits	-	211,053	-	211,053	-
Compensated absences	2,112,338	2,221,137	(2,112,338)	2,221,137	1,520,923
Governmental activity Long-term liabilities	$ 303,394,352	2,432,190	(26,683,228)	279,143,314	27,375,698
Business-type activities:					
Bonds payable:					
Revenue bonds	$ 5,810,000	-	(1,225,000)	4,585,000	2,265,000
Full faith and credit bonds	14,570,000		(555,000)	14,015,000	580,000
Less deferred amounts:					
For premium or discount	57,959	-	22,725	80,684	-
On refunding	(1,025,707)	-	181,063	(844,644)	-
Total bonds payable	19,412,252	-	(1,576,212)	17,836,040	2,845,000
Post-closure costs payable	3,214,100	-	(322,801)	2,891,299	862,800
Loans payable	154,191	-	(10,280)	143,911	10,279
Net other postemployment benefits	-	189,887	-	189,887	-
Compensated absences	1,079,006	1,091,520	(1,079,006)	1,091,520	905,777
Business-type activity Long-term liabilities	$ 23,859,549	1,281,407	(2,988,299)	22,152,657	4,623,856

The internal service fund predominantly serves the governmental funds. Accordingly, long-term liabilities for it are included as part of the above totals for governmental activities. For governmental activities, compensated absences are generally liquidated by the specific fund to which the wages of the employee earning the leave are charged, and net other postemployment benefits are charged to the general fund.

14. ENVIRONMENTAL IMPAIRMENT LIABILITY

Metro has environmental impairment exposure arising from its operations in four areas. Of greatest significance is the ownership of the St. Johns Landfill, now in post closure status. Other liabilities arise from Solid Waste operations; ownership of open spaces and natural areas acquired through bond proceeds; and ownership and operations of other buildings and facilities associated with primary functions. In August 2004, industry experts in environmental risk assessment performed a review to provide an analysis of the probability that Metro will incur future costs to resolve actual and potential environmental liabilities. As a result of this study, Metro recognized a liability of $5,225,000. The environmental impairment liability is scheduled to be reviewed in 2009.

15. POST-CLOSURE COST PAYABLE

The St. Johns Landfill was closed for operations in a prior year. Closure and post-closure care costs were recognized while the St. Johns Landfill was still in operation based on the then current estimate of total costs to complete such efforts, regardless of when cash disbursements were to be made. Such costs include methane gas and leachate collection systems, final cover, seeding, roads, drainage, ground water monitoring wells, liner systems, storm water management and operations and maintenance costs.

The post-closure cost of the St. Johns Landfill as of June 30, 2008 is estimated to be $41,393,901 under current Federal and state regulations. Actual cost may vary due to inflation or deflation, changes in technology, or changes in regulations. During the fiscal year, Metro paid $322,801 in closure costs as the closure process continued ($38,502,602 cumulative to date), reducing the remaining estimated liability to $2,891,299 at June 30, 2008. Metro has accumulated $7,447,500 in restricted cash for future payment of post-closure liabilities and will establish disposal charges at other Metro facilities to accumulate additional resources if necessary. This closure plan is in compliance with the plan filed with the Oregon Department of Environmental Quality.

16. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances at June 30, 2008 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	$4,102,167

Interfund transfers for the fiscal year by fund were:

	Transfers in					
Transfers out	General	Rehab./ Enhance.	Metro Capital	Solid Waste	MERC	Total
General	$ -	-	7,588,064	13,000	669,720	8,270,784
Natural Areas	22,998	-	-	-	-	22,998
Metro Capital	2,307	-	-	-	-	2,307
Solid Waste	217,055	387,805	-	-	-	604,860
MERC	353,052	-	-	-	-	353,052
Risk Mgmt	3,711	-	-	-	-	3,711
Total	$599,123	387,805	7,588,064	13,000	669,720	9,257,712

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.

17. INSURED RISKS

Metro is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Metro has established a Risk Management Fund (an internal service fund) to account for risk management activities, including payment of insurance policy premiums, payment of claims, and to finance its uninsured risks of loss. Under this program, the Risk Management Fund provides risk of loss coverage as follows:

- General liability, bodily injury to or property damage of third parties resulting from the negligence of Metro or its employees and errors and omissions risks: these risks are fully covered by the Risk Management Fund. Metro has been protected by ORS Chapter 30, the Oregon Tort Claims Act, which limits public entities' liability to $100,000 per person and $500,000 per occurrence for the acts of Metro, its employees and agents. In December 2007, an Oregon Supreme Court decision in a medical malpractice case involving Oregon Health and Science University created uncertainties about the future protections under this act. As a result, Metro increased its excess liability policy from $3 million to $5 million, with a $1 million deductible, beginning August 1, 2008. The excess policy is intended to insure possible liability outside the Oregon Tort Claims Act. The Oregon legislature is expected to consider tort claim reform in the 2009 session.

- Property damage to Metro-owned facilities: this risk is covered with a commercial property insurance policy. The property policy insures $528,394,626 of property values with a $500,000,000 blanket policy and a $500,000 deductible.

- Workers' compensation, bodily injury or illness to an employee while in the course of employment: this risk is covered through a retrospectively rated program from SAIF Corporation, a commercial carrier, in amounts that meet statutory requirements.

Metro has not experienced settlements in excess of insurance coverage in any of the last three fiscal years. An independent actuary prepared an actuarial valuation and estimates of liabilities for unpaid claims in August 2008. Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. Metro also monitors risk activity to ensure that proper reserves are maintained. All operating funds of Metro participate in the program and make payments to the Risk Management Fund based upon actuarial estimates of the amounts needed to pay prior and current year claims and to establish sufficient reserves.

The estimated claims liability of $854,173 reported as accrued self-insurance claims in the Risk Management Fund at June 30, 2008 was established in accordance with the requirements of GASB Statement No. 30, *Risk Financing Omnibus,* which requires that a liability for total estimated claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. A portion of the loss reserves have been discounted, using a discount factor of .959 for liability, .984 for property and .970 for workers' compensation and an assumed investment rate of 3.5% 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
2006-2007	$ 943,760	949,255	846,767	1,046,248
2007-2008	1,046,248	594,592	786,667	854,173

18. CONTINGENT LIABILITIES

Reviews by Grantor Agencies

Grant costs are subject to review by the grantor agencies. Any costs disallowed as the result of the review would be borne by Metro and may require the return of such amount to the grantor agency. Should costs be disallowed on a grant for which Metro acts in a pass-through capacity, Metro should be able to require repayment of amounts disallowed from the subgrantees.

Legal Matters

Metro is involved as a defendant in several claims and disputes that are normal to Metro's activities. Management intends to vigorously contest these matters and does not believe their ultimate resolution will have a material effect upon its financial position or operations.

19. SUBSEQUENT EVENTS

On November 4, 2008, regional voters approved by a considerable margin a $125 million general obligation bond to fund Oregon Zoo capital projects. The improvements are intended to protect animal health and safety, conserve and recycle water, and improve access to conservation education. The Metro Council also enacted a standard reimbursement resolution to allow certain qualifying expenditures incurred prior to the sale of bonds to be reimbursed from bond proceeds. Metro is considering the sale of the authorized bonds within fiscal year 2009.

Required Supplementary Information

Metro

General Fund and Major Special Revenue Funds

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

General Fund

Special Revenue Funds

Smith and Bybee Lakes Fund

Rehabilitation and Enhancement Fund

Schedule of Funding Progress

Other Postemployment Benefits

METRO

General Fund

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

For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with final budget positive
	Original	Final	Amounts	(negative)
Revenues:				
Program revenues:				
Charges for services:				
Government fees	$ 415,600	357,600	576,342	218,742
Culture and recreation fees	15,624,500	15,624,500	16,728,873	1,104,373
Other fees	3,070,750	3,070,750	2,568,934	(501,816)
Internal charges for services	58,100	58,100	8,345	(49,755)
Licenses and permits	405,000	405,000	405,408	408
Pension debt service assessment	-	-	1,475,704	1,475,704
Miscellaneous revenue	1,506,322	1,506,322	303,277	(1,203,045)
Operating grants and contributions:				
Grants	19,793,107	20,237,507	13,494,831	(6,742,676)
Government contributions	20,157	245,157	12,500	(232,657)
Contributions and donations	1,000,100	1,183,635	1,391,471	207,836
Capital grants and contributions:				
Capital contributions and donations	-	-	224	224
General revenues:				
Taxes:				
Property taxes	10,270,275	10,270,275	10,381,369	111,094
Excise taxes	14,677,197	14,677,197	14,341,763	(335,434)
Construction excise tax	3,000,000	3,000,000	2,483,137	(516,863)
Local government shared revenue	519,973	519,973	545,550	25,577
Investment income	842,690	842,690	1,447,955	605,265
Total revenues	71,203,771	71,998,706	66,165,683	(5,833,023)
Expenditures:				
Council office	1,836,470	1,921,351	1,812,156	109,195
Finance and administrative services	7,986,508	8,236,508	7,318,272	918,236
Human resources	1,607,004	1,637,004	1,513,026	123,978
Metro auditor	516,803	527,283	463,645	63,638
Office of Metro attorney	1,866,238	1,866,238	1,768,593	97,645
Oregon Zoo	24,484,816	25,381,851	25,348,618	33,233
Planning	21,268,784	21,896,249	16,228,943	5,667,306
Public affairs and government relations	1,819,550	1,914,960	1,745,214	169,746
Regional parks and greenspaces	6,000,682	6,850,082	5,873,602	976,480

METRO

General Fund

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

For the year ended June 30, 2008

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with final budget positive (negative)
Expenditures, continued:				
Special appropriations	$ 4,982,517	5,189,882	3,472,254	1,717,628
Non-departmental:				
Debt service	1,876,661	1,876,661	1,876,661	-
Contingency	9,223,297	6,633,196	-	6,633,196
Total expenditures	83,469,330	83,931,265	67,420,984	16,510,281
Revenues under expenditures	(12,265,559)	(11,932,559)	(1,255,301)	10,677,258
Other financing sources (uses):				
Transfers in	6,806,255	6,806,255	6,217,941	(588,314)
Transfers out	(11,320,221)	(11,653,221)	(10,931,371)	721,850
Total other financing sources (uses)	(4,513,966)	(4,846,966)	(4,713,430)	133,536
Revenues and other sources under expenditures and other uses	(16,779,525)	(16,779,525)	(5,968,731)	10,810,794
Beginning fund balance available for appropriation - July 1, 2007	24,678,747	24,678,747	34,355,493	9,676,746
Unappropriated ending fund balance - June 30, 2008	$ 7,899,222	7,899,222	28,386,762	20,487,540

Reconciliation to Governmental GAAP basis:

Excess of revenues and other financing sources over expenditures and other financing uses on the basis of budgeting:	
General Fund, as presented above	(5,968,731)
General Revenue Bond Fund-General, from page 121	12,131
Budget requirements not qualifying as expenses under Governmental GAAP:	
Issuance of loans (net of discount)	543,664
Additional revenues required by Governmental GAAP:	
Amortization of loan discounts	26,963
General Fund net change in fund balance as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds	$ (5,385,973)

METRO

Smith and Bybee Lakes Fund

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

For the year ended June 30, 2008

		Budgeted Amounts		Actual	Variance with final budget positive
		Original	Final	Amounts	(negative)
Revenues:					
Program revenues:					
Charges for services:					
Culture and recreation fees	$	1,700	1,700	-	(1,700)
Other fees		-	-	958	958
Operating grants and contributions:					
Government contributions		50,000	50,000	-	(50,000)
General revenues:					
Investment income		159,586	159,586	176,975	17,389
Total revenues		211,286	211,286	177,933	(33,353)
Expenditures:					
Regional parks department		95,000	95,000	87,128	7,872
Contingency		200,000	200,000	-	200,000
Total expenditures		295,000	295,000	87,128	207,872
Revenues over (under) expenditures		(83,714)	(83,714)	90,805	174,519
Other financing uses:					
Transfers out		(21,700)	(21,700)	(21,700)	-
Revenues over (under) expenditures and other uses		(105,414)	(105,414)	69,105	174,519
Beginning fund balance available for appropriation - July 1, 2007		3,799,959	3,799,959	3,908,823	108,864
Unappropriated ending fund balance - June 30, 2008	$	3,694,545	3,694,545	3,977,928	283,383

METRO

Rehabilitation and Enhancement Fund

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

For the year ended June 30, 2008

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with final budget positive (negative)
Revenues:				
General revenues:				
Investment income	$ 82,960	82,960	91,706	8,746
Total revenues	82,960	82,960	91,706	8,746
Expenditures:				
Materials and services	505,368	505,368	397,246	108,122
Contingency	300,000	300,000	-	300,000
Total expenditures	805,368	805,368	397,246	408,122
Revenues under expenditures	(722,408)	(722,408)	(305,540)	416,868
Other financing sources (uses):				
Transfers in	424,566	437,566	387,805	(49,761)
Transfers out	(29,395)	(29,395)	(29,395)	-
Total other financing sources (uses)	395,171	408,171	358,410	(49,761)
Revenues and other sources over (under) expenditures and other uses	(327,237)	(314,237)	52,870	367,107
Beginning fund balance available for appropriation - July 1, 2007	1,951,985	1,951,985	2,021,856	69,871
Unappropriated ending fund balance - June 30, 2008	$ 1,624,748	1,637,748	2,074,726	436,978

METRO

Schedule of Funding Progress
Other Postemployment Benefits

June 30, 2008

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability Unit Credit	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%

METRO

Notes to Required Supplementary Information

For the Year Ended June 30, 2008

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 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 14 budget amendments during the year ended June 30, 2008. Three of the amendments were significant. During the preparation of the fiscal year 2008 budget, the Council set aside almost $5 million in undesignated general reserves for discussion at a future date. In September 2007 following discussions on strategic program priorities, the Council developed a three-year allocation plan appropriating almost $1.4 million of the reserve to specific projects in fiscal year 2008. Two other amendments provided appropriation for increased business activities - $2.8 million in the Solid Waste Revenue Fund related to unanticipated tonnage and $1.3 million in the MERC Fund related to additional food and beverage sales.

2. RECONCILIATION OF BASIS OF BUDGETING TO GAAP BASIS

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

Other Supplementary Information

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 and all major special revenue funds are presented as required supplemetary information. Budgetary comparisons for all other funds are displayed in the following pages.

Metro

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

Open Spaces Fund

Natural Areas Fund

Metro Capital Fund

Permanent Fund

Cemetery Perpetual Care Fund

METRO

General Obligation Bond Debt Service Fund

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

For the year ended June 30, 2008

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with final budget positive (negative)
Revenues:				
General revenues:				
Taxes:				
Property taxes	$ 35,714,800	35,714,800	35,931,269	216,469
Investment income	100,000	100,000	887,587	787,587
Total revenues	35,814,800	35,814,800	36,818,856	1,004,056
Expenditures:				
Debt service:				
Principal	22,401,585	22,401,585	22,401,585	-
Interest	12,838,215	12,838,215	12,838,212	3
Total expenditures	35,239,800	35,239,800	35,239,797	3
Revenues over expenditures	575,000	575,000	1,579,059	1,004,059
Beginning fund balance available for appropriation - July 1, 2007	11,355,405	11,355,405	12,082,430	727,025
Unappropriated ending fund balance - June 30, 2008	$ 11,930,405	11,930,405	13,661,489	1,731,084

METRO

Open Spaces Fund

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

For the year ended June 30, 2008

		Budgeted Amounts		Actual	Variance with final budget positive
		Original	Final	Amounts	(negative)
Revenues:					
Program revenues:					
Operating grants and contributions:					
Grants	$	200,000	200,000	10,000	(190,000)
General revenues:					
Investment income		15,938	15,938	18,183	2,245
Total revenues		215,938	215,938	28,183	(187,755)
Expenditures:					
Regional parks department		590,938	590,938	94,502	496,436
Total expenditures		590,938	590,938	94,502	496,436
Revenues under expenditures		(375,000)	(375,000)	(66,319)	308,681
Other financing sources:					
Sale of capital assets		-	-	16,000	16,000
Revenues and other sources under expenditures		(375,000)	(375,000)	(50,319)	324,681
Beginning fund balance available for appropriation - July 1, 2007		375,000	375,000	400,389	25,389
Unappropriated ending fund balance - June 30, 2008	$	-	-	350,070	350,070

METRO

Natural Areas Fund

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

For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with final budget positive
	Original	Final	Amounts	(negative)
Revenues:				
Program revenues:				
Charges for services:				
Miscellaneous revenue	$ -	-	27,380	27,380
General revenues:				
Investment income	5,120,341	5,120,341	5,600,503	480,162
Total revenues	5,120,341	5,120,341	5,627,883	507,542
Expenditures:				
Regional parks department	49,427,392	49,427,392	33,200,105	16,227,287
Contingency	15,395,924	15,395,924	-	15,395,924
Total expenditures	64,823,316	64,823,316	33,200,105	31,623,211
Revenues under expenditures	(59,702,975)	(59,702,975)	(27,572,222)	32,130,753
Other financing uses:				
Transfers out	(911,496)	(911,496)	(751,451)	160,045
Revenues under expenditures and other uses	(60,614,471)	(60,614,471)	(28,323,673)	32,290,798
Beginning fund balance available for appropriation - July 1, 2007	125,001,075	125,001,075	122,299,467	(2,701,608)
Unappropriated ending fund balance - June 30, 2008	$ 64,386,604	64,386,604	93,975,794	29,589,190

METRO

Metro Capital Fund

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

For the year ended June 30, 2008

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with final budget positive (negative)
Revenues:				
Program revenues:				
Charges for services:				
Miscellaneous revenue	$ -	-	67,074	67,074
Operating grants and contributions:				
Grants	1,383,764	1,383,764	54,391	(1,329,373)
Contributions and donations	3,000	103,000	-	(103,000)
Capital grants and contributions:				
Capital contributions and donations	2,000,000	1,667,000	2,163,691	496,691
General revenues:				
Investment income	191,826	191,826	521,496	329,670
Total revenues	3,578,590	3,345,590	2,806,652	(538,938)
Expenditures:				
Oregon Zoo	4,139,572	4,489,572	1,158,017	3,331,555
Regional parks	2,152,124	2,152,124	745,444	1,406,680
Special appropriation	2,010,334	2,010,334	945,647	1,064,687
Contingency	2,742,529	2,492,529	-	2,492,529
Total expenditures	11,044,559	11,144,559	2,849,108	8,295,451
Revenues under expenditures	(7,465,969)	(7,798,969)	(42,456)	7,756,513
Other financing sources (uses):				
Transfers in	7,144,500	7,477,500	7,588,064	110,564
Transfers out	(29,750)	(29,750)	(29,750)	-
Total other financing sources (uses)	7,114,750	7,447,750	7,558,314	110,564
Revenues and other sources over (under) expenditures and other uses	(351,219)	(351,219)	7,515,858	7,867,077
Beginning fund balance available for appropriation - July 1, 2007	7,343,976	7,343,976	8,473,161	1,129,185
Unappropriated ending fund balance - June 30, 2008	$ 6,992,757	6,992,757	15,989,019	8,996,262

METRO

Cemetery Perpetual Care Fund

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

For the year ended June 30, 2008

		Budgeted Amounts		Actual	Variance with final budget positive
		Original	Final	Amounts	(negative)
Revenues:					
General revenues:					
Taxes:					
Cemetery revenue surcharge	$	19,000	19,000	23,267	4,267
Investment income		8,679	8,679	10,621	1,942
Total revenues		27,679	27,679	33,888	6,209
Beginning fund balance available for appropriation - July 1, 2007		204,203	204,203	222,452	18,249
Unappropriated ending fund balance - June 30, 2008	$	231,882	231,882	256,340	24,458

Proprietary Funds

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

Enterprise Funds

Solid Waste Revenue Fund

MERC Fund

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

Internal Service Fund

Risk Management Fund

METRO

Solid Waste Revenue Fund

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

For the year ended June 30, 2008

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with final budget positive (negative)
Revenues:				
Program revenues:				
Charges for services:				
Government fees	$ 900,950	900,950	793,662	(107,288)
Culture and recreation fees	3,800	3,800	3,834	34
Solid waste fees	52,217,609	52,217,609	52,288,902	71,293
Other fees	79,300	79,300	63,053	(16,247)
Miscellaneous revenue	15,000	15,000	105,270	90,270
Operating grants and contributions:				
Grants	16,677	16,677	34,966	18,289
Contributions and donations	-	-	4,644	4,644
General revenues:				
Investment income	1,630,600	1,630,600	1,880,967	250,367
Total revenues	54,863,936	54,863,936	55,175,298	311,362
Expenditures:				
Operating Account:				
Solid waste and recycling department	47,263,856	50,050,856	47,382,760	2,668,096
Landfill Closure Account:				
Solid waste and recycling department	838,000	838,000	322,801	515,199
Renewal and Replacement Account:				
Solid waste and recycling department	1,562,900	1,562,900	96,110	1,466,790
General Account:				
Solid waste and recycling department	495,000	495,000	251,246	243,754
Debt Service Account:				
Debt service	1,335,513	1,335,513	1,335,513	-
Contingency	21,239,612	18,439,612	-	18,439,612
Total expenditures	72,734,881	72,721,881	49,388,430	23,333,451

(Continued)

METRO

Solid Waste Revenue Fund

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

For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with final budget positive
	Original	Final	Amounts	(negative)
Revenues over (under) expenditures	$ (17,870,945)	(17,857,945)	5,786,868	23,644,813
Other financing sources (uses):				
Transfers in	42,395	42,395	42,395	-
Transfers out	(4,768,912)	(4,781,912)	(4,453,258)	328,654
Total other financing sources (uses)	(4,726,517)	(4,739,517)	(4,410,863)	328,654
Revenues and other sources over (under) expenditures and other uses	(22,597,462)	(22,597,462)	1,376,005	23,973,467
Beginning fund balance available for appropriation - July 1, 2007	39,804,897	39,804,897	42,152,577	2,347,680
Unappropriated ending fund balance - June 30, 2008	$ 17,207,435	17,207,435	43,528,582	26,321,147

METRO

MERC Fund

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

For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with final budget positive
	Original	Final	Amounts	(negative)
Revenues:				
Program revenues:				
Charges for services:				
Culture and recreation fees	$ 25,861,233	27,191,291	28,632,827	1,441,536
Other fees	1,482,000	1,482,000	1,648,735	166,735
Miscellaneous revenue	104,530	104,530	170,316	65,786
Operating grants and contributions:				
Government contributions	711,375	711,375	711,375	-
Contributions and donations	300,852	300,852	110,866	(189,986)
General revenues:				
Local government shared revenue	9,463,204	9,463,204	11,156,012	1,692,808
Investment income	664,336	664,336	945,178	280,842
Total revenues	38,587,530	39,917,588	43,375,309	3,457,721
Expenditures:				
MERC	36,994,556	38,476,666	37,050,575	1,426,091
Debt service	18,352	18,352	18,349	3
Contingency	3,640,972	2,158,862	-	2,158,862
Total expenditures	40,653,880	40,653,880	37,068,924	3,584,956
Revenues over (under) expenditures	(2,066,350)	(736,292)	6,306,385	7,042,677
Other financing sources (uses):				
Transfers in	1,357,976	1,357,976	669,720	(688,256)
Transfers out	(3,510,962)	(3,510,962)	(3,256,550)	254,412
Total other financing sources (uses)	(2,152,986)	(2,152,986)	(2,586,830)	(433,844)
Revenues and other sources over (under) expenditures and other uses	(4,219,336)	(2,889,278)	3,719,555	6,608,833
Beginning fund balance available for appropriation - July 1, 2007	17,955,833	17,955,833	22,350,467	4,394,634
Unappropriated ending fund balance - June 30, 2008	$ 13,736,497	15,066,555	26,070,022	11,003,467

METRO

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

For the year ended June 30, 2008

	Solid Waste	MERC	Total
Excess of revenues and other financing sources over expenditures and other financing uses on the basis of budgeting:			
Solid Waste Revenue Fund	$ 1,376,005	-	1,376,005
MERC Fund	-	3,719,555	3,719,555
General Revenue Bond Fund-Expo	-	2,146	2,146
Budget resources not qualifying as revenues under GAAP:			
Collection of long-term receivable	(118,289)	-	(118,289)
Additional revenues required by GAAP:			
Deferred revenue recognized	72,573	-	72,573
Budget requirements not qualifying as expenses under GAAP:			
Payment of post-closure liability	322,801	-	322,801
Capital assets additions	320,032	822,175	1,142,207
Principal and interest payments on bonds	1,281,031	608,836	1,889,867
Principal and interest payments on loans	-	14,039	14,039
Additional expenses required by GAAP:			
Depreciation and amortization	(1,526,200)	(5,576,939)	(7,103,139)
Loss on disposal of capital assets	-	(182,506)	(182,506)
Amortization of bond discount and costs	(167,453)	(36,335)	(203,788)
Amortization of prepaid item	(495,041)	-	(495,041)
Other postemployment benefits	(66,924)	(122,963)	(189,887)
Vacation benefits	(1,018)	(11,495)	(12,513)
Accrued interest on bonds	(54,481)	(55,495)	(109,976)
Change in net assets presented in the statement of revenues, expenses and changes in fund net assets for proprietary funds	$ 943,036	(818,982)	124,054

METRO

Risk Management Fund

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

For the year ended June 30, 2008

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with final budget positive (negative)
Revenues:				
Program revenues:				
Charges for services:				
Other fees	$ -	-	13,814	13,814
Internal charges for services	7,157,952	7,157,952	6,901,036	(256,916)
Miscellaneous revenue	184,500	184,500	85,071	(99,429)
Operating grants and contributions:				
Grants	30,000	30,000	71,446	41,446
General revenues:				
Investment income	300,126	300,126	380,843	80,717
Total revenues	7,672,578	7,672,578	7,452,210	(220,368)
Expenditures:				
Finance and administrative services	9,675,319	9,675,319	7,564,237	2,111,082
Contingency	424,362	424,362	-	424,362
Total expenditures	10,099,681	10,099,681	7,564,237	2,535,444
Revenues under expenditures	(2,427,103)	(2,427,103)	(112,027)	2,315,076
Other financing sources:				
Transfers in	1,722,340	1,722,340	1,473,146	(249,194)
Revenues and other sources over (under) expenditures	(704,763)	(704,763)	1,361,119	2,065,882
Beginning fund balance available for appropriation - July 1, 2007	723,562	723,562	1,101,136	377,574
Unappropriated ending fund balance - June 30, 2008	$ 18,799	18,799	2,462,255	2,443,456

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.

METRO

General Revenue Bond Fund

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

For the year ended June 30, 2008

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with final budget positive (negative)
Revenues:				
General revenues:				
Investment income	$ 9,800	9,800	22,276	12,476
Total revenues	9,800	9,800	22,276	12,476
Expenditures:				
Debt service account:				
Debt service-Metro Regional Center	1,507,311	1,507,311	1,507,311	-
Debt service-Washington Park Parking Lot	405,161	405,161	405,161	-
Debt service-Expo Center Hall D	1,189,932	1,189,932	1,189,931	1
Project account:				
Capital outlay-Washington Park Parking Lot	205,500	205,500	-	205,500
Total expenditures	3,307,904	3,307,904	3,102,403	205,501
Revenues under expenditures	(3,298,104)	(3,298,104)	(3,080,127)	217,977
Other financing sources (uses):				
Transfers in	3,102,404	3,102,404	3,102,404	-
Transfers out	(8,000)	(8,000)	(8,000)	-
Total other financing sources (uses)	3,094,404	3,094,404	3,094,404	-
Revenues and other sources over (under) expenditures and other uses	(203,700)	(203,700)	14,277	217,977
Beginning fund balance available for appropriation - July 1, 2007	208,400	208,400	218,164	9,764
Unappropriated ending fund balance - June 30, 2008	$ 4,700	4,700	232,441	227,741

Note: This schedule demonstrates compliance with budget at the legal level of control.

METRO

General Revenue Bond Fund

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

For the year ended June 30, 2008

	Allocated to: General	Allocated to: MERC	Total
Revenues:			
General revenues:			
Investment income	$ 20,131	2,145	22,276
Total revenues	20,131	2,145	22,276
Expenditures:			
Debt service account:			
Debt service-Metro Regional Center	1,507,311	-	1,507,311
Debt service-Washington Park Parking Lot	405,161	-	405,161
Debt service-Expo Center Hall D	-	1,189,931	1,189,931
Total expenditures	1,912,472	1,189,931	3,102,403
Revenues under expenditures	(1,892,341)	(1,187,786)	(3,080,127)
Other financing sources:			
Transfers in	1,912,472	1,189,932	3,102,404
Transfers out	(8,000)	-	(8,000)
Total other financing sources (uses)	1,904,472	1,189,932	3,094,404
Revenues and other sources over expenditures	12,131	2,146	14,277
Beginning fund balance available for appropriation - July 1, 2007	208,584	9,580	218,164
Unappropriated ending fund balance - June 30, 2008	$ 220,715	11,726	232,441

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

Metro

Capital Assets Used in the Operation of Governmental Funds

METRO

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

June 30, 2008

Governmental funds capital assets:	
Land	$ 179,793,373
Construction in progress	2,520,696
Buildings and exhibits	108,565,203
Improvements	24,645,456
Equipment	6,693,166
Office furniture/equipment	3,114,154
Railroad equipment/facilities	2,066,025
Total governmental funds capital assets	$ 327,398,073

Investments in governmental funds capital assets by source:	
General Fund	$ 125,199,999
Special Revenue Fund:	
Smith and Bybee Lakes Fund	2,281,031
Capital Projects Funds:	
Open Spaces Fund	139,190,181
Natural Areas Fund	38,150,341
Metro Capital Fund	22,576,521
Total governmental funds capital assets	$ 327,398,073

(1) This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

METRO

Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity (1)

June 30, 2008

Function and Activity		Land	Construction in progress	Buildings and Exhibits	Improvements	Equipment	Office furniture/ equipment	Railroad equipment/ facilities	Total
General governmental operations	$	588,716	381,135	21,046,632	137,673	1,422,826	2,952,203	-	26,529,185
Regional planning and development		-	-	-	-	-	16,368	-	16,368
Culture and recreation		176,631,208	1,119,909	11,320,454	11,918,474	223,259	-	-	201,213,304
Zoo		2,573,449	1,019,652	76,198,117	12,589,309	5,047,081	145,583	2,066,025	99,639,216
Total	$	179,793,373	2,520,696	108,565,203	24,645,456	6,693,166	3,114,154	2,066,025	327,398,073

(1) This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

METRO

Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity (1)

For the year ended June 30, 2008

Function and Activity	Governmental Funds Capital Assets July 1, 2007	Prior Period Adjustment	Additions	Deductions	Governmental Funds Capital Assets June 30, 2008
General governmental operations	$ 26,132,480	(636,237)	1,039,535	(6,593)	26,529,185
Regional planning and development	1,159,177	(1,142,809)	-	-	16,368
Culture and recreation	165,408,800	5,951,328	29,894,176	(41,000)	201,213,304
Zoo	88,001,489	10,444,965	1,192,762	-	99,639,216
Total additions	$ 280,701,946	14,617,247	32,126,473	(47,593)	327,398,073

(1) This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

Other Financial Schedules

Metro

METRO

Schedule of Property Tax Transactions and Outstanding Receivable

For the year ended June 30, 2008

Fiscal Year		Original levy or balance of receivable July 1, 2007	Add (deduct) Discounts	Adjustments	Interest	Collections	Property taxes receivable June 30, 2008
2007-08	$	48,123,417	(1,191,034)	(120,546)	5,200	(45,437,777)	1,379,260
2006-07		732,989	-	(16,874)	8,483	(477,112)	247,486
2005-06		223,994	-	(13,494)	3,931	(108,509)	105,922
2004-05		103,419	-	(6,060)	3,638	(59,323)	41,674
2003-04		41,006	-	(4,858)	1,800	(26,539)	11,409
2002-03		12,810	-	(1,680)	339	(2,917)	8,552
2001-02 & prior		26,291	-	(4,574)	997	(1,685)	21,029
	$	49,263,926	(1,191,034)	(168,086)	24,388	(46,113,862)	1,815,332

Reconciliation to property tax revenue presented in the Statement of Activities:		Governmental Activities
Cash collections July 1, 2007 to June 30, 2008	$	46,113,862
Accrual of receivables:		
July 1, 2007 to August 31, 2007		(179,816)
July 1, 2008 to August 31, 2008		265,656
Timing difference between county tax collector and county treasurer		(23,200)
Payments in lieu of property taxes		136,136
Taxes earned but not available:		
June 30, 2007		(960,693)
June 30, 2008		1,549,676
Property tax revenue per Statement of Activities	$	46,901,621

METRO

Schedule of Future Bonded Debt Service Requirements
General Obligation Bonds

June 30, 2008

Year of maturity		1995 Series B Open Spaces Program General Obligation Bonds Principal	Interest	2002 Series General Obligation Refunding Bonds Principal	Interest	2001 Series A General Obligation Refunding Bonds Principal	Interest
2008-09	$	254,775	245,225	6,685,000	3,254,688	4,270,000	1,131,545
2009-10		238,540	261,460	7,030,000	2,911,812	4,525,000	918,045
2010-11		223,356	277,644	7,395,000	2,551,188	4,785,000	691,795
2011-12		-	-	8,265,000	2,159,687	5,035,000	486,040
2012-13		-	-	8,690,000	1,735,813	5,290,000	264,500
2013-14		-	-	9,140,000	1,278,637	-	-
2014-15		-	-	9,630,000	785,925	-	-
2015-16		-	-	10,155,000	266,569	-	-
2016-17		-	-	-	-	-	-
2017-18		-	-	-	-	-	-
2018-19		-	-	-	-	-	-
2019-20		-	-	-	-	-	-
2020-21		-	-	-	-	-	-
2021-22		-	-	-	-	-	-
2022-23		-	-	-	-	-	-
2023-24		-	-	-	-	-	-
2024-25		-	-	-	-	-	-
2025-26		-	-	-	-	-	-
Total	$	716,671	784,329	66,990,000	14,944,319	23,905,000	3,491,925

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

2005 Series General Obligation Refunding Bonds		2007 Series Natural Areas General Obligation Bonds		Total	
Principal	Interest	Principal	Interest	Principal (1)	Interest
1,480,000	772,075	11,750,000	5,432,650	24,439,775	10,836,183
1,555,000	698,075	12,340,000	4,845,150	25,688,540	9,634,542
1,620,000	643,650	3,910,000	4,228,150	17,933,356	8,392,427
1,710,000	562,650	4,070,000	4,071,750	19,080,000	7,280,127
1,795,000	477,150	4,230,000	3,908,950	20,005,000	6,386,413
1,890,000	387,400	4,400,000	3,739,750	15,430,000	5,405,787
1,995,000	292,900	4,620,000	3,519,750	16,245,000	4,598,575
2,095,000	193,150	4,850,000	3,288,750	17,100,000	3,748,469
2,210,000	88,400	5,095,000	3,046,250	7,305,000	3,134,650
-	-	5,350,000	2,791,500	5,350,000	2,791,500
-	-	5,615,000	2,524,000	5,615,000	2,524,000
-	-	5,895,000	2,243,250	5,895,000	2,243,250
-	-	6,190,000	1,948,500	6,190,000	1,948,500
-	-	6,500,000	1,639,000	6,500,000	1,639,000
-	-	6,825,000	1,314,000	6,825,000	1,314,000
-	-	7,130,000	1,006,875	7,130,000	1,006,875
-	-	7,455,000	686,025	7,455,000	686,025
-	-	7,790,000	350,550	7,790,000	350,550
16,350,000	4,115,450	114,015,000	50,584,850	221,976,671	73,920,873

METRO

Schedule of Future Bonded Debt Service Requirements
Revenue, Full Faith and Credit, and Pension Obligation Bonds

June 30, 2008

	Revenue Bonds		Full Faith and Credit Bonds			
	Waste Disposal System Refunding Revenue Bonds 2003 Series		Refunding Bonds 2003 Series		Oregon Local Governments 2006 Series	
Year of maturity	Principal (1)	Interest	Principal (2)	Interest	Principal (1)	Interest
2008-09	$ 2,265,000	83,481	1,195,000	711,431	580,000	612,231
2009-10	2,320,000	29,000	1,225,000	679,668	600,000	588,631
2010-11	-	-	1,265,000	644,615	625,000	564,131
2011-12	-	-	1,300,000	605,327	650,000	538,631
2012-13	-	-	1,340,000	562,905	675,000	512,131
2013-14	-	-	1,385,000	516,558	705,000	483,650
2014-15	-	-	1,440,000	466,400	735,000	453,050
2015-16	-	-	1,485,000	413,008	765,000	421,175
2016-17	-	-	1,325,000	360,360	795,000	387,528
2017-18	-	-	1,210,000	310,985	830,000	349,387
2018-19	-	-	1,255,000	261,685	870,000	306,888
2019-20	-	-	1,305,000	209,832	915,000	262,263
2020-21	-	-	1,360,000	154,520	960,000	215,388
2021-22	-	-	1,420,000	95,430	1,010,000	169,925
2022-23	-	-	1,475,000	32,450	1,055,000	126,044
2023-24	-	-	-	-	1,095,000	76,250
2024-25	-	-	-	-	1,150,000	24,438
2025-26	-	-	-	-	-	-
2026-27	-	-	-	-	-	-
2027-28	-	-	-	-	-	-
Total	$ 4,585,000	112,481	19,985,000	6,025,174	14,015,000	6,091,741

(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.

Pension Obligation Bonds	
Metro Limited Tax Pension Obligation Bonds Series 2005	
Principal (2)	Interest
220,000	1,191,973
290,000	1,182,339
360,000	1,169,472
435,000	1,153,214
525,000	1,129,289
615,000	1,105,071
710,000	1,076,381
820,000	1,041,882
930,000	1,002,039
1,055,000	956,850
1,185,000	905,587
1,325,000	848,008
1,480,000	783,626
1,645,000	709,567
1,820,000	627,251
2,010,000	536,179
2,210,000	435,598
2,430,000	325,010
2,660,000	203,413
1,405,000	70,306
24,130,000	16,453,055

METRO

Schedule of Long-term Bonded Debt Transactions
General Obligation Bonds

For the year ended June 30, 2008

	Principal				
	Outstanding July 1, 2007	Issued During Year	Matured and Paid During Year	Outstanding June 30, 2008	Interest Expenditure
DEBT SERVICE FUND:					
1995 Series B Open Spaces Program General Obligation Bonds with interest rates from 5.3 to 5.5%, final maturity 9/1/10	$ 988,256	-	271,585	716,671	228,415
2002 Series General Obligation Refunding Bonds with interest rates from 5.0 to 5.25%, final maturity 9/1/15	73,340,000	-	6,350,000	66,990,000	3,580,562
2001 Series A General Obligation Refunding Bonds with interest rates from 4.375 to 5.0%, final maturity 1/1/13	27,970,000	-	4,065,000	23,905,000	1,309,389
2005 Series General Obligation Refunding Bonds with interest rates from 3.5 to 5.0%, final maturity 1/15/17	17,785,000	-	1,435,000	16,350,000	815,125
2007 Series Natural Areas General Obligation Bonds with interest rates from 4.0 to 5.0%, final maturity 6/1/26	124,295,000	-	10,280,000	114,015,000	6,904,721
Total	$ 244,378,256	-	22,401,585	221,976,671	12,838,212

METRO

Schedule of Long-term Bonded Debt Transactions
Revenue, Full Faith and Credit, and Pension Obligation Bonds

For the year ended June 30, 2008

		Principal				
		Outstanding July 1, 2007	Issued During Year	Matured and Paid During Year	Outstanding June 30, 2008	Interest Expenditure
GENERAL FUND:						
Full Faith and Credit						
Refunding Bonds 2003 Series with interest rates from 2.625 to 4.4%, final maturity 8/1/22	$	21,155,000	-	1,170,000	19,985,000	742,472
Pension Obligation						
Metro Limited Tax Series 2005 with interest rates from 4.379 to 5.5%, final maturity 6/1/28		24,290,000	-	160,000	24,130,000	1,198,898
Total		45,445,000	-	1,330,000	44,115,000	1,941,370
ENTERPRISE FUNDS:						
SOLID WASTE FUND:						
Revenue Bonds						
Metro Central Transfer Station 1990 Series A Solid Waste Disposal Project Revenue Bonds with interest rate 7.1%, final maturity 7/1/07		1,070,000	-	1,070,000	-	-
Waste Disposal System Refunding Revenue Bonds 2003 Series with interest rates from 2.25 to 2.5%, final maturity 7/1/09		4,740,000	-	155,000	4,585,000	110,513
Total		5,810,000	-	1,225,000	4,585,000	110,513
MERC FUND:						
Full Faith and Credit						
Oregon Local Governments 2006 Series with interest rates from 4.0 to 5.0%, final maturity 12/1/24		14,570,000	-	555,000	14,015,000	634,931
Total	$	14,570,000	-	555,000	14,015,000	634,931

Metro

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:

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

METRO

Net Assets by Component

Last Seven Fiscal Years (1)
(accrual basis of accounting)
Unaudited

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

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

(2) These balances include the result of Metro financing capital assets for the business-type activities through the issuance of general obligation bonds. The amount of long-term debt outstanding on these bonds is reflected as a liability of the governmental activities in which repayment of the bonds occurs, whereas the associated capital assets financed by this debt are reflected with the business-type activities. These balances increase over time as a result of increases in capital assets, decreases in related long-term debt outstanding, and reductions in the amount of related unspent bond proceeds.

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

2005	2006	2007	2008
4,684,793	72,055,226	70,472,572	101,632,452
16,795,028	21,244,741	24,458,851	27,246,181
16,612,577	35,400,215	57,456,789	59,035,445
38,092,398	128,700,182	152,388,212	187,914,078
264,571,719	204,536,894	199,184,754	198,109,226
11,651,127	12,415,936	12,688,488	16,295,656
48,598,316	39,548,688	43,989,254	45,547,649
324,821,162	256,501,518	255,862,496	259,952,531
269,256,512	276,592,120	269,657,326	299,741,678
28,446,155	33,660,677	37,147,339	43,541,837
65,210,893	74,948,903	101,446,043	104,583,094
362,913,560	385,201,700	408,250,708	447,866,609

METRO

Changes in Net Assets

Last Seven Fiscal Years (1)
(accrual basis of accounting)
Unaudited

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

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

(Continued)

METRO

Changes in Net Assets, Continued

Last Seven Fiscal Years (1)
(accrual basis of accounting)
Unaudited

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

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

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

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

METRO

Fund Balances, Governmental Funds

Last Seven Fiscal Years
(modified accrual basis of accounting)
Unaudited

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
General Fund (1)							
Reserved	$ -	-	-	-	7,333,324	8,518,324	9,088,951
Unreserved	1,288,482	1,648,753	2,561,919	4,443,897	25,630,402	34,564,077	28,607,477
Total general fund	$ 1,288,482	1,648,753	2,561,919	4,443,897	32,963,726	43,082,401	37,696,428
All Other Governmental Funds (1)							
Reserved	$ 13,094,846	12,292,783	10,451,417	10,155,731	10,680,405	12,082,430	13,661,489
Unreserved, reported in:							
Special Revenue Funds	9,332,740	9,548,645	10,476,628	12,592,408	5,679,471	5,930,679	6,052,654
Capital Projects Funds	15,737,419	9,415,427	5,564,935	4,413,313	9,151,671	131,173,017	110,314,883
Permanent Funds	-	-	-	-	178,943	222,452	256,340
Total all other governmental funds	$ 38,165,005	31,256,855	26,492,980	27,161,452	25,690,490	149,408,578	130,285,366

(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.

METRO

Changes in Fund Balances, Governmental Funds

Last Seven Fiscal Years
(modified accrual basis of accounting)
Unaudited

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Revenues (1)							
Property taxes	$ 19,235,074	16,494,258	17,536,825	17,653,137	27,850,826	28,669,525	46,312,638
Excise taxes	7,922,160	9,821,988	10,506,081	13,577,891	14,243,252	14,834,721	14,341,764
Construction excise tax	-	-	-	-	-	1,806,012	2,483,137
Cemetery revenue surcharge	-	-	33,086	25,270	21,395	33,000	23,267
Local government shared revenues	435,786	384,166	476,514	540,690	547,512	519,463	545,550
Investment income	1,515,629	725,628	267,466	625,190	2,068,326	4,536,529	8,802,118
Government fees	265,558	207,705	244,119	352,195	490,892	441,531	576,342
Culture and recreation fees	1,085,371	1,218,280	1,204,030	1,125,860	14,712,855	15,860,633	16,728,873
Other fees	1,259,528	1,393,044	1,617,773	1,438,929	3,237,906	3,012,834	2,569,892
Internal charges for services	779,805	579,082	875,511	790,222	514,885	661,007	849,709
Licenses and permits	-	-	-	-	402,300	409,332	405,408
Miscellaneous revenue	40,156	30,192	95,673	235,784	573,107	221,369	397,731
Grants	10,151,521	6,814,472	7,061,492	6,871,101	10,682,649	8,015,836	13,961,401
Government contributions	73,085	116,929	104,508	46,865	-	342,540	12,500
Contributions and donations	322,617	340,800	416,801	1,634,463	1,332,949	1,316,011	1,391,471
Capital contributions and donations	-	-	-	-	959,676	1,378,075	2,163,915
Total revenues	$ 43,086,290	38,126,544	40,439,879	44,917,597	77,638,530	82,058,418	111,565,716
Expenditures (1)							
General government operations	$ 3,824,481	2,981,919	2,625,450	3,541,419	8,853,776	9,634,211	12,752,353
Regional planning and development	15,016,781	11,134,840	10,453,513	11,624,509	10,553,489	11,896,946	15,951,042
Culture and recreation	7,837,607	8,892,911	7,714,121	9,085,680	6,349,345	7,737,303	13,218,846
Zoo	-	-	-	-	20,908,177	22,974,261	25,527,960
Debt service:							
Principal	9,019,895	9,835,232	11,586,058	10,640,155	12,478,037	12,703,945	24,181,585
Interest	9,879,518	7,834,398	8,007,626	7,534,732	8,304,109	8,469,032	14,847,345
Capital outlay	10,426,457	4,407,455	3,861,065	2,425,758	5,210,036	12,320,285	29,890,673
Total expenditures	$ 56,004,739	45,086,755	44,247,833	44,852,253	72,656,969	85,735,983	136,369,804
Excess of revenues over (under) expenditures	$ (12,918,449)	(6,960,211)	(3,807,954)	65,344	4,981,561	(3,677,565)	(24,804,088)

(Continued)

METRO

Changes in Fund Balances, Governmental Funds, Continued

Last Seven Fiscal Years
(modified accrual basis of accounting)
Unaudited

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Other financing sources (uses)							
Loan proceeds/sale of assets	$ -	-	-	-	-	592,500	16,000
Bonds issued	47,855,350	100,681,603	-	18,085,000	24,290,000	124,295,000	-
Premium on bonds issued	-	-	-	1,230,005	23,286	6,383,369	-
Transfers in	6,965,963	6,873,213	7,056,279	10,306,075	4,288,434	2,933,742	8,574,992
Payment to refunded bond escrow agent	(47,943,691)	(100,272,797)	-	(19,112,101)	-	-	-
Transfers out	(5,528,185)	(6,869,687)	(7,099,034)	(10,000,066)	(3,752,514)	(3,695,027)	(8,296,089)
Total other financing sources (uses)	$ 1,349,437	412,332	(42,755)	508,913	24,849,206	130,509,584	294,903
Special item	$ -	-	-	-	(24,022,369)	-	-
Net change in fund balances	$ (11,569,012)	(6,547,879)	(3,850,709)	574,257	5,808,398	126,832,019	(24,509,185)
Prior period adjustment	$ -	-	-	1,976,193	4,613,707	7,004,744	-
Debt service as a percentage of noncapital expenditures	43.5%	44.8%	49.5%	43.9%	31.2%	29.4%	37.4%

(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.

METRO

Solid Waste Tonnage by Waste Type and Destination (1)

Last Ten Fiscal Years

Unaudited

Fiscal year ended June 30,	Waste (2)				Organic (3)	ECU (4)	
	Metro-Owned Facilities	Total Per Ton Rate	Privately-Owned Facilities	Total Per Ton Rate	Metro-Owned Facilities	Privately-Owned Facilities	Regional Total All Waste Types
1999	706,343	62.50	503,008	14.00	9,535	31,567	1,250,453
2000	698,535	62.50	538,760	14.00	9,478	28,318	1,275,091
2001	641,220	62.50	547,429	17.58	13,084	32,180	1,233,913
2002	603,946	62.50	589,111	17.94	13,446	45,320	1,251,823
2003	570,165	66.23	628,973	21.39	11,888	151,178	1,362,204
2004	564,337	67.18	673,500	22.89	13,460	312,587	1,563,884
2005	572,611	70.96	730,127	23.67	13,881	309,636	1,626,255
2006	589,140	71.41	749,948	22.87	19,340	356,044	1,714,472
2007	610,854	69.86	783,698	21.92	21,639	183,291	1,599,482
2008	592,950	71.14	745,684	22.31	26,003	146,652	1,511,289

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

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

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

(4) "ECU" or "Environmental Clean-Up" material is soil and cleanup media contaminated by hazardous substances, though not itself a hazardous waste; including petroleum contaminated soils. Metro charges reduced solid waste surcharges and taxes on ECU. ECU is often generated by one or two large remediation projects in the region; therefore tonnage may vary considerably year to year.

Source: Metro Solid Waste and Recycling Department.

METRO

Solid Waste Disposal Rates

Last Ten Fiscal Years

Unaudited

		Fiscal Year									
		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Metro Facilities											
Disposal fee (1) (2)	$	38.61	38.61	29.75	29.75	33.02	42.55	45.55	46.80	46.20	47.09
Disposal fee - unspecified (1) (2)		-		4.32	3.96	-	-	-	-	-	-
Metro facility fee (1) (2)		1.15	1.15	2.55	2.55	2.55	-	-	-	-	-
Regional transfer fee (1) (2)		7.00	7.00	6.56	6.56	7.53	-	-	-	-	-
Regional system fee		14.00	14.00	12.90	12.90	15.00	16.57	15.09	14.54	13.57	14.08
Excise tax (2)		-	-	4.68	5.04	6.39	6.32	8.58	8.33	8.35	8.23
Rehabilitation & enhancement and host fee		0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
DEQ fees - orphan sites		0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13
DEQ fees - promotion		1.11	1.11	1.11	1.11	1.11	1.11	1.11	1.11	1.11	1.11
Total rate per ton (3)	$	62.50	62.50	62.50	62.50	66.23	67.18	70.96	71.41	69.86	71.14
Transaction fee-scalehouse	$	5.00	5.00	5.00	5.00	6.00	6.00	7.50	7.50	8.50	8.50
Transaction fee-automated	$	-	-	-	-	-	-	-	-	3.00	3.00
Privately-Owned Facilities											
Regional system fee	$	14.00	14.00	12.90	12.90	15.00	16.57	15.09	14.54	13.57	14.08
Excise tax (4)		-	-	4.68	5.04	6.39	6.32	8.58	8.33	8.35	8.23
Total rate per ton (3)	$	14.00	14.00	17.58	17.94	21.39	22.89	23.67	22.87	21.92	22.31

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

(2) For fiscal years 1999-2000, excise tax is included in the noted fees.

(3) Rates are per ton of mixed waste disposal. For fiscal year 2008, minimum charge is $17.00 for 240 pounds or less. DEQ rates are set by the State of Oregon Department of Environmental Quality.

(4) For fiscal years 1999-2000, excise tax was charged on gross revenue, not per ton.

Source: Metro Solid Waste and Recycling Department.

METRO

Principal Solid Waste Fee Payers

Current Year and Six Years Ago (1)

Unaudited

	2008			2002		
Customer/Payer	Fees Paid (2)	Rank	Percentage of Total Solid Waste Fee Revenue	Fees Paid (2)	Rank	Percentage of Total Solid Waste Fee Revenue
Waste Management of Oregon	$ 8,730,203	1	17.06 %	8,325,504	1	18.50 %
AGG	2,677,650	2	5.23	1,917,138	3	4.26
Portland Disposal & Recycling	2,618,794	3	5.12	1,677,167	4	3.73
Oregon City Garbage Company	2,215,990	4	4.33	2,142,693	2	4.76
Trashco Services Inc	1,899,447	5	3.71	1,101,034	7	2.45
Keller Drop Box Inc	1,684,956	6	3.29	1,110,123	6	2.47
Gresham Sanitary Service Inc	1,464,849	7	2.86	1,129,161	5	2.51
Allied Waste Services of Portland	1,365,957	8	2.67	-		-
Oak Grove Disposal Company Inc	1,134,679	9	2.22	865,564	9	1.92
Heiberg Garbage Service	824,702	10	1.61	845,170	10	1.88
River City Disposal Company Inc	-		-	982,396	8	2.18
Total	$ 24,617,227		48.10 %	$ 20,095,950		44.66 %

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

(2) Customers pay a per ton rate for solid waste disposal. The per ton rate includes various fee components which change each fiscal year. See page 148 for rate detail.

Sources: Metro Solid Waste and Recycling Department and Metro Accounting Division.

METRO

Ratios of Outstanding Debt by Type

Last Seven Fiscal Years (1)

Unaudited

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

(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 159 for personal income and population data.

* Not available

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

Metro

METRO

Ratios of Net General Bonded Debt Outstanding

Last Ten Fiscal Years

Unaudited

Fiscal year ended June 30,	General Bonded Debt Outstanding					
	General Obligation Bonds	Less: Amounts Restricted to Repaying Principal	Net General Bonded Debt	Real Market Value (1)	Percentage of Actual Real Market Value of Property	Per Capita (2)
1999	$ 203,377,953	$ 8,048,755	$ 195,329,198	$ 94,157,744,893	0.21 %	$ 141.70
2000	195,329,198	8,483,200	186,845,998	105,147,450,817	0.18	129.38
2001	186,845,998	8,938,625	177,907,373	113,011,064,594	0.16	121.25
2002	177,847,373	9,798,060	168,049,313	123,050,948,638	0.14	113.23
2003	165,364,313	11,543,920	153,820,393	128,542,544,330	0.12	102.28
2004	153,820,393	10,328,133	143,492,260	138,455,070,187	0.10	94.25
2005	143,000,238	10,004,443	132,995,795	146,360,729,671	0.09	86.14
2006	131,647,201	10,680,405	120,966,796	156,666,228,799	0.08	77.09
2007	244,378,256	12,082,430	232,295,826	181,787,247,525	0.13	145.79
2008	221,976,671	13,661,489	208,315,182	207,455,843,980	0.10	129.03

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

(2) See page 159 for population data.

METRO

Direct and Overlapping Governmental Activities Debt

As of June 30, 2008

Unaudited

Overlapping government	Percent within District	Overlapping Gross property tax backed debt	Overlapping Net property tax backed debt
Clackamas County	73.92 %	$ 57,074,625	$ 36,052,773
North Clackamas Parks & Rec. District	100.00	14,360,000	-
Oak Lodge Water District 4	100.00	1,290,000	1,290,000
Clackamas County RFPD 1	84.06	21,868,755	4,787,337
Clackamas County SD 3J (West Linn-Wilsonville)	93.71	147,148,786	107,623,553
Clackamas County SD 7J (Lake Oswego)	100.00	121,715,996	77,078,922
Clackamas County SD 12 (N Clackamas)	98.58	403,554,113	298,172,512
Clackamas County SD 62 (Oregon City)	67.26	70,199,274	39,383,509
Clackamas County SD 115 (Gladstone)	100.00	62,178,939	46,741,673
Clackamas County SD 86 (Canby)	15.34	15,160,393	9,980,097
Clackamas Community College	73.35	68,744,569	29,489,202
City of Gladstone	100.00	2,465,000	-
City of Happy Valley	100.00	5,000,000	5,000,000
City of Lake Oswego	100.00	25,665,000	25,665,000
City of Milwaukie	100.00	5,560,000	1,280,000
City of Oregon City	100.00	19,645,000	2,860,000
City of West Linn	100.00	11,870,000	8,635,000
City of Wilsonville	100.00	14,725,000	-
Columbia County SD 1J (Scappoose)	5.07	30,907	30,907
Northwest Regional ESD	71.66	5,607,559	-
Multnomah County	99.00	287,916,976	58,848,945
Port of Portland	90.84	66,398,036	-
Multnomah County Drainage District 1	100.00	5,580,000	-
Tri-Met	97.83	43,432,117	43,432,117
Multnomah County SD 1J (Portland)	99.62	488,551,065	15,032,386
Multnomah County SD 3 (Parkrose)	100.00	10,935,000	10,935,000
Multnomah County SD 7 (Reynolds)	100.00	148,954,185	54,460,000
Multnomah County SD 28J (Centennial)	100.00	37,026,352	36,424,685
Multnomah County SD 40 (David Douglas)	100.00	77,925,000	77,925,000
Multnomah County SD 51J (Riverdale)	100.00	11,455,053	9,955,053
Multnomah County SD 10J (Gresham-Barlow)	95.47	107,866,981	52,666,356
Multnomah County SD 10J (Orient 6 Bond)	78.54	226,321	226,321
Multnomah ESD	99.05	36,872,740	-
Mt. Hood Community College	85.76	51,482,776	4,840,949
Portland Community College	91.69	220,264,745	40,713,701

(Continued)

METRO

Direct and Overlapping Governmental Activities Debt, Continued

As of June 30, 2008

Unaudited

Overlapping government	Percent within District	Overlapping: Gross property tax backed debt	Overlapping: Net property tax backed debt
City of Fairview	100.00 %	$ 2,235,000	$ 1,750,000
City of Gresham	100.00	29,123,136	1,033,411
City of Portland	100.00	712,147,961	95,204,429
City of Troutdale	100.00	12,390,000	12,390,000
City of Wood Village	100.00	40,000	40,000
Washington County	92.94	111,036,720	34,182,302
Tualatin Hills Park & Rec. District	99.96	15,414,492	15,068,638
Forest Grove RFPD	7.51	16,522	16,522
Tualatin Valley Fire & Rescue District	96.61	19,780,099	1,424,940
Washington County SD 15 (Forest Grove)	77.21	59,561,880	34,295,660
Washington County SD 23J (Tigard-Tualatin)	99.28	143,879,829	137,875,274
Washington County SD 1J (Hillsboro 7 Bond)	92.18	322,617	322,617
Washington County SD 48J (Beaverton)	99.68	558,499,489	375,944,843
Washington County SD 88J (Sherwood)	81.81	117,771,207	107,018,409
Washington County SD 1J (Hillsboro)	84.37	321,491,068	234,810,254
Washington County SD 1J (Reedville Bond)	98.27	1,169,411	1,169,411
City of Beaverton	99.98	14,217,696	1,019,835
City of Cornelius	93.36	3,277,017	550,838
City of Durham	100.00	1,685,000	1,685,000
City of Forest Grove	99.54	7,779,168	3,503,861
City of Hillsboro	98.45	24,775,194	-
City of Sherwood	99.99	14,841,762	10,993,815
City of Tigard	100.00	12,621,727	10,547,958
City of Tualatin	100.00	14,075,000	14,075,000
Clackamas County ESD	74.27	20,311,997	-
Clackamas County SD 46 (Oregon Trail)	6.69	44,464	-
Sunrise Water Authority	98.80	657,013	657,013
East Multnomah Soil & Water Conservation	99.32	1,340,789	1,340,789
Totals		$ 4,889,257,521	$ 2,196,451,817

Note: "Gross property tax backed debt" includes all general obligation bonds and full faith and credit bonds.
"Net property tax backed debt" is gross property tax backed debt less self-supporting unlimited-tax general obligation and self-supporting full faith and credit debt.

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 2008

True cash value		$ 207,455,843,980
Debt limit (10% of true cash value)		20,745,584,398
Debt applicable to limit:		
Gross bonded debt principal	$ 284,691,671	
Less legal deductions from debt limit:		
Solid Waste Disposal System Refunding Revenue Bonds	(4,585,000)	
Full Faith and Credit Refunding Bonds Refunding Bonds 2003 Series	(19,985,000)	
Full Faith and Credit Oregon Local Governments Bonds 2006 Series	(14,015,000)	
Metro Limited Tax Pension Obligation Bonds Series 2005	(24,130,000)	
Total net debt applicable to limit		221,976,671
Legal debt margin		$ 20,523,607,727

	Fiscal Year 1999	2000	2001	2002
Debt limit	$ 9,415,774,489	10,514,745,082	11,301,106,459	12,305,094,864
Total net debt applicable to limit	203,377,953	195,329,198	186,845,998	177,847,373
Legal debt margin	$ 9,212,396,536	10,319,415,884	11,114,260,461	12,127,247,491
Total net debt applicable to the limit as a percentage of the debt limit	2.16%	1.86%	1.65%	1.45%

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					
2003	2004	2005	2006	2007	2008
12,854,254,433	13,845,507,019	14,636,072,967	15,666,622,880	18,178,724,753	20,745,584,398
165,364,313	153,820,393	143,000,238	131,647,201	244,378,256	221,976,671
12,688,890,120	13,691,686,626	14,493,072,729	15,534,975,679	17,934,346,497	20,523,607,727
1.29%	1.11%	0.98%	0.84%	1.34%	1.07%

METRO

Pledged Revenue Coverage

Last Ten Fiscal Years

Unaudited

	Solid Waste Revenue Bonds					
Fiscal year ended June 30,	Solid Waste operating revenue	Less: operating expenses	Net available revenue	Debt service (1) Principal	Debt service (1) Interest	Coverage
1999	$ 54,758,546	$ 56,023,559	$ (1,265,013)	$ 1,950,000	754,870	-0.47
2000	53,275,735	45,930,547	7,345,188	1,577,500	624,398	3.34
2001	50,297,847	43,537,879	6,759,968	2,364,493	544,176	2.32
2002	47,291,208	44,642,220	2,648,988	1,001,037	1,643,109	1.00
2003	49,037,072	45,362,166	3,674,906	629,526	1,294,455	1.91
2004	50,652,679	44,068,880	6,583,799	256,944	117,060	17.60
2005	51,935,277	44,695,266	7,240,011	830,493	1,501,060	3.11
2006	55,276,659	47,332,824	7,943,835	781,768	1,555,221	3.40
2007	56,198,701	49,919,528	6,279,173	640,903	1,600,400	2.80
2008	55,134,283	50,918,534	4,215,749	2,265,000	108,963	1.78

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.

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)
1999	1,378,450	$ 56,918,006	$ 29,858	4.3 %
2000	1,444,219	62,189,975	32,118	4.4
2001	1,467,300	63,933,229	32,338	6.0
2002	1,484,150	64,908,688	32,228	7.8
2003	1,503,900	66,576,262	32,650	8.3
2004	1,522,400	69,328,033	33,657	7.0
2005	1,543,910	73,086,912	34,921	5.9
2006	1,569,170	78,618,336	36,845	5.0
2007	1,593,370	N/A	* N/A *	4.9
2008	1,614,465 (3)	N/A	* N/A *	N/A *

* Not available

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

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

(3) Preliminary estimate

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

METRO

Principal Employers (1)

Current Year and Nine Years Ago

Unaudited

Employer	2008 Employees	2008 Rank	2008 Percentage of Total Metropolitan Area Employment	1999 Employees	1999 Rank	1999 Percentage of Total Metropolitan Area Employment
State of Oregon	21,200	1	2.04 %	18,100	2	1.86 %
US Government (1)	18,300	2	1.76	19,000	1	1.95
Intel Corporation	15,500	3	1.49	11,000	3	1.13
Fred Meyer Stores	14,684	4	1.41	10,030	5	1.03
Oregon Health & Science University	12,600	5	1.21	9,000	6	0.93
Providence Health System	12,000	6	1.16	10,594	4	1.09
Kaiser Foundation Health Plan of the NW	9,000	7	0.87	6,009	10	0.62
Legacy Health System	8,251	8	0.79	6,731	7	0.69
Nike, Inc	7,000	9	0.67	-		-
Wells Fargo	5,969	10	0.57	-		-
US Bancorp	-		-	6,242	8	0.64
Portland Public Schools	-		-	6,200	9	0.64
Total	124,504		11.97 %	102,906		10.58 %

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

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

METRO

Full-Time Equivalent Employees by Function/Program

Last Ten Fiscal Years (1)

Unaudited

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Functions/Programs										
Primary Government:										
Governmental activities:										
General government operations	124.52	132.51	128.00	131.50	132.75	119.85	122.20	125.50	134.70	142.96
Regional planning and development	93.75	86.65	79.31	80.25	79.00	80.10	73.15	78.60	81.40	82.08
Culture and recreation	49.75	49.75	49.75	49.50	48.00	42.10	44.10	45.15	42.40	55.65
Zoo	147.19	152.85	163.60	-	-	-	-	149.13	149.13	151.96
Total governmental activities	415.21	421.76	420.66	261.25	259.75	242.05	239.45	398.38	407.63	432.65
Business-type activities:										
Solid Waste	99.35	96.85	106.25	110.15	109.15	108.70	106.20	106.20	106.75	106.75
Zoo	-	-	-	167.03	169.73	160.23	151.85	-	-	-
MERC	161.95	164.50	159.90	152.00	193.00	180.25	157.00	156.00	163.00	186.00
Total business-type activities	261.30	261.35	266.15	429.18	471.88	449.18	415.05	262.20	269.75	292.75
Total primary government	676.51	683.11	686.81	690.43	731.63	691.23	654.50	660.58	677.38	725.40
					(2)	(3)	(4)			

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

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

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

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

Source: Metro Adopted Budget documents.

METRO

Operating Indicators by Function/Program

Last Seven Fiscal Years

Unaudited

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Functions/Programs							
Primary Government:							
Governmental activities:							
General government operations:							
Business licenses issued	2,787	3,034	2,939	3,003	2,980	3,032	3,011
Live broadcast of Metro Council meetings	-	38	40	40	38	36	34
Presentations to citizens, business, and other groups by Councilors and COO	138	267	315	322	461	562	630
General obligation bond rating:							
Moody's	Aa1	Aa1	Aa1	Aa1	Aa1	Aaa	Aaa
Standard and Poor's	AA+	AA+	AA+	AAA	AAA	AAA	AAA
Regional planning and development:							
Data Resource Center sales of maps and aerials	$ 134,271	137,352	145,649	177,211	185,182	178,972	175,897
Culture and recreation:							
Visitors to Blue Lake Park, Oxbow Park and Chinook Landing	751,916	713,276	728,910	721,800	656,616	695,176	711,009
Volunteer visits (2)	1,259	1,478	1,575	1,421	1,100	1,687	5,169
Volunteer hours	16,785	14,312	20,100	30,519	22,570	14,642	18,196
Acres acquired in Open Spaces land target areas	834	168	80	116	42	316	426
Zoo:							
Adult admission price	$ 7.50	8.00	9.00	9.50	9.50	9.75	9.75
Annual attendance	1,319,459	1,293,597	1,318,458	1,336,287	1,365,459	1,508,564	1,500,570
Volunteer hours	127,000	118,500	122,000	143,500	151,533	156,839	168,795
Property taxes as percentage of operating revenue	38%	39%	38%	38%	36%	39%	39%
Contributions & donations as percent of total revenue	5.7%	5.6%	3.3%	5.3%	4.9%	4.6%	5.0%
Business-type activities:							
Solid Waste:							
Recycling Information Center calls/hits on website (3)	110,320	108,652	126,245	126,949	139,830	134,489	147,186
Students reached in elementary and secondary school presentations	29,911	37,478	41,055	44,314	43,692	43,420	57,189
Regional recovery rate (1)	47.9%	53.5%	55.2%	57.0%	58.6%	55.5%	55.3%
Hazardous waste net cost per pound	$ 0.98	0.90	0.72	0.87	0.89	0.78	0.82
Gallons of recycled paint produced	104,148	116,107	167,040	137,075	102,196	92,982	119,536
Latex paint revenue	$ 351,503	539,135	693,774	755,560	809,484	955,802	1,009,012

(Continued)

METRO

Operating Indicators by Function/Program, Continued

Last Seven Fiscal Years

Unaudited

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
MERC:							
Annual attendance							
Oregon Convention Center	450,000	577,328	668,911	700,360	633,575	608,673	639,000
Expo Center	582,884	534,367	501,670	469,943	470,984	477,072	510,141
Portland Center for the Performing Arts	969,000	947,338	900,000	797,752	953,863	862,897	817,637
Number of events/performances							
Oregon Convention Center	55	66	91	93	85	91	104
Expo Center	100	102	92	100	102	98	107
Portland Center for the Performing Arts	950	902	978	937	980	1,113	827
Capacity							
Occupancy rate (75% considered maximum)							
Oregon Convention Center	65%	55%	37%	48%	39%	42%	46%

(1) 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.

(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) Calls to Recylcing Information Center only, WebTrends tracking started in 2004.

Source: Various Metro departments.

METRO

Capital Asset Statistics by Function/Program

Last Seven Fiscal Years

Unaudited

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Functions/Programs							
Primary Government:							
Governmental activities:							
General government operations:							
Regional Center facilities	1	1	1	1	1	1	1
Square footage	110,000	110,000	110,000	110,000	110,000	110,000	110,000
Parking spaces - Regional Center garage	162	162	162	162	162	162	162
Parking spaces - Irving Street garage	485	485	485	485	485	485	485
Culture and recreation:							
Regional park facilities	5	5	5	5	5	5	5
Acres	1,572	1,572	1,572	1,572	1,572	1,572	1,572
Cemeteries	14	14	14	14	14	14	14
Acres	65	65	65	65	65	65	65
Golf facilities	1	1	1	1	1	1	1
Acres	232	232	232	232	232	232	232
18-hole courses	2	2	2	2	2	2	2
Marine facilities	3	3	3	3	3	3	3
Natural Areas	6	6	6	6	6	6	6
Acres	2,411	2,411	2,411	2,411	2,411	2,411	2,411
Open Spaces land target areas	27	27	27	27	27	27	27
Acres	7,767	7,935	8,015	8,131	8,173	8,185	8,185
Natural Areas land target areas	-	-	-	-	-	35	35
Acres	-	-	-	-	-	304	426
Zoo:							
Acres	65	65	65	65	65	65	65
Buildings and exhibits	38	38	38	38	44	44	44
Roads and pathways (square footage)	341,000	341,000	341,000	341,000	341,000	341,000	341,000
Railways	1	1	1	1	1	1	1
Business-type activities:							
Solid Waste:							
Transfer stations (incl. hazardous waste facilities)	2	2	2	2	2	2	2
Closed landfills maintained	1	1	1	1	1	1	1
MERC:							
Convention Centers	1	1	1	1	1	1	1
Square footage	500,000	907,000	907,000	907,000	907,000	907,000	907,000
Parking spaces	800	800	800	800	800	800	800
Exposition Centers	1	1	1	1	1	1	1
Square footage	330,000	330,000	330,000	330,000	330,000	330,000	330,000
Parking spaces	2,200	2,200	2,200	2,200	2,200	2,200	2,200

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

Source: Various Metro departments.

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
1999	$ 26,225,874	$ 24,710,874	94.2 %	$ 798,788	$ 25,509,662	97.3 %	$ 1,403,421	5.4 %
2000	25,039,223	23,514,268	93.9	798,873	24,313,141	97.1	1,469,184	5.9
2001	27,612,647	25,936,657	93.9	716,457	26,653,114	96.5	1,559,461	5.6
2002	28,067,559	26,357,614	93.9	863,115	27,220,729	97.0	1,589,819	5.7
2003	25,461,547	23,932,994	94.0	891,558	24,824,552	97.5	1,397,706	5.5
2004	26,872,963	25,350,559	94.3	743,803	26,094,362	97.1	1,310,504	4.9
2005	27,379,364	25,852,468	94.4	713,792	26,566,260	97.0	1,170,866	4.3
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

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

METRO

Assessed and Real Market Value of Taxable Property

Last Ten Fiscal Years

Unaudited

Fiscal year ended June 30,	Real property		Personal property	
	Assessed value	Real market value	Assessed value	Real market value
1999	$ 64,954,925,132	$ 86,686,731,219	$ 4,015,295,303	$ 4,218,503,324
2000	68,119,873,420	96,442,637,972	4,599,178,731	4,855,164,356
2001	72,324,619,679	103,550,908,925	4,778,797,938	5,014,856,997
2002	76,887,078,626	113,257,470,348	5,241,574,117	5,332,826,767
2003	80,537,735,166	119,083,633,530	5,171,288,194	5,260,708,472
2004	83,831,528,669	129,455,074,198	4,953,228,970	5,027,676,572
2005	87,594,182,912	137,358,990,439	4,844,569,951	4,933,679,306
2006	91,988,728,939	147,912,179,454	4,818,026,408	4,927,283,069
2007	96,689,252,140	172,711,048,668	4,957,074,851	5,044,779,069
2008	101,956,444,799	197,962,560,247	5,205,212,864	5,295,350,718

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	
$ 2,965,312,065	$ 3,252,510,350	$ 71,935,532,500	$ 94,157,744,893	76.4 %
3,539,158,652	3,849,648,489	76,258,210,803	105,147,450,817	72.5
3,906,448,496	4,445,298,672	81,009,866,113	113,011,064,594	71.7
4,360,911,274	4,460,651,523	86,489,564,017	123,050,948,638	70.3
4,128,896,729	4,198,202,328	89,837,920,089	128,542,544,330	69.9
3,953,101,838	3,972,319,417	92,737,859,477	138,455,070,187	67.0
4,047,402,277	4,068,059,926	96,486,155,140	146,360,729,671	65.9
3,796,815,443	3,826,766,276	100,603,570,790	156,666,228,799	64.2
3,968,232,130	4,031,419,788	105,614,559,121	181,787,247,525	58.1
4,053,406,742	4,197,933,015	111,215,064,405	207,455,843,980	53.6

METRO

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

June 30, 2008

Unaudited

Taxpayer account	Type of business	Assessed valuation	Percent of total valuation
Multnomah County:			
Port of Portland	Marine and aviation facilities	$ 355,509	0.71 %
Portland General Electric Co.	Electric utility	337,205	0.67
Qwest Corporation	Telecommunications	293,589	0.59
Pacificorp (PP&L)	Electric utility	218,831	0.44
Weston Investment Co LLC	Nonresidential construction	217,940	0.44
Boeing Company	Aircraft manufacturing	179,298	0.36
Oregon Steel Mills, Inc.	Steel products	170,274	0.34
Northwest Natural Gas Co.	Natural gas utility	163,572	0.33
LC Portland LLC	Commercial rental partnership	148,571	0.30
Freightliner LLC	Commercial vehicle manufacturing	131,388	0.26
All other taxpayers	-	47,801,504	95.56
	Total	$ 50,017,681	100.00 %
Washington County:			
Intel Corporation	Computer electronics	$ 1,073,119	2.80 %
Nike, Inc.	Athletic apparel	348,297	0.91
Verizon Northwest, Inc.	Telecommunications	317,654	0.83
Pacific Realty Associates	Real estate	261,692	0.68
Portland General Electric Co.	Electric utility	262,652	0.69
Northwest Natural Gas Co.	Natural gas utility	209,612	0.55
Maxim Integrated Products, Inc.	Semiconductor manufacturing	169,355	0.44
Tektronix, Inc.	Computer electronics	137,507	0.36
Sprint Nextel Corporation	Telecommunications	128,512	0.34
ERP Operating LP	Real estate	112,051	0.29
All other taxpayers	-	35,256,877	92.11
	Total	$ 38,277,328	100.00 %
Clackamas County:			
Shorenstein Properties LLC	Real estate	$ 229,041	1.00 %
Portland General Electric Co.	Electric utility	179,426	0.78
Fred Meyer, Inc.	Retailer	146,482	0.64
General Growth Properties, Inc.	Real estate	136,749	0.60
Northwest Natural Gas Co.	Natural gas utility	115,805	0.51
PCC Structurals, Inc.	Metal castings and machining	83,839	0.37
Xerox Corporation	Document management	69,033	0.30
Qwest Corporation	Telecommunications	63,988	0.28
Verizon Northwest, Inc.	Telecommunications	58,550	0.26
Mentor Graphics Corp.	Electronics	48,824	0.21
All other taxpayers	-	21,788,318	95.05
	Total	$ 22,920,055	100.00 %

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

AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS

Oregon Administrative Rules 162-010-0000 through 162-010-0330 incorporated in the Minimum Standards for Audits of Oregon Municipal Corporations, as prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required financial statements and schedules are set forth in the preceding sections of this report. Required comments and disclosures related to the audit of such statements and schedules are set forth on the following pages.

Metro

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

Metro Council and Metro Auditor
Portland, Oregon

We have audited the basic financial statements of Metro as of and for the year ended June 30, 2008 and have issued our report thereon dated December 12, 2008. 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 162-10-000 to 162-10-330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts:

- The accounting records and related internal control structure.
- The amount and adequacy of collateral pledged by 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 2008 and 2009.
- The requirements relating to insurance and fidelity bond coverage.
- The appropriate laws, rules and regulations pertaining to programs funded wholly or partially by other governmental agencies.
- The statutory requirements pertaining to the investment of public funds.
- The requirements pertaining to the awarding of public contracts and the construction of public improvements.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State, except those noted below.

Collateral

The results of our tests disclosed three instances during the year of actual cash on deposit with banks in excess of insurance and collateral pledged by depositories to secure the deposits.

Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However the following significant deficiencies were identified during our audit of the June 30, 2008 financial statements:

While testing accrued expenses we noted that Metro had recorded a liability in fiscal year 2008 for health insurance premiums that covered July 2008. This resulted in an overstatement of liabilities in the Risk Management Fund. The amounts are calculated and recorded by the payroll system each pay period.

During our testing of procurement for the Single Audit, we noted five instances in fifteen contracts tested where a contract did not include any of Metro's standard federal clauses. Of those five contracts it was noted that two of the contracts did not go through Metro's procurement process. For three of the five contracts, the contractor was initially engaged for a nonfederally sourced project. Once the project was allowed to be covered by federal dollars the contract was not subsequently reviewed to ensure it had the appropriate language included.

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

James C. Lagarotto

For Moss Adams LLP
Eugene, Oregon
December 12, 2008

Metro