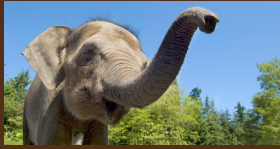


www.oregonmetro.gov



600 NE Grand Ave.
Portland, Oregon
97232-2736

CAFR

Comprehensive Annual Financial Report
For the year ended June 30, 2010



Metro | *Making a great place*



Metro | *Making a great place*

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

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

Your Metro representatives for the year ending June 30, 2010

Metro Council President – David Bragdon

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

Auditor – Suzanne Flynn

www.oregonmetro.gov



Comprehensive Annual Financial Report

For the year ended June 30, 2010

Finance and Regulatory Services Department

Director of Finance and Regulatory Services
Margaret Norton

Prepared by
Accounting Services Division

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

Financial Reporting Supervisor
Karla J. Lenox, CPA



Metro | *Making a great place*

600 NE Grand Ave., Portland, Oregon 97232

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December 3, 2010

To the Council and Citizens of the Metro Region:

In accordance with ORS 297.425, Metro's Finance and Regulatory Services, Accounting Services Division is pleased to submit the Comprehensive Annual Financial Report of Metro, for the year ended June 30, 2010, 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, 2010, and the results of its operations, as well as cash flows for its proprietary fund types for the year then ended. The financial statements and supporting schedules have been prepared by management in accordance with accounting principles generally accepted in the United States of America (GAAP) and meet the requirements of the standards as prescribed by the Oregon Secretary of State.

The CAFR provides meaningful financial information to legislative bodies, creditors, investors and the public. There are four main sections in this report as noted in the table of contents, including a section with reports of our independent certified public accountants required by Oregon Administrative Rules and federal grant regulations. These rules are incorporated in the Minimum Standards for Audits of Municipal Corporations, as prescribed by the Secretary of State, *Government Auditing Standards* and in federal regulations such as Office of Management and Budget Circular A-133.

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

Independent audit. In accordance with Oregon law, Metro's financial statements have been audited by Moss Adams, LLP. The objective of the audit is to provide reasonable assurance that the financial statements of Metro, for the year ended June 30, 2010, are free of material misstatement. The auditor issued an unqualified ("clean") opinion on Metro's financial statements for the year ended June 30, 2010, and their report on these financial statements is located in the Financial Section of the CAFR on pages 13-14. The independent audit of the financial statements was performed in accordance with *Government Auditing Standards*, which require the independent auditor to express an opinion on whether the entity complied with laws, regulations and provisions of contracts or grant agreements that could have a direct and material effect on each major program. Often referred to as the "Single Audit," these federally required reports are found in the last section of this report, Audit Comments and Disclosures Required by State and Federal Regulations.

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

Profile of Metro

Metro covers approximately 463 square miles of the urban portions of Clackamas, Multnomah and Washington counties in northwestern Oregon and serves more than 1.6 million residents. There are 25 cities in the Metro region; Portland, Gresham, Hillsboro, Beaverton, Tigard, Lake Oswego and Oregon City are the largest.

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

In the early 1980s, the District was assigned the responsibility for regional solid waste disposal, took over operation of the one existing publicly owned regional landfill (since closed) and began construction of a solid waste transfer station. In November 1986, voters approved general obligation bond funding for the Oregon Convention Center (OCC), which was financed, built and is now operated by Metro. In January 1990, under terms of an intergovernmental agreement with the City of Portland, the District assumed management responsibility for the Portland Center for the Performing Arts (PCPA).

Also in 1990, the Legislature referred a constitutional amendment to the voters to allow the creation of a home-rule regional government in the Portland metropolitan area. Voters approved the amendment and subsequently approved the Metro Charter in 1992. Metro thereby achieved the distinction of being the nation's only directly elected regional government organized under a home-rule charter approved by voters. In 1994 Metro assumed management responsibility for the Multnomah County parks system and the Portland Exposition Center (Expo). Ownership of these facilities was transferred to Metro on July 1, 1996.

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

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

Metro has been a leading player in preserving and expanding the natural areas available to the people of our region. This includes an interconnected system of parks, trails and greenways – including the Smith and Bybee Wetlands Natural area (a 2,000-acre freshwater wetland in North Portland), Chehalem Ridge Natural Area (a 1,143 acre area in the Tualatin Valley near Wilsonville) and Oxbow Regional Park (a 1,200-acre forested natural area on the Sandy River east of Gresham).

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

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

Reporting Entity

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

Factors Affecting Financial Condition

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

Local economy. The Portland metropolitan region (i.e., the Portland-Hillsboro-Vancouver, OR-WA Primary Metropolitan Statistical Area) is home to nearly 2.3 million residents, 1.6 million of those served by Metro. The "economic region" is comprised of five counties in Oregon and two other counties in Washington. The Portland metropolitan area is the financial, trade, transportation and service center for Oregon, southwest Washington and the Columbia River basin.

Population growth during much of this decade had been surprisingly robust despite two national economic downturns, earlier in 2001 and more recently in 2008. The region saw population growth fall from a peak of 2.6 percent annually in 2001 to a low point of 0.9 percent in 2004 before rebounding up to 2.0 percent annually during the last recovery phase. Population growth is again slowing to near 1.0 percent annual growth during the current recession. However, through all of the economic turmoil, the regional population has been surprisingly resilient. The region has consistently seen its average population growth exceed that of statewide and national averages.

As Metro issues this report, the region has an estimated nonfarm wage and salary employment total of 949,800 jobs (Sep. 2010 – seasonally adjusted). The current unemployment rate (seasonally adjusted) in the region is 10.5 percent, above the national average (9.6 percent). From peak to the current trough, the Portland metropolitan economy has lost over 6.25 percent of its jobs since the beginning of the current recession (December 2007). Portland remains an attractive spot for alternative energy research and manufacturing and establishing itself now could pay dividends

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

Outlook. According to local economists, Portland's economy started 2010 in dismal shape and is expected to worsen before improving. The substantial job losses of recent record will be followed by further losses through most of this year. However, the pace of job losses has begun slowing significantly during the summer – although employment trends remain negative. Nationwide, economic conditions appear to be improving in some sectors, but high unemployment in the region will persist so long as the nascent U.S. recovery remains weak and its positive impact muted in the region.

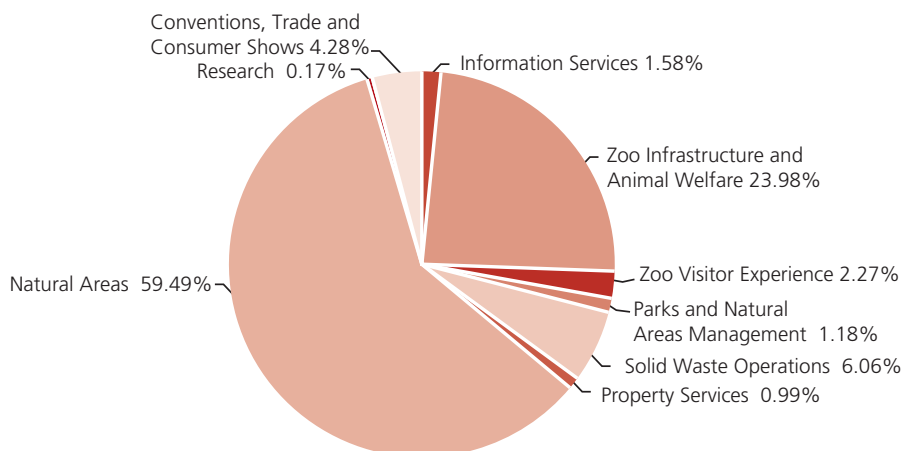
According to IHS Global Insight, a leader in economic and financial analysis and forecasting, weakness will persist into 2011, but the local economy is starting to see some gains. Construction declines are overshadowing mild employment gains across a variety of non-manufacturing sectors. Declines in manufacturing employment are slowing, but not offering much relief for the regional economy as yet. The unemployment rate will eventually decline, but not because of immediate strong job growth – instead discouraged workers will stop looking for work. Eventually, pent-up demand for services will help propel the Portland economy to a strong rebound. The Metro area is forecast to average 2.4 percent annual job growth during 2011-14, a strong performance compared to the nation, which will average only 1.8 percent growth.

Within Metro, the solid waste disposal tonnage began to fall precipitously in early 2008. Conditions worsened in 2009. Solid waste tonnage figures remain weak through 2010, but the pace of declines has begun to level off. For the year, tonnage figures will show another annual decrease, but the latest forecast remains conservative with some small uptick by the middle of next year. Studies show a positive correlation between economic activity and garbage waste.

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

The adopted Capital Budget for Metro for fiscal year 2011 through fiscal year 2015 includes 100 capital projects at an estimated total cost of \$268.5 million. This amount is a decrease of \$49.0 million from the prior year's Capital Budget, and would have been a greater decrease if the amount had not included 31 projects of MERC which are included for

Capital expenditures by budget program



the first time. The decrease also reflects the completion of two major parks in fiscal year 2010 and the postponement of the Blue Lake Nature and Golf Learning Center. The chart above shows the percent of expenditures by Metro program area. The largest two programs, Natural Areas and the Zoo Infrastructure and Animal Welfare, are the programs expending the proceeds of voter-approved bonds. The next highest expenditures are to the Solid Waste Operations program, which includes new Solid Waste projects, landfill remediation and renewal and replacement projects.

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

The Capital Budget contains a projection from each program on the net impact on operating costs resulting from each capital project. One project, the *Red Ape Reserve*, is expected to produce positive cash flows. Metro, overall, forecasts a net contribution to operations of \$51,404 to \$188,382 per year from this project due to increased attendance and revenue at the facilities. The overall cost increase to operations in other areas, ranging from \$652,834 to \$815,976, is mainly the result of the additional natural area acquisitions and the new Graham Oaks Nature Park.

Financial policies. Comprehensive financial policies are reviewed annually and provide the basic framework for the overall fiscal management of the agency. The policies are designed to operate independently of changing circumstances and conditions and help safeguard Metro's assets, promote effective and efficient operations, and support the achievement of Metro's strategic goals. The policies were last reviewed by the Metro Council on June 17, 2010, and published in its adopted budget.

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

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

Metro has assigned fund balance amounts within the General Fund for potential additional PERS pension liabilities, and for future debt service on the full faith and credit bonds issued to refinance Metro Regional Center. This fund balance also includes assignments for cash flow and fund stabilization. Based upon a historical analysis, Metro's revised policies call for a minimum of 7.0 percent of operating revenues be assigned for either contingency or stabilization to guard against unexpected downturns in revenues and stabilize resulting budget actions. The target provides a 90 percent confidence level that revenues would only dip below this amount once every ten years.

Metro's cash management and investment policy is included as part of Metro Code, which is subject to annual review and re-adoption. This policy must conform to the requirements of Oregon Revised Statutes. The Council readopted the policy on June 17, 2010. Metro pools most funds for investment purposes to obtain maximum return on investments

while minimizing the risk of loss of principal due to credit and market risk. The Investment Policy regulates Metro's investment objectives, diversification, limitations and reporting requirements. Metro uses an independent Investment Advisory Board to review and advise Metro on its investment plan and investment performance. Quarterly investment reports are presented to the Investment Advisory Board and forwarded to the Metro Council.

Cash not required for current operations was invested in the State of Oregon Local Government Investment Pool, U.S. Treasury securities, federal agency securities, commercial paper and bankers' acceptances. The pooled cash portfolio does not include bond related investments, which are restricted in terms of maturity and yield.

Debt management policies provide that Metro shall issue long-term debt only to finance capital improvements (including land acquisition) that cannot be readily financed from current revenues, or to reduce the cost of long-term financial obligations. Metro will not use short-term borrowing to finance operating needs unless specifically authorized by Council. Further, Metro will repay all debt issued within a period not to exceed the expected useful life of the improvements financed by the debt. Metro followed these policies during the year ended June 30, 2010.

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 2010-11 Adopted Budget*.

Major initiatives. The 2011 year will continue to be a particularly challenging year in the nation, in Oregon and in the region due to unprecedented economic stress. Now more than ever it is incumbent upon Metro to use taxpayer money wisely. Metro must focus on creating good jobs for everyone and on taking care of and making the most of past investments, while accommodating a growing population and reducing climate pollution.

The fiscal year 2011 adopted budget focuses Metro's work on helping communities secure the future the people of the region desire. Metro will focus investments for maximum impact, elevate overall investment and deploy public resources in a way that supports private investment in existing communities. The budget is formed around the "Community Investment Strategy" which aims to improve the effectiveness and efficiency of existing investments, maintain existing facilities and community assets and develop potential new targeted investments to accommodate anticipated population and employment growth. It will help the region invest existing dollars strategically to maintain momentum for the future. The proposal is to make this a three-year investment, funded by deploying previously committed General Fund fund balance.

The fiscal year 2011 budget adjusts to the current revenue environment by identifying new, short term revenue strategies; making targeted reductions designed to protect core services and increase efficiencies; defining specific stand-alone products or milestones with reasonable exit ramps where future funding commitments are not secure; all while remaining disciplined and true to Metro's financial policies.

In fiscal year 2011, Metro will align the activities of the four principal visitor venues – the Oregon Zoo, OCC, Expo, and PCPA. A General Manager of Visitor Venues replaces the former general manager of MERC, and the business support services of MERC will be more closely aligned with Metro's business services.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Metro for its comprehensive annual financial report for the fiscal year ended June 30, 2009. This was the eighteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

In addition, Metro also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2009. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide and as a communications device. This was the eleventh consecutive year that Metro received this award.

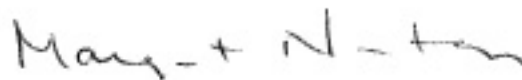
Acknowledgements

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

Respectfully submitted,



Michael Jordan
Chief Operating Officer



Margaret Norton
Director of Finance and Regulatory Services

GFOA Award

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Metro, Oregon

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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

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Elected Officials

Council President

David Bragdon
Term expires January 2011

Auditor

Suzanne Flynn, CIA
Term expires January 2015

Councilors

Rod Park
District 1
Term expires January 2011

Carlotta Collette
District 2
Term expires January 2015

Carl Hosticka
District 3
Term expires January 2013

Kathryn Harrington
District 4
Term expires January 2015

Rex Burkholder
District 5
Term expires January 2013

Robert Liberty
District 6
Term expires January 2013

Appointed Officials

Michael Jordan
Chief Operating Officer

Daniel B. Cooper
Metro Attorney

Margaret Norton
Director of Finance and Regulatory
Services

Mary Rowe
Human Resources Director

Jim Middaugh
Communications Director

Rachel Coe
Information Services Director

Kim Smith
Oregon Zoo Director

Robin McArthur
Planning and Development Director

Michael Hoglund
Research Center Director

Reed Wagner
Parks and Environmental Services
Director (interim)

James Desmond
Sustainability Center Director

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

Registered Agent

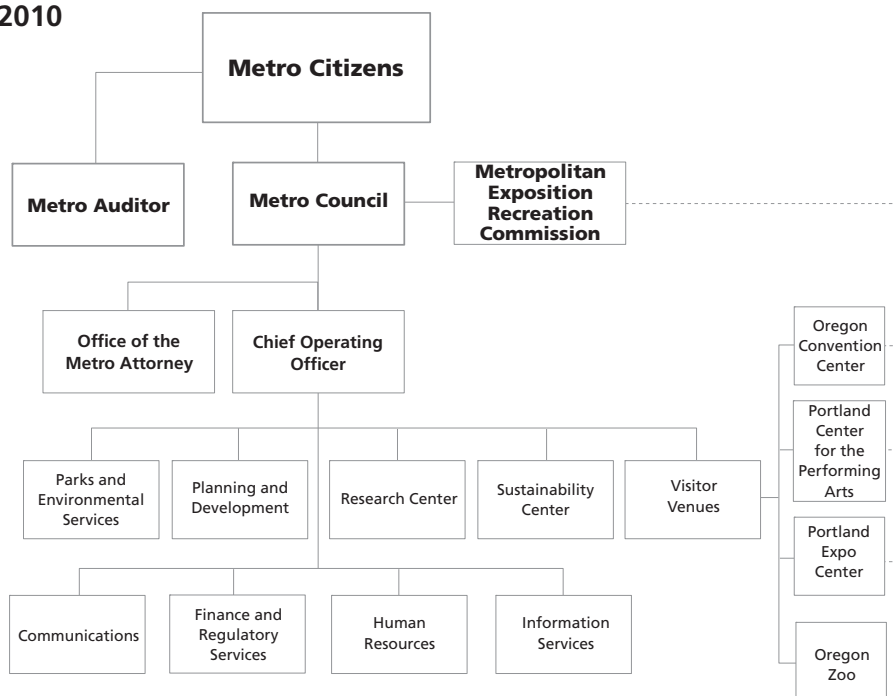
Daniel B. Cooper

Address of Registered and Administrative Office

600 NE Grand Ave.
Portland, OR 97232-2736

Organizational structure

as of June 30, 2010



METRO ELECTED OFFICIALS

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

Metro Auditor– Suzanne Flynn

OPERATING DEPARTMENTS

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

Planning and Development: Land use and transportation planning.

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

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

Visitor Venues

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.

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

ADMINISTRATIVE AND SUPPORT SERVICES

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

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

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

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

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

Information Services: Supplies technology-based leadership and solutions.

December 3, 2010

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, 2010. 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, 2010 are included in the last section of this report, Audit Comments and Disclosures Required by State and Federal Regulations.

Respectfully submitted,



Suzanne Flynn
Metro Auditor



INDEPENDENT AUDITOR'S REPORT

Metro Council and Metro Auditor
Portland, Oregon

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Metro, as of and for the year ended June 30, 2010, 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 1.4% and .3%, respectively, of the assets and revenues of Metro. 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 the other auditors.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Metro, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2010 on our consideration of Metro's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, budgetary comparison, and schedule of funding progress for other post employment benefits on pages 15 through 34, and 85 through 87 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures to the management's discussion and analysis and the schedule of funding progress for other post employment benefits on pages 15 through 34, and page 87 which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The schedules of revenues, expenditures, and changes in fund balance – budget and actual, on pages 85 and 86 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Metro's basic financial statements. The introductory section, other supplementary information, capital assets, other financial schedules, and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information, capital assets, and other financial schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them. Additionally, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



For Moss Adams LLP
Eugene, Oregon
December 2, 2010

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, 2010. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages 1 - 7 of this report. This information is based upon currently known facts, decisions or conditions.

FINANCIAL HIGHLIGHTS

- During fiscal year 2010, Metro acquired ownership of approximately 1,438 acres from willing sellers in nine different target areas and 12 separate land transactions from the proceeds of the Natural Areas general obligation bonds. The total capitalized cost for the property acquired and stabilized in the current fiscal year under this program was \$10,211,922 and is reflected in governmental activities capital assets. This amount included the acquisition of the 1,143 acre Chehalem Ridge Natural Area, the largest single acquisition in the history of the program.
- The Construction Excise Tax (CET) collected \$1,427,730 during the fiscal year ended June 30, 2010. The cumulative total of CET revenues raised since inception is \$7,451,438 at the end of fiscal year 2010. Of the amount collected in fiscal year 2010, \$162,536 was provided by agreement to other local governments for specified planning activities. Metro has obligated \$6.3 million of the initial CET to local government planning activities, of which \$4,490,742 has been paid out since the inception of the program. CET revenues above \$6.3 million have not been awarded due to pending litigation.
- Metro's total debt decreased \$33,260,404 during the current fiscal year. The key factors in this decrease were the scheduled payments of principal maturities on outstanding bonds, the early payment in full of the 2008 Series Oregon Zoo General Obligation Bond in June 2010 in advance of its December 2010 maturity date, and the early payoff of a local improvement district loan in the amount of \$133,632.
- Metro's net assets total \$485,991,350 at June 30, 2010, which reflects an increase of 2.0 percent or \$9,320,284 over the prior year. Governmental activities' net assets increased by \$25,919,539, while business-type activities' net assets decreased \$16,599,255 as explained later in this analysis.
- Other liabilities of Metro's business-type activities increased 102.1 percent or \$15,303,857 from June 30, 2009, primarily attributable to a change in estimate for landfill post-closure costs in Solid Waste operations as Metro continued implementing its closure plan for the closed St. Johns Landfill. The \$13,634,086 increase in estimated costs through the end of the closure period in 2026 brought the total remaining liability to \$14,988,898 at June 30, 2010 and reduced net assets accordingly.
- The General Fund reflected an increase of \$1,476,244 in fund balance from its operations, to a total of \$46,455,487 at June 30, 2010. Of this total fund balance, \$8,789,267 is reserved for assets held for resale, \$660,638 for long-term loans receivable of the Transit-Oriented Development (TOD) program, and \$188,082 for prepaid items. Unreserved fund balance in the General Fund stood at \$36,817,500 at June 30, 2010, representing 56.2 percent of total fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Major Features and Perspectives of Metro's Financial Statements

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

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 2010 these activities consisted of the operation of the solid waste system and Metropolitan Exposition-Recreation Commission (MERC) operations.

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

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

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

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

Metro maintains budgetary controls over its funds. The objective of budgetary controls is to ensure compliance with legal provisions contained in the annually appropriated budget. Budgetary comparison schedules for all appropriated funds are provided following the notes to the financial statements. Of special note, a portion of one budgetary fund (the General Revenue Bond Fund) and one additional entire budgetary fund (General Renewal and Replacement Fund) are allocated to the General Fund and combined with those operating activities for reporting in conformance with generally accepted accounting principles, in the governmental fund financial statements. The remaining portion of the budgetary General Revenue Bond Fund is allocated to the MERC Fund for proprietary fund presentation noted below.

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

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

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

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

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

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

Notes to the financial statements. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 55-82 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 \$485,991,350 at June 30, 2010, which reflects an increase of 2.0 percent or \$9,320,284 over the prior year. The table on the following page reflects the condensed Government-wide Statement of Net Assets.

Metro's governmental activities now account for the most significant portion of total net assets – totaling \$248,851,812 (51.2 percent), whereas business-type activities account for \$237,139,538 (48.8 percent). Of Metro's total net assets, 69.8 percent of the total reflects its investment in capital assets, net of related debt, up from 67.3 percent of net assets in the prior year. Metro uses these capital assets to provide services to its citizens, therefore, this amount is not available for future spending. Although Metro's investment in its capital assets is reported net of the related debt, it should be noted that the resources needed to repay this debt must come from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The amount invested in capital assets (net of related debt) for business-type activities, \$193,123,523, includes capital assets for the MERC enterprise, specifically the Oregon Convention Center (OCC), that were financed through the issuance of general obligation bonds. The amount of debt related to OCC is reflected in unrestricted net assets in governmental activities as the amount of long-term debt outstanding on these bonds is a liability of the governmental activities in which repayment of the bonds occurs. The amount stated as the total for invested in capital assets net of related debt in the Total – Primary Government column, \$339,047,164, brings this related debt together with those capital assets to reflect this net amount for Metro as a whole. Metro's investment in its headquarters offices, zoo

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exhibits, open spaces property and other significant assets is reflected in the governmental activities investment in capital assets, net of related debt. Overall, the increase in the amount invested in capital assets (net of related debt) for governmental activities reflects a net increase in capital assets of \$18,415,022 associated primarily with Natural Areas acquisitions and construction of capital assets at the Oregon Zoo and a decrease in capital related long-term debt outstanding from principal payments on debt primarily associated with Open Spaces and Natural Areas acquisitions. Amounts invested in capital assets net of related debt for business-type activities changed primarily due to the amount of increase in accumulated depreciation exceeding capital asset additions, while related long-term debt declined due to payment of principal.

Metro's Net Assets

	Governmental Activities		Business-type Activities		Total - Primary Government	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 168,976,893	194,689,288	74,313,632	70,969,790	243,290,525	265,659,078
Capital assets	312,652,751	294,237,729	205,434,687	210,771,273	518,087,438	505,009,002
Total assets	481,629,644	488,927,017	279,748,319	292,676,766	761,377,963	770,668,080
Long-term debt outstanding	217,116,174	249,679,282	12,311,164	13,008,460	229,427,338	262,687,742
Other liabilities	15,661,658	16,315,462	30,297,617	14,993,810	45,959,275	31,309,272
Total liabilities	\$ 232,777,832	265,994,744	42,608,781	28,002,270	275,386,613	293,997,014
Net assets						
Invested in capital assets, net of related debt	161,033,641	142,681,077	193,123,523	197,896,445	339,047,164	320,942,522
Restricted	47,868,259	41,383,007	2,652,250	14,548,959	50,520,509	55,931,966
Unrestricted	39,949,912	38,868,189	41,363,765	41,293,389	96,423,677	99,796,578
Total net assets	\$ 248,851,812	222,932,273	237,139,538	253,738,793	485,991,350	476,671,066

In addition, 10.4 percent of net assets are restricted for specific purposes, including capital projects, community rehabilitation and enhancement, debt service, cemetery perpetual care and other purposes. This represents a decrease in restricted net assets of \$5,411,457 (9.7 percent) from the amount at June 30, 2009. This decrease is the net effect of the removal of restrictions on net assets in the business-type activities due to the payoff of revenue bonds in the Solid Waste enterprise in the prior year (reducing restricted net assets by \$13,151,704) and increases in restricted net assets for capital projects in governmental activities, totaling \$6,023,815, funded by the Natural Areas and Zoo Infrastructure and Animal Welfare bond proceeds. The remaining \$96,423,677 is unrestricted, with \$39,949,912 of this amount attributable to Metro's governmental activities. Unrestricted net assets increased \$1,081,723 (2.8 percent) in governmental activities and decreased \$70,236 (0.2 percent) in business-type activities. Unrestricted net assets may be used to meet Metro's ongoing obligations to citizens and creditors.

Current and other assets (composed of cash and investments, receivables, inventories, prepaid items and other assets) decreased 8.4 percent or \$22,368,553 on a government-wide basis. The decrease is attributed primarily to the spending for acquisitions and local share grants of the Natural Areas bond program, which accounted for a decrease of \$19,233,439 in restricted cash and investments, as well as spending for the Zoo Infrastructure and Animal Welfare projects which decreased restricted cash and investments by \$1,625,114, both reflected in governmental-activities restricted assets. Current and other assets increased \$3,343,842 from the prior year in business-type activities with an increase of \$2,894,465 attributable to MERC operations and a \$706,448 decrease in Solid Waste operations, both net

of internal balances for the consolidation of internal service fund (risk management) activities. MERC's increase was primarily attributable to restricted cash and investments provided by its concessions contractor upon the award of the contract which is to be used by MERC for purchase of concession related equipment (\$1,669,225 remaining), as well as restricted cash and investments from local government shared revenues – primarily the transient lodging (hotel/motel) tax.

Long-term debt outstanding decreased 12.7 percent or \$33,260,404. Governmental activity long-term debt decreased \$32,563,108 or 13.0 percent as a result of scheduled debt payments, as well as payment of \$5,000,000 of the 2008 Series Oregon Zoo General Obligation Bond in advance of its scheduled December 2010 maturity date. Business-type activity long-term debt decreased \$697,296 or 5.4 percent from June 30, 2009 as Metro paid scheduled principal payments, as well as paying in full the remainder of a local improvement district loan in the amount of \$133,632. A further discussion of the financing activities undertaken during the year is presented later in this analysis.

Other liabilities (consisting of accounts payable, accrued compensation, accrued interest payable, and other current liabilities) of Metro's business-type activities increased 102.1 percent or \$15,303,857 from June 30, 2009, primarily attributable to a change in estimate for landfill post-closure costs in Solid Waste operations as Metro continued implementing its closure plan for the closed St. Johns Landfill. The \$13,634,086 increase in estimated costs through the end of the closure period in 2026 brought the total remaining liability to \$14,988,898 at June 30, 2010. In addition, unearned revenue in MERC operations was up \$1,504,990 at June 30, 2010 due to advance ticket sales for several large events that played in later months, including the Broadway play *Lion King* and the artists Neil Young and Harry Connick, Jr.

Other liabilities in the governmental activities decreased \$653,804 or 4.0 percent overall. The decrease in other liabilities is reflective of a decrease in accounts payable and a decrease in accrued interest payable, the later due to continued reduction in the amount of long-term debt principal outstanding.

Changes in net assets. As noted earlier, Metro's total net assets increased 2.0 percent over the prior year. Governmental activities' net assets increased by \$25,919,539, while business-type activities' net assets decreased \$16,599,255. The components of this change in net assets are reflected in the condensed information from Metro's Statement of Activities, which follows.

Program revenues generated directly from Metro's operations, which includes charges for services, decreased \$2,331,890 or 1.8 percent from the prior year, while the share of total revenues derived from these sources decreased from the prior year, from 62.1 percent to 61.4 percent. This decrease is due to the significance in the prior year of a one-time donation of land to Metro's Natural Areas program that totaled \$4,311,793 and was reflected in capital grants and contributions in governmental activities. A year to year comparison of program revenues net of this single prior year transaction shows an increase of \$2,079,315 over the prior year.

A significant portion (51.4 percent) of Metro's revenues come from, or is based upon, its charges for services. Charges for services revenues include charges to customers for use of Metro facilities and services, such as solid waste fees and admission fees. Program revenues from business-type activities increased 2.9 percent, or \$2,350,826. Governmental activities program revenue decreased 0.9 percent or \$370,923 net of the prior year's one-time donation mentioned above, with the zoo accounting for a decrease of \$862,727, whereas regional planning activities program revenues were up \$531,531, with the increase due to higher revenues from operating grants and local government contributions on planning work, up \$999,244. Charges for services revenues increased 2.1 percent or \$492,934 in governmental activities and increased 0.1 percent or \$69,392 in business-type activities. Operating grants and contributions increased over the prior year by \$1,103,285 or 7.5 percent, primarily in regional planning, as noted earlier. Capital grants and contributions revenue dropped significantly due to the land donation noted earlier, as well as a large capital grant

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received in the prior year for the M. James Gleason Boat Ramp project that totaled \$1,784,074 – both reflected in governmental activities. That reduction was offset to some extent by a \$2,000,000 capital contribution to MERC by the concessions contractor which is reflected in business-type activities.

Changes in Metro's Net Assets

	Governmental Activities		Business-type Activities		Total - Primary Government	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues						
Charges for services	\$ 24,258,779	23,765,845	80,554,854	80,485,462	104,813,633	104,251,307
Operating grants and contributions	14,446,031	13,889,920	1,378,076	830,902	15,824,107	14,720,822
Capital grants and contributions	2,725,497	8,457,258	2,000,000	265,740	4,725,497	8,722,998
General revenues						
Property taxes	51,668,586	45,447,596	-	-	51,668,586	45,447,596
Excise taxes	14,373,427	14,710,735	-	-	14,373,427	14,710,735
Local government shared revenues	509,323	500,473	9,941,144	10,702,508	10,450,467	11,202,981
Other	1,658,426	5,020,438	537,995	1,714,787	2,196,421	6,735,225
Total revenues	\$ 109,640,069	111,792,265	94,412,069	93,999,399	204,052,138	205,791,664
Expenses:						
General government operations	12,779,417	14,198,441	-	-	12,779,417	14,198,441
Regional planning and development	14,978,447	13,023,497	-	-	14,978,447	13,023,497
Culture and recreation	17,316,051	13,350,232	-	-	17,316,051	13,350,232
Zoo	28,311,531	29,426,286	-	-	28,311,531	29,426,286
Interest on long-term debt	10,888,841	12,121,270	-	-	10,888,841	12,121,270
Solid Waste	-	-	64,228,318	52,014,903	64,228,318	52,014,903
MERC	-	-	46,229,249	46,239,579	46,229,249	46,239,579
Total expenses	\$ 84,274,287	82,119,726	110,457,567	98,254,482	194,731,854	180,374,208
Increase (decrease) in net assets before transfers	\$ 25,365,782	29,672,539	(16,045,498)	(4,255,083)	9,320,284	25,417,456
Transfers	553,757	120,655	(553,757)	(120,655)	-	-
Increase (decrease) in net assets	\$ 25,919,539	29,793,194	(16,599,255)	(4,375,738)	9,320,284	25,417,456
Net Assets, July 1	222,932,273	193,139,079	253,738,793	258,114,531	476,671,066	451,253,610
Net Assets, June 30	\$ 248,851,812	222,932,273	237,139,538	253,738,793	485,991,350	476,671,066

General revenues are used by Metro to fund expenses not covered by program revenues. The most significant general revenue, property taxes, accounts for 47.1 percent of all governmental activities revenues, up from 40.7 percent in the prior fiscal year due primarily to the increase in assessments necessary for debt service payments on Metro's outstanding bonds. Property taxes are dedicated to repayment of general obligation bond debt or allocated by the Council in support of General Fund operations (\$40,225,036 and \$11,232,026 respectively). The bonds were originally issued to finance construction of the OCC, construction of the Great Northwest project and the initial phase of the Zoo Infrastructure and Animal Welfare program at the Oregon Zoo, and for acquisition of open spaces and natural areas in the region.

The excise tax – a tax Metro assesses on users of its goods and services at a flat rate per ton on solid waste activities (\$9.83, which is up from \$8.97 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. As part of the budget process, the Council applies excise tax as general revenue to support Regional Parks operations, general renewal and replacement and to fund the Tourism Opportunity and Competitiveness Account which is designed to enhance the OCC's pursuit of conventions from outside the region and bring new dollars into the region. The excise tax provided \$12,945,697 in general revenue, down \$30,459 or 0.2 percent from the prior year. This decrease is reflective of the net impact of the change in the tax rates noted earlier and on lower revenues from Metro facilities upon which the tax is assessed. Excise taxes from Metro non-solid waste facilities accounted for \$1,853,667 of revenue, a decrease of \$471,155 from the prior year which is primarily attributable to the exemption of Zoo revenues from the tax for the first time in fiscal year 2010. Excise taxes from revenue associated with solid waste tonnage increased over the prior year, with \$4,755,700 raised at Metro operated facilities (up \$182,044) and \$6,336,330 raised from privately owned facilities (up \$258,652).

Beginning July 1, 2006, Metro imposed the CET, which collected \$1,427,730 during the fiscal year ended June 30, 2010, down \$306,849, reflective of the impact of the deep recession on construction activity. This tax is imposed on new construction within the region, with limited exceptions, and is intended to provide funds to local governments for planning of future expansion areas, future urban reserves and planning that enables redevelopment of centers, corridors and employment areas within the existing Urban Growth Boundary. The Council extended the CET to September 30, 2014. The cumulative total of CET revenues raised since inception is \$7,451,438 at the end of fiscal year 2010. Of the amount collected in fiscal year 2010, \$162,536 was provided by agreement to other local governments for specified planning activities and resulted in lower expenses, down \$959,339 from the prior year in general government operations expenses. This brings the cumulative total of CET funds provided to local governments since the inception of the program to \$4,490,742.

Local government shared revenues were down \$752,514 or 6.7 percent reflective of the economy and its impacts on lodging taxes received in support of MERC operations, with lodging down 4.1 percent and car rental revenues down 8 percent. Investment revenues were down \$4,540,306 (67.7 percent) due to continued spending of bond proceeds and because the average yield earned on Metro's pooled cash investments declined with the market in fiscal year 2010, from a high of 1.61 percent in July 2009 to a low of 0.75 percent in June 2010. The average yield for the fiscal year was 1.15 percent compared to 2.59 percent in the prior year.

The total cost of all programs and services decreased 8.0 percent or \$14,357,646 from the prior year to a total of \$194,731,854. Business-type activities, consisting of Solid Waste and MERC programs, represent 56.7 percent of this total, compared to 54.5 percent in the prior year. General government operations reflected 6.6 percent of total costs, compared to 7.9 percent in the prior year. Regional planning and development and culture and recreation (primarily regional parks programs) accounted for 7.7 percent and 8.9 percent of total costs, respectively. The zoo program represented 14.5 percent of total costs for the year. The remainder was primarily interest on long-term debt, which decreased by \$1,232,429 or 10.2 percent from the prior year and totaled \$10,888,841 or 5.6 percent of total costs, down from 6.7 percent in the prior year as a result of scheduled principal payments on bonded debt.

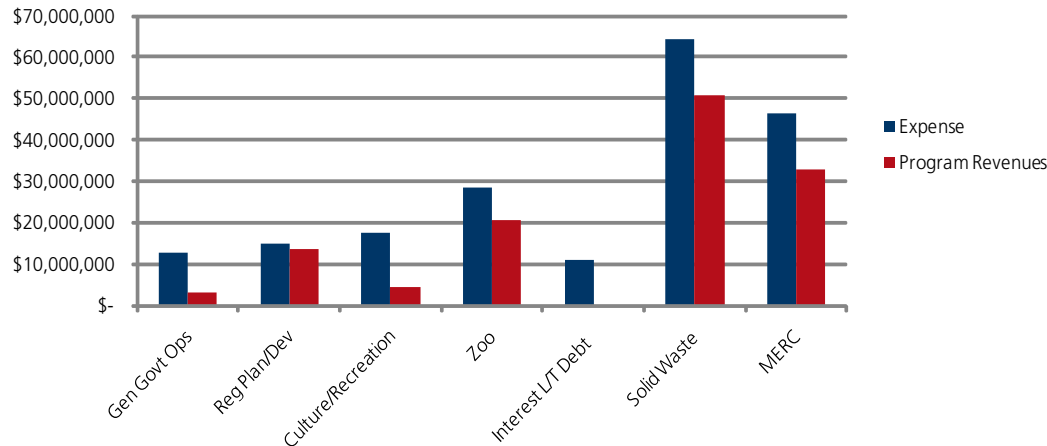
As reflected in the chart at the top of following page, program revenues in each of the functional and program areas did not cover all costs during the fiscal year. General revenues fund this difference as shown in the Statement of Activities. Each of these areas is described separately in the narrative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

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Management's Discussion and Analysis, *continued*

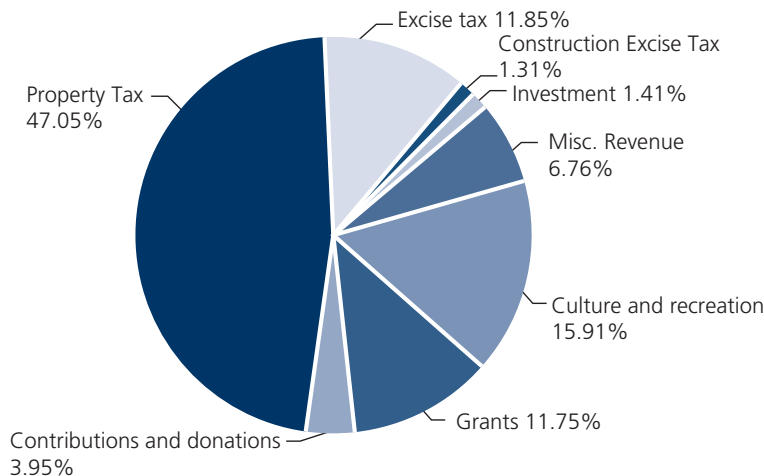
For the year ended June 30, 2010

Metro Government-Wide Revenues and Expenses, Fiscal Year 2010



Governmental activities. Revenues for Metro's governmental activities decreased \$366,744 (0.3 percent) to a total of \$109,640,069 with 47.1 percent of this revenue, \$51,668,586, coming from property taxes. Property taxes funded interest expense as noted above and the remainder was used to pay bond principal, reducing outstanding bond liabilities, and to support General Fund operations.

Metro Governmental Activities Sources of Revenue, Fiscal Year 2010



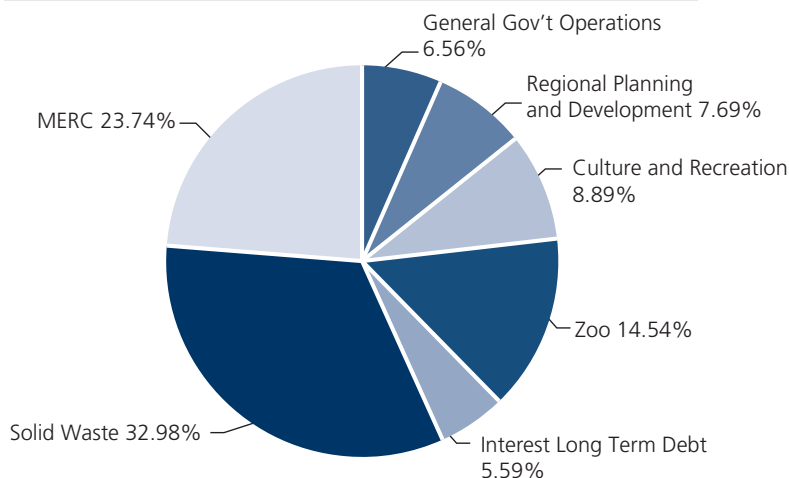
Metro's general government operations accounted for 6.6 percent or \$12,779,417 of Metro's total expenses for governmental activities, which was a decrease of \$1,419,024 from that reported in the prior year. Reported expenses decreased primarily due to a reduction in amounts expensed for CET funding of local governments for their concept planning work as noted earlier. Charges for services revenues increased \$347,155 over the prior year, due primarily to increased direct and indirect charges to other programs for services provided, which totaled \$808,865 in fiscal year 2010, up \$427,022 from the prior year. General government operations rely significantly on general revenues, primarily excise taxes and transfers, to offset its net expense of \$9,553,985.

Metro's regional planning and development activities had total costs of \$14,978,447 for the fiscal year ending June 30, 2010, up \$1,954,950 (15.0 percent) from the prior year. Revenues that fund planning activities are primarily from operating grants and contributions, totaling \$12,198,260, which increased 8.9 percent or \$999,244 from the prior year. Overall, regional planning and development is project driven, relying heavily on grant awards. The level of grants

received also affects the level of work and expenditures incurred, and both were up. Contract work got fully under way on the Milwaukie Light Rail final environmental impact statement (FEIS), increasing expenses by \$910,956 which are grant funded. Increased efforts on the Lake Oswego Streetcar, Street Car Methods and Regional Travel Options projects resulted in higher amounts for both revenues and expenses. The total amount expended for TOD program purchases was nearly the same as the prior year, while funding from Tri-Met declined \$500,000. A few additional purchases of TOD assets held for resale were made in the current fiscal year, increasing the amount of property assets held for resale to \$8,789,267 (consisting of seven properties) at June 30, 2010. The net expense for regional planning and development of \$1,565,764 - an increase in net expense of \$1,423,419 from the prior year - is covered by general revenues such as excise taxes and property taxes.

Culture and recreation activities, which include operation of Metro's regional parks and management of natural areas, accounted for total expenses of \$17,316,051, up \$3,965,819 or 29.7 percent from the prior year. The increase is due, in part, to increased expenses for the local share and capital grant projects funded by the Natural Areas bond program, which totaled \$5,934,819, an increase of \$1,239,111 over the prior year. Metro reorganized departments, consolidating the former Solid Waste and Regional Parks departments into the Parks and Environmental Services Department. As a result of this change, expenses in the culture and recreation program in governmental activities increased by \$1,334,845 for work formerly reflected only in business-type activities (Solid Waste operations). The expenses are reimbursed to the governmental activities from Solid Waste and are reflected as additional charges for services revenue. Depreciation expense increased \$183,408 as additional parks facilities came into operation. Program revenues from charges for services (e.g., admission fees, rentals, etc.) totaled \$3,696,310, up 4.0 percent or \$1,047,446 primarily due to internal charges for services revenues received from the Solid Waste fund for the services provided and noted above that totaled \$1,226,518. This increase was offset by a decrease from the prior year in park admission fees, concession revenues and Glendoveer Golf fees which were affected by the weakened economy and very wet spring weather. Additional support was provided from operating grants and contributions in the amount of \$506,914, a decrease of \$660,443 from the prior year. There was a decline in capital grants and contributions in the current fiscal year, primarily due to the donation of Natural Areas land in the prior year as noted earlier. The remaining net expense of Metro's culture and recreation program, \$13,112,827, 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.

Metro Function/Program Expenses, Fiscal Year 2010



Operations of the Oregon Zoo reflected program revenues of \$20,588,968, a decrease of \$862,727 or 4.0 percent from the prior year. Charges for services revenues (e.g., admission fees, food and retail sales) accounted for 85.5 percent of program revenues, which decreased \$433,954 or 2.4 percent. While the zoo reached the highest attendance year in

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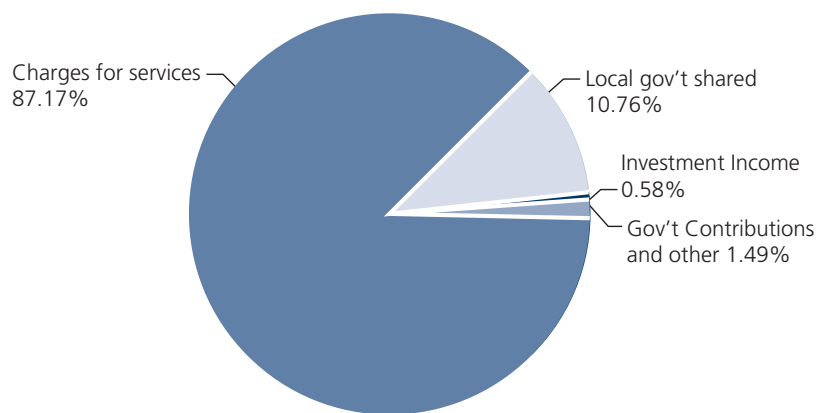
Management's Discussion and Analysis, *continued*

For the year ended June 30, 2010

its history (1,634,978 people, up 13,411 or 0.8 percent from the prior year) and experienced higher revenues from admission fees (up \$245,823), spending by zoo visitors on food and retail items declined \$753,008 from the prior year (\$10.68 per capita in fiscal year 2010 compared to \$11.05 per capita in the prior year) due to effects of the prolonged recession which softened zoo catering, restaurant and concession food sales, and retail sales were soft due to the lack of a strong exhibit similar to the dinosaur exhibit of the prior year. The zoo experienced a 12.1 percent drop in attendance for the zoo's 2009 summer concert season, with premium concert attendance up 1.4 percent and Wednesday concerts down 24.2 percent, which overall negatively affected sales. The overall strong zoo attendance was driven by the popularity of the new *Predators of the Serengeti* exhibit which opened in fall of 2009, record numbers for the zoo's winter ZooLights display and the charismatic elephant calf, Samudra, who has stolen the heart of zoo visitors. Total expenses for zoo operations totaled \$28,311,531, a decrease of \$1,114,755 or 3.8 percent from the prior year. In addition to the expense declines in food and retail cost of goods (down \$161,484) which follow the decline in food and retail revenues, management recognized that zoo revenues were down and identified opportunities to cut costs across most other areas, while still providing a positive guest experience and maintaining programs. The resulting net expense of \$7,722,563 (a decrease of \$252,028 or 3.2 percent from the prior year) is financed from general revenues, such as excise taxes, property taxes and investment earnings.

Business-type activities. Revenues of Metro's business-type activities (Solid Waste and MERC operations) totaled \$94,412,069, up 0.4 percent or \$412,670. Total expenses increased \$12,203,085 to a total of \$110,457,567, primarily as a result of the landfill post-closure expenses noted earlier. As a result, operations of business-type activities reflected a decrease in net assets of \$16,599,255 for the fiscal year ended June 30, 2010, compared to a decrease of \$4,375,738 in the prior year.

Metro Business-Type Activities Sources of Revenue, Fiscal Year 2010



Solid waste tonnage brought to Metro facilities was down significantly (6.1 percent) from two factors related to economic conditions: the evaporation of construction and demolition debris from both commercial and self haul traffic, and the diversion of waste by integrated haulers to their own facilities as the general decline freed up capacity at those facilities. The decrease in tonnage was offset by an increase in rates charged (Disposal Fees rose to \$51.65 per ton, compared to \$49.00 per ton in the prior year and the Regional System Fee rose to \$17.53 per ton from \$16.04 per ton) resulting in an overall increase of \$425,710 in charges for services revenues. Metro's share of total regional tonnage declined from 43.2 percent to 42.5 percent. Expenses were up \$12,213,415, or 23.5 percent, primarily as a result of the landfill post-closure expense noted above. Although tonnage delivered to Metro's transfer stations decreased from the prior year, higher expenses were experienced due to contract cost of living adjustments and higher costs under two new contracts for transfer station operations that became effective April 1, 2010. Waste transport costs were lower than the prior year primarily due to the decreased tonnage. The resulting net expense for the Solid Waste activity was \$13,279,688 for the fiscal year, up from a net expense of \$1,508,497 in the prior year.

MERC operates the Metro-owned OCC and Portland Exposition Center (Expo). In addition, under terms of an intergovernmental agreement with the City of Portland, MERC operates the city-owned Portland Center for the Performing Arts (PCPA). MERC program revenues totaled \$32,984,300 in fiscal year 2010, up \$1,908,602 or 6.1 percent from the prior year. The increase was primarily due to capital grants and contributions received in the amount of \$2,000,000, provided to MERC by its concessions contractor to be used for acquisition of concession related equipment. Charges for services revenues were relatively unchanged, down \$356,318 (1.2 percent). Revenue decreases were experienced at Expo due to lower attendance at consumer shows and fewer rentals of exhibitor space. While OCC experienced similar declines for consumer shows, that was offset by a strong year in national conventions (41 total), with three of those being considered "super" events. PCPA revenues decreased due to 9 weeks of Broadway series performances compared to 14.5 weeks in the prior year.

Total expenses for MERC were \$46,229,249 down \$10,330 or less than 0.1 percent. This slight decrease in expenses was due to a reduction in payroll and fringe benefit costs, down \$782,619 or 4.5 percent from the prior year which more than offset other expense increases. The largest increase was reflected in food and beverage expense, up \$563,023 or 5.8 percent. The resulting net expense of MERC operations was \$13,244,949 for the fiscal year ended June 30, 2010, compared to \$15,163,881 in the prior year, an improvement in performance of \$1,918,932 or 12.7 percent. General revenues used to support this net expense include local government shared revenues (transient lodging taxes) of \$9,941,144. Investment earnings provided an additional \$170,896 towards covering net expense, down \$386,258 from the prior year.

FINANCIAL ANALYSIS OF METRO'S FUNDS

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

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

Metro completed the fiscal year with its governmental funds reporting combined fund balances of \$126,696,861. This is down considerably from the prior year, due mainly to natural area property purchases and local share and capital grants reflected in the Natural Areas Capital Project Fund. These expenditures contributed to a \$20,316,600 decrease in fund balance in that fund, to \$56,792,607 at June 30, 2010. As noted earlier in this analysis, in accordance with GASB Statement 34, Metro reports certain non-major funds in the Other Governmental Funds column. Total fund balances in these funds declined \$2,578,670, primarily from the expenditures on capital projects.

The General Fund expended \$11,575,042 for general government operations. These operational expenditures included the general government share of costs for the Council Office, Metro Auditor, Office of Metro Attorney, Communications, Human Resources, Finance and Regulatory Services, and Information Services, as well as special appropriations of \$902,069, which included expenditures of \$353,099 for the Nature in Neighborhoods program, election costs of \$116,067 and the CET funding provided to local governments noted earlier. The General Fund also expended \$1,515,000 for principal payments and \$1,862,007 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 \$14,909,242 during fiscal year 2010, up \$1,934,725 or 14.9 percent from the prior year. As noted earlier, the work of this program is primarily funded by federal grants; expenditures were higher in relation to the increased revenues on those projects. Contracted and professional services reflected an increase of \$983,554 or 31.5 percent, primarily related to the work for the Milwaukie

Light Rail project which began the FEIS work noted earlier. Payments to other agencies were up a total of \$751,114, due primarily to the beginning of a two-year cycle for issuing grants to local agencies for Regional Travel Options projects. Program purchases in the TOD program decreased as noted earlier in this analysis.

The General Fund's culture and recreation expenditures totaled \$8,137,045 during the fiscal year ending June 30, 2010. This was \$1,223,171 higher (17.7 percent) than the prior year, primarily due to reorganizing the former Solid Waste and Regional Parks departments into the Parks and Environmental Services Department as part of Metro's Strategic Metro Initiative (SMI) and incurring expenditures for certain solid waste functions, such as financial management, in the General Fund for the first time. These solid waste related expenditures are reimbursed by the Solid Waste Fund and reflected as internal charges for services revenues in the General Fund.

As noted earlier, the General Fund's Oregon Zoo had its highest attendance in its 120-year history. Strong attendance and a \$0.75 increase in admission fees helped earn enterprise revenues of \$17,461,932, down \$452,742 or 2.5 percent. Admissions revenue was higher by \$245,823 or 3.6 percent. Food service and retail sales revenues were down \$309,853 (5.8 percent) and \$77,745 (3.4 percent), respectively. Exhibit show revenues dropped \$289,510 (55.4 percent) from the prior year due to underperformance of two temporary exhibits early in the year compared to the previous summer's dinosaur exhibit. Zoo related expenditures totaled \$24,623,138, down \$1,488,986 or 5.7 percent from the prior year, primarily in materials and services expenditures as expenses for food and retail items followed the decline in revenues and management controlled costs in other areas, such as maintenance, purchased services and utilities.

In summary, the General Fund reflected an increase of \$1,476,244 in fund balance from its operations, to a total of \$46,455,487 at June 30, 2010. Of this total fund balance, \$8,789,267 is reserved for assets held for resale, \$660,638 for long-term loans receivable of the TOD program, and \$188,082 for prepaid items. Unreserved fund balance in the General Fund stood at \$36,817,500 at June 30, 2010, representing 56.2 percent of total fund expenditures.

The General Obligation Bond Debt Service Fund accounts for the debt service requirements of Metro's general obligation bonds. During the fiscal year, property tax revenues used to pay debt service totaled \$40,225,036, up \$6,083,587 from the prior year due to higher assessments required for repayment of the outstanding general obligation bonds. Interest payments on all general obligation bonds totaled \$9,791,481, which was \$1,044,702 lower than the prior year reflecting the decrease in outstanding principal noted above. An additional \$30,688,540 was expended on principal payments, leaving \$13,041,458 in fund balance at fiscal year end which is reserved for future debt service.

The Natural Areas Fund reflected capital outlay expenditures of \$15,681,741, including the acquisition of approximately 1,438 acres from willing sellers in nine different target areas and 12 separate land transactions. Additional expenditures of \$5,934,819 were incurred to fund various local share projects, including staffing and materials to conduct all the projects accounted for in this fund.

Metro's Zoo Infrastructure and Animal Welfare Fund accounts for the proceeds of the \$125 million in general obligation bonds approved by the voters in fall 2008. During fiscal year 2010, Metro used the initial bond proceeds of \$5,000,000 received in the prior year to work on the earliest phases of the approved projects, primarily the design of the zoo's veterinary hospital and quarantine facility. Capital outlay expenditures of \$1,468,970 were incurred for these projects during the year and resulted in fund balance of \$2,806,954 at June 30, 2010.

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 \$53,781,330 at year-end, down 21.4 percent or \$14,616,794. Of this amount in net assets, \$20,745,742 is unrestricted, down 1.8 percent, and represents 32.7 percent of operating expenses. 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 \$13,057,353 from the prior year, due primarily to the landfill post-closure expenses incurred for the change in estimate made in fiscal year 2010. Without this change, operating expenses totaled \$49,749,442, a decrease of \$576,733 or 1.1 percent. Payroll and fringe benefits decreased 15.7 percent (\$1,443,720) due to Metro's SMI reorganization that transferred certain solid waste functions to the General Fund. This decrease in payroll and fringe expenses is offset by the increase in charges for services expenses of \$1,968,050, which includes amounts paid for direct costs by the Solid Waste Fund to the General Fund for those internal services. Administrative expenses, which are indirect overhead charges to the Solid Waste fund, increased \$695,571 (20.0 percent) over the prior year primarily due to SMI reorganization as solid waste records management staff were transferred to Information Services and became an allocated cost charged to Solid Waste by the General Fund and reducing the direct payroll and fringe expense above by approximately \$80,000, as well as increases in the amount of costs allocated to Solid Waste by the Office of Metro Attorney. Facility operating expenses for Metro's two solid waste transfer stations decreased \$18,299 or 0.2 percent. Waste disposal fees paid for waste disposal at the Columbia Ridge Landfill in Gilliam County, remained unchanged from the prior year, down by a fraction of a percent (\$731), reflective of the net effect of lower tonnage and cost of living contractual adjustments, as noted earlier. Waste transport costs decreased 4.6 percent (\$449,575), on reduced tonnage as well as the expiration of the former waste transport contract which included, in the prior year, \$194,123 of final amortization of the related prepaid amount. The Council's prior action to repeal recycling credits took effect on July 1, 2009, resulting in a reduction of \$436,974 from the prior year. The operating loss was \$12,479,528 in fiscal year 2010. Net of the landfill closure change in estimate and resulting expense, fiscal year 2010 would have reflected an operating income of \$1,154,558, compared to operating income of \$152,115 in the prior year.

Net assets for MERC totaled \$186,130,152 at June 30, 2010, down \$3,138,286 or 1.7 percent from the prior year, with 86.0 percent of net assets invested in capital assets, net of related debt. Of the remaining net assets for MERC, \$23,389,967 is unrestricted, and represents 51.5 percent of annual operating expenses.

MERC operating revenue includes charges for services of \$29,650,854 and government contributions of \$766,100. Charges for services revenue declined \$351,575 or 1.2 percent from the prior year. This revenue drop is due primarily to those factors noted earlier in the government-wide business-type activities discussion. While attendance at Expo showed some gains, food and beverage sales continued to lag due to the economic climate, down 12.8 percent (\$236,952) from the prior year. As noted earlier, OCC had 41 national conventions and three "super" conventions which contributed to a 15.5 percent or \$1,211,761 increase in food and beverage revenues over the prior year. PCPA's operating revenues were off 17.4 percent or \$1,276,218 from the prior year due primarily to the lower number of Broadway series shows.

Payroll and fringe benefit costs decreased \$782,619 or 4.5 percent as management instituted a salary freeze, suspension of merit-based pay increases and held several vacant positions open all in an effort to hold down costs, as well as decreases resulting from the event schedule that impacts event staffing costs. Facility operating costs remained relatively flat, declining only \$107,902 or 1.5 percent, reflecting the level of activity at MERC facilities. Food and beverage costs increased \$563,023 or 5.8 percent, with the MERC-wide margin between this expense and related food and beverage revenues being 16.9 percent compared to 15.5 percent in the prior year (OCC, 16.8 percent; Expo, 20.3 percent; PCPA, 14.5 percent). The operating loss for MERC totaled \$15,020,199 in fiscal year 2010, an additional loss of \$36,654 or 0.2 percent compared to the prior year. Transient lodging taxes, included in local government shared revenue on the Statement of Revenues, Expenses and Changes in Fund Net Assets, are used to help cover operating losses and totaled \$9,941,144 during fiscal year 2010, down \$761,364 or 7.1 percent and reflected the economic impacts felt in the lodging industry.

The Risk Management Fund, an internal service fund that is incorporated in governmental activities for government-wide reporting, had net assets of \$7,998,239 at June 30, 2010. Total assets were \$8,916,373, primarily in equity in Metro's internal cash and investment pool, totaling \$8,866,762. Both of these amounts were relatively unchanged from

the prior year. Significant liabilities included the actuarially determined accrued self-insurance claims of \$709,370, down \$95,249 from the prior year. Risk Management Fund total net assets decreased \$302,933 from the prior year as expenses (primarily insurance and claims expenses) exceeded operating revenue, primarily internal charges for services, by \$457,693. The operating loss could not be offset by investment income as it declined with the market, dropping \$193,559 to a total of \$87,473.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

Of the eight total budget amendments made during fiscal year 2010, six involved the General Fund, resulting in an additional \$48,583 in appropriations between the adopted and amended budget. The largest amendment, Ordinance 09-1227, authorized the realignment of program staff to better implement program goals. The Regional Travel Options manager position was transferred to the Communications Department from the Planning and Development Department to provide one position with oversight for agency marketing and communication efforts related to Metro facilities and shifted the RTO work to the Regional Transportation Plan manager. The amendment also returned one position from Planning and Development to the Sustainability Center for the Nature in Neighborhoods program that had been previously been moved under the SMI reorganization. The amendment transferred \$142,245 and 1.0 FTE from Planning and Development to Communications and \$177,119 and 1.0 FTE from Planning and Development to Sustainability Center, resulting in no increase in overall General Fund appropriations.

Other larger amendments during the fiscal year included Ordinance 09-1225, which moved \$128,000 from General Fund contingency to permit the transfer of funds to the Renewal and Replacement Fund to complete a remodel of the third floor at Metro Regional Center, involving the reconfiguration of offices and creation of a new conference room for the use of the Metro Council, that had begun in the prior year. Ordinance 10-1242 amended the budget in the Metro Capital Fund to halt the Blue Lake Nature and Golf Learning Center project and return the project manager to the General Fund's Parks and Environmental Services Department. The appropriations for the department were increased \$40,951, which was offset by a reduction in transfers to the Metro Capital Fund and accompanied by an increase in General Fund contingency, resulting in a net increase in appropriations of \$3,583.

Other amendments in the General Fund included moving \$91,600 from contingency to Parks and Environmental Services appropriations to fund completion of master planning and design of a memorial for Chinese immigrants at Lone Fir Cemetery (ordinance 09-1226). Another amendment created a limited duration position to manage the Regional Indicators Project, transferring \$78,520 from interfund transfers appropriation authority to the Research Center and placing an additional \$55,580 in unappropriated fund balance in reserve for work in the following year, with no net effect on total General Fund requirements.

The General Fund is appropriated by department with separate designations within the fund for debt service, interfund transfers and contingency. Appropriated departments include Council Office, Communications, Finance and Regulatory Services, Human Resources, Information Services, Metro Auditor, Office of Metro Attorney, Oregon Zoo, Parks and Environmental Services, Planning and Development, Research Center and Sustainability Center, 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, 2010.

The General Fund's central service (administrative) support areas expended less than budgeted primarily to due position vacancies in a number of areas (Human Resources, Office of Metro Attorney, Office of the Auditor, Finance and Regulatory Services and Information Services). In addition, various materials and services categories of spending were less than budgeted due to the carry forward of project work on a Learning Management System, as well as work on the business continuity plan in Information Services, both having budget carry forward into fiscal year 2011. The General Fund's zoo operations expended less than budget primarily in food, utilities and other purchased services, for

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Management's Discussion and Analysis, *continued*

For the year ended June 30, 2010

reasons noted earlier. Parks and Environmental Services also experienced position vacancies resulting in underspending. In addition, the parks program and the Sustainability Center had approximately \$300,000 in underspending as grant funded projects in the Science and Stewardship program were not completed due to contract and weather related planting delays, two Regional Trail Program projects were delayed (including regional system planning for Intertwine), and one trail project was declared infeasible (Lake Oswego to Milwaukie Bridge). The Planning and Development department budget included \$4,990,000, the maximum amount of funds available to pursue new TOD projects, but new projects resulted in spending of only \$556,294. In addition, the budget amount for Regional Housing Choice of \$785,000 was not expended as the work was put out to bid for a loan manager/coordinator, Metro did not receive any offers resulting in the project not moving forward.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Metro's investment in capital assets for its governmental and business type activities amounts to \$518,087,438 (net of accumulated depreciation) as of June 30, 2010. 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 \$13,078,436 or 2.6 percent, net of accumulated depreciation. Metro reflects an increase of \$18,415,022 or 6.3 percent in capital assets attributable to governmental activities and a decrease of \$5,336,586 or 2.5 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	
	2010	2009	2010	2009	2010	2009
Land	\$209,278,199	196,594,041	19,329,786	19,329,786	228,607,985	215,923,827
Intangible - easements	1,041,412	-	-	-	1,041,412	-
Artwork	271,595	255,873	-	-	271,595	255,873
Buildings and Exhibits	64,625,503	66,078,934	176,665,132	182,131,170	241,290,635	248,210,104
Improvements	14,386,992	13,922,915	1,599,899	1,797,630	15,986,891	15,720,545
Equipment and Vehicles	3,209,227	3,280,887	6,658,670	6,413,548	9,867,897	9,694,435
Intangible - software	434,146	-	230,356	-	664,502	-
Office furniture/equip	496,071	1,000,055	203,943	1,027,411	700,014	2,027,466
Railroad equip/facilities	6,882	7,941	-	-	6,882	7,941
Construction in Progress	18,902,724	13,097,083	746,901	71,728	19,649,625	13,168,811
Total	\$312,652,751	294,237,729	205,434,687	210,771,273	518,087,438	505,009,002

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

- Identifying and reclassifying into separate capital asset categories Metro's intangible assets that include computer software and easements as part of implementing GASB Statement No. 51, *Accounting and Financial Reporting of Intangible Assets*. These assets were formerly reflected in land and office equipment categories and the transfer to its own category accounts for a large component of the decrease in the office equipment category in the table above.
- Metro acquired ownership of approximately 1,438 acres from willing sellers in nine different target areas and 12 separate land transactions from the proceeds of the Natural Areas general obligation bonds. The total capitalized cost for the property acquired and stabilized in the current fiscal year under this program was \$10,211,922 and is reflected in governmental activities capital assets. This amount included the acquisition of the 1,143 acre Chehalem Ridge Natural Area, the largest single acquisition in the history of the program.

METRO

Management's Discussion and Analysis, *continued*

For the year ended June 30, 2010

- The zoo opened the *Predators of the Serengeti* exhibit in September 2009 and substantially completed the *Red Ape Reserve* by the end of fiscal year 2010. This project constructed a new indoor exhibit, new holding/shift rooms, and renovated existing outdoor exhibits for the zoo's orangutans. This project continues the zoo's sustainability efforts by reusing existing structures, rather than demolishing otherwise sound buildings. Also in line with sustainability goals, the zoo acquired eleven electric powered maintenance carts to replace gas powered models. The zoo also completed all phases of design and received bids for the Veterinary Medical Center. Design work was completed on the Penguin Water Filtration Upgrade project and design work for the Zoo Water Main Pressure Reducing/Double Check Assembly replacement project is nearly completed. The last three projects are all funded by the Zoo Infrastructure and Animal Welfare bond proceeds.
- Parks and Environmental Services capitalized work on several projects accounted for in the Metro Capital Fund, including the M. James Gleason Boat Ramp attenuator project, \$2,664,173, and the Blue Lake Nature and Golf Learning Center design and engineering, \$128,575. The later project was halted due to economic conditions.
- Solid Waste delayed capital projects at its transfer stations to allow for discussion of operations of the stations under new operating agreements which became effective April 1, 2010.
- MERC undertook various capital projects and those with amounts over \$100,000 were all at OCC and included a dishwasher/scrapper table of \$212,407, remodel of the former Kinko's retail space into the Stir Lounge for \$309,847, a moveable air wall retrofit for \$252,299 and food and beverage small wares, \$112,893.

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 \$229,427,338 net of discounts and deferred amounts on refunding. Of this amount, \$178,115,055 comprises debt backed by *ad valorem* property tax assessments and the remainder, \$51,312,283, represents bonds secured by a broad pledge of Metro revenues, including property taxes used to support operations, and excise taxes levied on users of certain Metro services.

The following table provides a summary of Metro's debt activity. Bonds are reflected net of premiums, discounts and deferred amounts on refunding as disclosed in the notes to the financial statements:

Metro's Outstanding Debt

	Governmental Activities		Business-type Activities		Total - Primary Government	
	2010	2009	2010	2009	2010	2009
Gen. obligation bonds	\$178,115,055	209,351,110	-	-	178,115,055	209,351,110
Full Faith & Credit/Revenue	39,001,119	40,328,172	12,311,164	12,874,828	51,312,283	53,203,000
Loans	-	-	-	133,632	-	133,632
Total	\$217,116,174	249,679,282	12,311,164	13,008,460	229,427,338	262,687,742

Metro's total debt decreased \$33,260,404 (12.7 percent) during the current fiscal year. The key factors in this decrease were the scheduled payments of principal maturities on outstanding bonds, payment in full of the 2008 Series Oregon Zoo General Obligation Bond in June 2010 in advance of its December 2010 maturity date, and the early payoff of a local improvement district loan in the amount of \$133,632.

Subsequent to fiscal year end, Metro issued \$15,000,000 2010 Oregon Zoo General Obligation Bonds on August 5, 2010 in a private placement, carrying an interest rate of 1.31 percent and maturing in December 2012. Additional issues under the voter authorized Zoo Infrastructure and Animal Welfare bonds will be made as overall project planning and permitting progresses in future years on these zoo projects.

Metro also has \$103,105,000 in remaining voter approved general obligation bond authorization for acquisition of natural areas, parks and streams to protect open spaces and water quality, enhance the region's network of trails, and provide greater access to nature.

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

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for Metro is \$20,812,352,097, which is significantly in excess of Metro's outstanding general obligation debt.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Like many metropolitan areas across the nation, the Portland area has seen employment tumble in recent years. In 2009 the annual unemployment rate in the region was 10.6 percent compared to statewide and national rates of 11.1 and 9.3 percent, respectively. Since February 2009 the Portland metropolitan area has seen double-digit unemployment, reaching a high of 11.4 percent in March 2010. In the second quarter of 2010, employment was down 2.3 percent or 19,200 jobs from the prior year. The June 2010 preliminary unemployment rate for the combined five-county Portland area was 9.7 percent. The area saw one of the largest declines in unemployment over the year as the rate was down 1.3 percentage points from June 2009, with much of the decline coming from unemployed individuals dropping out of the labor force. Metro's Research Center forecasts regional nonfarm employment to rebound in 2010, but overall economic growth is expected to remain sluggish through the first quarter of 2011. The recovery will be uneven across industry sectors. Manufacturing, construction and retail sectors, hardest hit during this recession, will take longer to rebound. Generally, the service sectors will define the shape of the recovery.

According to the State of Oregon's Office of Economic Analysis (OEA), in July 2010, the six month percentage change in the Oregon Index of Leading Indicators was 0.0 percent as the Index was flat relative to January, following a revised 2.7 percent increase the prior month. Industrial production, withholding and air freight are three positive indicators, while the semi-conductor book-to-bill ratio shows no change. OEA forecasts a decline of 0.8 percent in total employment in the third quarter of 2010 and a mild increase of 0.2 percent in the fourth quarter. The second quarter of 2011 will see improving job growth approaching 2.0 percent, according to OEA's forecast.

The population outlook for the region calls for growth to exceed national and statewide rates for the foreseeable future, fueling the growth expected in the service sector and other non-manufacturing industries. The construction and finance industries, however, will lag behind, due to the nature of the downturn, according to the Research Center.

The Metro fiscal year 2011 budget tops \$430 million in requirements, about 5 percent higher than the prior year. The budget was adopted during a time of unprecedented economic stress with the challenge to maintain focus, preserve core services and keep momentum as the Metro region grinds through the economic downturn and looks forward to recovery. This is the essence of Metro's mission, to preserve and enhance the quality of life and the environment for ourselves and future generations.

METRO

Management's Discussion and Analysis, *continued*

For the year ended June 30, 2010

The sharp decline in solid waste tonnage the past two fiscal years appears to have arrested and leveled, but the forecast remains at this low level throughout most of fiscal year 2011. Attendance remains at record high levels at the Oregon Zoo, but guests are spending less on food services and other concessions. The number of convention and event bookings remains steady, but many events are offered for fewer days, and event promoters are selecting more modest food and beverage packages. Excise tax collections mirror these activities, and Metro continues to watch property tax collections carefully.

Metro's fiscal year 2011 budget is based upon a 6.4 percent increase in fees charged for solid waste disposal, driven in part by expanded latex paint recycling services offered to meet new statewide recycling requirements. Tonnage related disposal fees are anticipated to increase about 3.5 percent. Regional park revenues are projected to remain flat for fiscal year 2011.

Metro expects to receive \$48.5 million in property tax revenues in fiscal year 2011. This includes current year tax receipts to the General Fund directed towards operations of \$11 million and debt service levies for outstanding general obligation bond issues, \$36.4 million. The remainder, approximately \$1 million, will be received in the form of delinquent property taxes, levied in prior years but received in fiscal year 2011, and interest and penalties on those late payments.

The excise tax rate will remain at 7.5 percent on revenues other than solid waste. For solid waste related revenues, the rate is set at a \$10.94 flat rate per ton. With the forecast for tonnage to remain flat and the revenue forecasts in other Metro areas, the excise tax is projected to raise \$14.9 million in fiscal year 2011. The Construction Excise Tax, a 0.12 percent tax levied on building permit values of new construction to provide funding for planning of future expansion areas, future urban reserves and planning that enables redevelopment of centers, corridors and employment areas within the existing Urban Growth Boundary, is expected to generate \$1.3 million in the coming year.

Grants are anticipated to provide \$14.8 million, primarily for the planning functions of Metro. The delay in the federal reauthorization of transportation funding has placed a portion of these grant funds at risk. However, new funding from the State of Oregon related to the study of greenhouse gas emissions is expected to provide substitute or bridge funding until such time as the federal funding is reauthorized.

Investment earnings are projected at \$1.6 million using an estimated earnings rate of 1.0 percent.

As part of a Community Investment Strategy, Metro plans to expend \$929,000 to help local communities and neighborhoods choose high priority actions needed to maintain and improve important public structures. The strategy is aimed at capitalizing on our region's past investments by maintaining existing roads, bridges, parks and other public structures and at supporting targeted new investments to create good jobs and vibrant downtowns, to protect farms and forests and to reduce greenhouse gas pollution. The strategy will integrate Metro's ongoing work to advance local aspirations, active and high capacity transportation, The Intertwine (a network of integrated parks, trails, and natural areas), Climate Prosperity, natural area acquisition, waste prevention, and education.

Metro's Research Center will also be supporting and complementing the Community Investment Strategy initiative by integrating its Oregon House Bill (HB) 2001 greenhouse gas research and model enhancement work with the strategy. Data collection, spatial analysis, mapping and visualization, requirements of the HB 2001 scenario planning, are dependent upon reaching a final program and funding agreement with the State of Oregon. The Research Center will also complete the regional indicators report, a collaborative effort with Portland State University and local partners.

Metro's Sustainability Center, following the opening of Graham Oaks Park, will shift to longer-range financial needs for Metro's growing land base and The Intertwine System. The budget includes resources to complete the Glendoveer Golf Course master plan in anticipation of the current operating contract concluding in 2012. The Sustainability Center will

also transfer in five positions from Parks and Environmental Services and merge the natural areas maintenance staff to align all elements of Metro's natural areas program in one center. Environmental education for The Intertwine Project will be managed from this center and integrate existing youth education programs at all Metro facilities including the Oregon Zoo.

Planning and Development's Corridor Planning work program may proceed at a slower pace due to the previously mentioned delays in federal reauthorization. Metro will not be able to embark on subsequent phases unless or until there is solid funding commitments from local, state and federal partners. These funding uncertainties will slow the pace of local implementation of the newly adopted Regional Transportation Plan for up to three years, dropping the cooperative project development program with Oregon's Department of Transportation and moving from a two-year update cycle to a four-year cycle for the Metropolitan Transportation Improvement Program.

With the new Graham Oaks Park opening comes new operating expenses in the Parks and Environmental Services (PES) budget. Natural areas technicians, currently in PES, who provide day-to-day support, will be shifted to the Sustainability Center to provide a more cohesive management of all natural areas and allow a smoother transition from stabilization to restoration and operation of newly acquired properties.

PES will also manage the transition to new transfer station operating contracts and embark on being the primary vendor for receiving and processing paint under the new state program mandating paint recovery.

The adopted budget for fiscal year 2011 transfers \$5,225,000 to the Solid Waste Fund from the Risk Management Fund, an amount originally assessed for environmental liabilities in fiscal year 2004. With the implementation in fiscal year 2009 of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, Metro began reporting the environmental liabilities within the fund where the liability originated.

The budget for the Oregon Zoo focuses on maximizing existing programs and staff resources. Technical construction staff associated with the *Predators of the Serengeti* and *Red Ape Reserve* projects is eliminated with the conclusion of those projects, and Construction and Maintenance Division staff associated with those projects is redirected as a facilities maintenance group.

MERC operations will reflect the elimination of two positions at OCC and 12 positions in MERC office. The reorganization of Metro's primary venues including the three MERC facilities and the Oregon Zoo under a single management group is just beginning and is not reflected in the budget, but will be considered for the fiscal year 2012 budget as to whether any change in budgetary structure is needed to reflect this integration. A Metro-MERC Business Practices Study now underway may introduce additional changes in fiscal year 2011.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Metro's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance and Regulatory Services, Metro, 600 NE Grand Avenue, Portland, Oregon, 97232-2736.

Basic Financial Statements

METRO
Statement of Net Assets
June 30, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Oregon Zoo Foundation
ASSETS				
Equity in internal cash and investment pool	\$ 53,967,989	61,978,088	115,946,077	1,522,011
Investments	-	-	-	8,179,631
Receivables (net of allowance for uncollectibles):				
Property taxes	2,699,142	-	2,699,142	-
Trade	503,028	5,578,113	6,081,141	247,349
Other	1,991,020	4,968,429	6,959,449	151,225
Interest	407,291	196,288	603,579	11,419
Grants	4,995,169	-	4,995,169	-
Internal balances	2,771,944	(2,771,944)	-	-
Inventories	71,122	180,600	251,722	-
Assets held for resale	8,789,267	-	8,789,267	-
Prepaid items	188,101	1,286,049	1,474,150	-
Loan receivable (net of discount)	660,638	-	660,638	-
Net pension asset	18,988,270	-	18,988,270	-
Other assets	112,279	145,758	258,037	46,664
Restricted assets:				
Equity in internal cash and investment pool	14,001,171	2,752,251	16,753,422	-
Investments	58,830,462	-	58,830,462	-
Capital assets:				
Land, intangibles, artwork and construction in progress	229,493,930	20,076,687	249,570,617	-
Other capital assets (net of accumulated depreciation)	83,158,821	185,358,000	268,516,821	29,856
Total assets	\$ 481,629,644	279,748,319	761,377,963	10,188,155
LIABILITIES				
Accounts payable	\$ 5,368,889	4,964,667	10,333,556	281,687
Salaries, withholdings and payroll taxes payable	2,107,387	1,112,472	3,219,859	-
Contracts payable	231,950	-	231,950	1,103,825
Accrued interest payable	2,424,736	45,816	2,470,552	-
Accrued self-insurance claims	709,370	-	709,370	-
Unearned revenue	1,820,442	2,643,896	4,464,338	2,159,139
Deposits payable	98,753	1,423,582	1,522,335	230

(Continued)

METRO
Statement of Net Assets, *continued*
June 30, 2010

	Primary Government			Component
	Governmental	Business-type		Unit
	Activities	Activities	Total	Oregon Zoo Foundation
LIABILITIES, Continued				
Other liabilities	\$ 11,020	1,732,064	1,743,084	-
Payable from restricted assets:				
Contracts payable	-	100,000	100,000	70,794
Non-current liabilities:				
Due within one year:				
Bonds payable	19,558,356	625,000	20,183,356	-
Post-closure costs payable	-	773,412	773,412	-
Compensated absences	2,114,227	1,076,949	3,191,176	-
Due in more than one year:				
Bonds payable (net of unamortized premium or discount and deferred amount on refunding)	197,557,818	11,686,164	209,243,982	-
Net other postemployment benefits obligation	585,993	509,398	1,095,391	-
Post-closure costs payable	-	14,215,486	14,215,486	-
Pollution remediation obligation	-	1,699,875	1,699,875	-
Compensated absences	188,891	-	188,891	-
Total liabilities	\$ 232,777,832	42,608,781	275,386,613	3,615,675
NET ASSETS				
Invested in capital assets, net of related debt (1)	161,033,641	193,123,523	339,047,164	29,856
Restricted for:				
Debt service	12,767,082	8	12,767,090	-
Rehabilitation and enhancement	1,974,186	-	1,974,186	-
Capital projects	32,809,833	2,652,242	35,462,075	-
Perpetual care-non-expendable	317,158	-	317,158	-
Zoo purposes:				
Expendable	-	-	-	1,027,589
Non-expendable	-	-	-	50,000
Unrestricted (1)	39,949,912	41,363,765	96,423,677	5,465,035
Total net assets	\$ 248,851,812	237,139,538	485,991,350	6,572,480

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

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



METRO
Statement of Activities
For the year ended June 30, 2010

			Program Revenues	
			Charges for	Operating
	Expenses		Services	Grants and
				Contributions
				Capital
				Grants and
				Contributions
FUNCTIONS/PROGRAMS				
Primary Government:				
Governmental activities:				
General government operations	\$ 12,779,417	1,741,850	263,250	1,220,332
Regional planning and development	14,978,447	1,214,423	12,198,260	-
Culture and recreation	17,316,051	3,696,310	506,914	-
Zoo	28,311,531	17,606,196	1,477,607	1,505,165
Interest on long-term debt	10,888,841	-	-	-
Total governmental activities	84,274,287	24,258,779	14,446,031	2,725,497
Business-type activities:				
Solid Waste	64,228,318	50,904,000	44,630	-
MERC	46,229,249	29,650,854	1,333,446	2,000,000
Total business-type activities	110,457,567	80,554,854	1,378,076	2,000,000
Total primary government	\$ 194,731,854	104,813,633	15,824,107	4,725,497
Component Unit:				
Oregon Zoo Foundation	\$ 6,624,460	4,246,245	3,177,540	-
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, 2009				
Net assets-June 30, 2010				

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
(9,553,985)	-	(9,553,985)	
(1,565,764)	-	(1,565,764)	
(13,112,827)	-	(13,112,827)	
(7,722,563)	-	(7,722,563)	
(10,888,841)	-	(10,888,841)	
<u>(42,843,980)</u>	<u>-</u>	<u>(42,843,980)</u>	
-	(13,279,688)	(13,279,688)	
<u>-</u>	<u>(13,244,949)</u>	<u>(13,244,949)</u>	
-	(26,524,637)	(26,524,637)	
<u>(42,843,980)</u>	<u>(26,524,637)</u>	<u>(69,368,617)</u>	
			<u>799,325</u>
\$ 51,668,586	-	51,668,586	-
12,945,697	-	12,945,697	-
1,427,730	-	1,427,730	-
25,670	-	25,670	-
509,323	9,941,144	10,450,467	-
1,632,756	537,995	2,170,751	188,096
553,757	(553,757)	-	-
<u>68,763,519</u>	<u>9,925,382</u>	<u>78,688,901</u>	<u>188,096</u>
<u>25,919,539</u>	<u>(16,599,255)</u>	<u>9,320,284</u>	<u>987,421</u>
<u>222,932,273</u>	<u>253,738,793</u>	<u>476,671,066</u>	<u>5,585,059</u>
<u>\$ 248,851,812</u>	<u>237,139,538</u>	<u>485,991,350</u>	<u>6,572,480</u>



Fund Financial Statements

Governmental Funds

Major Funds

General Fund

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

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

Debt Service Fund

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

Capital Projects Funds

Zoo Infrastructure and Animal Welfare Fund

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

Other Governmental Funds

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

METRO
Balance Sheet
Governmental Funds
June 30, 2010

	General	Debt Service
ASSETS		
Equity in internal cash and investment pool	\$ 37,466,275	12,661,714
Investments	-	-
Receivables:		
Property taxes	615,242	2,083,900
Trade	486,266	-
Other	1,624,737	-
Interest	139,792	82,397
Grants	4,858,754	-
Inventories	71,122	-
Assets held for resale	8,789,267	-
Prepaid items	188,082	-
Loan receivable (net of discount)	660,638	-
Other assets	112,279	-
Restricted assets:		
Equity in internal cash and investment pool	25	-
Total assets	\$ 55,012,479	14,828,011
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 4,512,540	-
Salaries, withholdings and payroll taxes payable	2,013,029	-
Contracts payable	63,993	-
Deferred revenue	537,215	1,786,553
Unearned revenue	1,320,442	-
Deposits payable	98,753	-
Other liabilities	11,020	-
Total liabilities	8,556,992	1,786,553
Fund balances:		
Reserved for:		
Assets held for resale	8,789,267	-
Loans receivable	660,638	-
Prepaid items	188,082	-
Debt service	-	13,041,458
Unreserved reported in:		
General fund	36,817,500	-
Special revenue funds	-	-
Capital projects funds	-	-
Permanent fund	-	-
Total fund balances	46,455,487	13,041,458
Total liabilities and fund balances	\$ 55,012,479	14,828,011
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Deferred revenue reported in the funds is eliminated (recognized) or becomes unearned revenue.		
An internal service fund is used by management to charge the costs of insurance and risk management to individual funds.		
The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Net assets of governmental activities		

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

Capital Projects		Other	Total
Zoo Infrastructure and Animal Welfare	Natural Areas	Governmental Funds	Governmental Funds
227,735	849,866	7,896,784	59,102,374
2,721,253	56,109,209	-	58,830,462
-	-	-	2,699,142
-	-	16,762	503,028
-	350,319	175	1,975,231
687	119,975	30,619	373,470
-	136,415	-	4,995,169
-	-	-	71,122
-	-	-	8,789,267
-	19	-	188,101
-	-	-	660,638
-	-	-	112,279
-	-	-	25
2,949,675	57,565,803	7,944,340	138,300,308
117,991	301,927	238,381	5,170,839
24,730	58,825	91	2,096,675
-	62,444	105,513	231,950
-	350,000	-	2,673,768
-	-	-	1,320,442
-	-	-	98,753
-	-	-	11,020
142,721	773,196	343,985	11,603,447
-	-	-	8,789,267
-	-	-	660,638
-	19	-	188,101
-	-	-	13,041,458
-	-	-	36,817,500
-	-	6,000,611	6,000,611
2,806,954	56,792,588	1,282,586	60,882,128
-	-	317,158	317,158
2,806,954	56,792,607	7,600,355	126,696,861
2,949,675	57,565,803	7,944,340	
			312,652,751
			18,988,270
			2,173,768
			10,770,183
			(222,430,021)
		\$	248,851,812

METRO
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2010

	General	Debt Service
REVENUES		
Property taxes	\$ 11,232,026	40,225,036
Excise taxes	12,964,535	-
Construction excise tax	1,427,730	-
Cemetery revenue surcharge	-	-
Local government shared revenues	509,323	-
Investment income	327,301	162,612
Government fees	389,643	-
Culture and recreation fees	17,402,009	-
Other fees	3,086,589	-
Internal charges for services	2,629,198	-
Licenses and permits	385,155	-
Miscellaneous revenue	343,632	-
Grants	11,299,558	-
Government contributions	1,505,000	-
Contributions and donations	1,245,662	-
Capital grants	1,188,332	-
Capital contributions and donations	32,000	-
Total revenues	65,967,693	40,387,648
EXPENDITURES		
Current:		
General government operations	11,575,042	-
Regional planning and development	14,909,242	-
Culture and recreation	8,137,045	-
Zoo	24,623,138	-
Debt service:		
Principal	1,515,000	30,688,540
Interest	1,862,007	9,791,481
Capital outlay	2,862,392	-
Total expenditures	65,483,866	40,480,021
Revenues over (under) expenditures	483,827	(92,373)
OTHER FINANCING SOURCES (USES):		
Sale of capital assets	-	-
Transfers in	1,445,809	-
Transfers out	(453,392)	-
Total other financing sources (uses)	992,417	-
Net change in fund balances	1,476,244	(92,373)
Fund balances - July 1, 2009	44,979,243	13,133,831
Fund Balances - June 30, 2010	\$ 46,455,487	13,041,458

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

Capital Projects		Other	Total
Zoo Infrastructure and Animal Welfare	Natural Areas	Governmental Funds	Governmental Funds
-	-	-	51,457,062
-	-	-	12,964,535
-	-	-	1,427,730
-	-	25,497	25,497
-	-	-	509,323
26,399	940,859	88,113	1,545,284
-	-	-	389,643
-	-	-	17,402,009
-	-	-	3,086,589
-	-	-	2,629,198
-	-	-	385,155
-	13,251	9,302	366,185
-	322,479	-	11,622,037
-	-	-	1,505,000
-	-	73,332	1,318,994
-	-	37,792	1,226,124
-	-	1,467,373	1,499,373
26,399	1,276,589	1,701,409	109,359,738
-	-	-	11,575,042
-	-	-	14,909,242
-	5,934,819	598,767	14,670,631
-	-	-	24,623,138
-	-	-	32,203,540
-	-	-	11,653,488
1,468,970	15,681,741	3,285,201	23,298,304
1,468,970	21,616,560	3,883,968	132,933,385
(1,442,571)	(20,339,971)	(2,182,559)	(23,573,647)
-	50,000	-	50,000
-	-	455,860	1,901,669
(10,531)	(26,629)	(851,971)	(1,342,523)
(10,531)	23,371	(396,111)	609,146
(1,453,102)	(20,316,600)	(2,578,670)	(22,964,501)
4,260,056	77,109,207	10,179,025	149,661,362
2,806,954	56,792,607	7,600,355	126,696,861

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, 2010

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

Net change in fund balances-total governmental funds	\$	(22,964,501)
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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	\$ 23,287,102	
Less current year depreciation	<u>(4,114,525)</u>	19,172,577

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.

(757,555)

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	211,523	
Change in other deferred revenue	<u>(68,665)</u>	142,858

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.

(1,458,758)

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		32,203,540
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Expenses in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the funds.

Other postemployment benefits	(160,071)	
Compensated absences	36,611	
Amortization of deferred amounts on refunding	359,567	
Amortization of net pension asset	(1,059,810)	
Accrued interest on long-term debt	<u>405,081</u>	<u>(418,622)</u>

Change in net assets of governmental activities	\$	<u><u>25,919,539</u></u>
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The notes to the financial statements are an integral part of this statement.

Fund Financial Statements

Proprietary Funds

Enterprise Funds

Major Funds

Solid Waste Fund

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

MERC Fund

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

Internal Service Fund

Risk Management Fund

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

METRO
Statement of Net Assets
Proprietary Funds
June 30, 2010

	Business-type Activities- Enterprise Funds			Governmental Activities- Internal Service Fund
	Solid Waste	MERC	Total	Risk Management
ASSETS				
Current assets:				
Equity in internal cash and investment pool	\$ 37,322,897	24,655,191	61,978,088	8,866,762
Receivables:				
Trade	3,890,033	1,688,080	5,578,113	15,789
Other	1,210,480	3,757,949	4,968,429	-
Interest	140,343	55,945	196,288	33,822
Inventories	180,600	-	180,600	-
Prepaid items	-	1,286,049	1,286,049	-
Other assets	33,316	112,442	145,758	-
Total current assets	42,777,669	31,555,656	74,333,325	8,916,373
Noncurrent assets:				
Restricted equity in internal cash and investment pool	100,000	2,652,251	2,752,251	-
Capital assets, net	33,035,588	172,399,099	205,434,687	-
Total noncurrent assets	33,135,588	175,051,350	208,186,938	-
Total assets	75,913,257	206,607,006	282,520,263	8,916,373
LIABILITIES				
Current liabilities:				
Accounts payable	4,373,503	591,164	4,964,667	198,051
Salaries, withholdings and payroll taxes payable	384,341	728,131	1,112,472	10,713
Accrued interest payable	-	45,816	45,816	-
Accrued self-insurance claims	-	-	-	709,370
Unearned revenue	-	2,643,896	2,643,896	-
Deposits payable	100	1,423,482	1,423,582	-
Other liabilities	1,906	1,730,158	1,732,064	-
Bonds payable-current	-	625,000	625,000	-
Post-closure costs payable-current	773,412	-	773,412	-
Compensated absences-current	485,855	591,094	1,076,949	-
Total current liabilities	6,019,117	8,378,741	14,397,858	918,134

(Continued)

METRO
Statement of Net Assets
Proprietary Funds, *continued*
June 30, 2010

	Business-type Activities- Enterprise Funds			Governmental Activities- Internal Service Fund
	Solid Waste	MERC	Total	Risk Management
LIABILITIES, <i>Continued</i>				
Noncurrent liabilities:				
Payable from restricted assets:				
Contracts payable	\$ 100,000	-	100,000	-
Bonds payable (net of unamortized discount and deferred amount on refunding)	-	11,686,164	11,686,164	-
Net other postemployment benefits obligation	175,449	333,949	509,398	-
Post-closure costs payable	14,215,486	-	14,215,486	-
Pollution remediation obligation	1,621,875	78,000	1,699,875	-
Total non-current liabilities	16,112,810	12,098,113	28,210,923	-
Total liabilities	22,131,927	20,476,854	42,608,781	918,134
NET ASSETS				
Invested in capital assets, net of related debt	33,035,588	160,087,935	193,123,523	-
Restricted for:				
Debt service	-	8	8	-
Capital projects	-	2,652,242	2,652,242	-
Unrestricted	20,745,742	23,389,967	44,135,709	7,998,239
Total net assets	\$ 53,781,330	186,130,152	239,911,482	7,998,239
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(2,771,944)	
Net assets of business-type activities		\$	237,139,538	

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, 2010

	Business-type Activities- Enterprise Funds			Governmental Activities- Internal Service Fund Risk Management
	Solid Waste	MERC	Total	
OPERATING REVENUES				
Charges for services	\$ 50,870,600	29,650,854	80,521,454	153,568
Internal charges for services	33,400	-	33,400	9,318,603
Government contributions	-	766,100	766,100	-
Total operating revenues	50,904,000	30,416,954	81,320,954	9,472,171
OPERATING EXPENSES				
Payroll and fringe benefits	7,748,434	16,490,293	24,238,727	250,157
Depreciation and amortization	1,587,718	5,648,287	7,236,005	-
Administrative expenses	4,168,932	2,318,844	6,487,776	-
Facility operating expenses	8,815,944	7,312,966	16,128,910	-
Marketing expense	-	3,058,257	3,058,257	-
Food and beverage expense	-	10,335,202	10,335,202	-
Contributions to other governments	-	273,304	273,304	-
Disposal fees	11,451,877	-	11,451,877	-
Waste transport costs	9,234,978	-	9,234,978	-
Special waste disposal fees	1,106,415	-	1,106,415	-
Landfill post-closure costs	13,634,086	-	13,634,086	-
Consulting services	2,818,119	-	2,818,119	-
Charges for services	1,968,050	-	1,968,050	-
Insurance expense	-	-	-	8,561,548
Claims expense	-	-	-	1,154,313
Actuarial claims expense (reduction)	-	-	-	(95,249)
Other materials and services	848,975	-	848,975	59,095
Total operating expenses	63,383,528	45,437,153	108,820,681	9,929,864
Operating income (loss)	(12,479,528)	(15,020,199)	(27,499,727)	(457,693)
NON-OPERATING REVENUES (EXPENSES)				
Local government shared revenue	-	9,941,144	9,941,144	-
Investment income	367,099	170,896	537,995	87,473
Grants	4,093	190,976	195,069	72,676
Contributions and donations	40,537	376,370	416,907	-
Gain (loss) on disposal of capital assets	(12,659)	-	(12,659)	-
Waste reduction grants	(2,156,593)	-	(2,156,593)	-
Interest expense	-	(623,459)	(623,459)	-
Total non-operating revenues (expenses)	(1,757,523)	10,055,927	8,298,404	160,149
Income (loss) before capital contributions and transfers	(14,237,051)	(4,964,272)	(19,201,323)	(297,544)

(Continued)

METRO

Statement of Revenues, Expenses and Changes in Fund Net Assets
 Proprietary Funds, *continued*
 For the year ended June 30, 2010

	Business-type Activities- Enterprise Funds			Governmental Activities- Internal Service Fund Risk Management
	Solid Waste	MERC	Total	
Capital contributions	-	2,000,000	2,000,000	-
Transfers in	127,140	187,252	314,392	-
Transfers out	(506,883)	(361,266)	(868,149)	(5,389)
Change in net assets	(14,616,794)	(3,138,286)	(17,755,080)	(302,933)
Total net assets - July 1, 2009	68,398,124	189,268,438		8,301,172
Total net assets - June 30, 2010	\$ 53,781,330	186,130,152		7,998,239
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			1,155,825	
Change in net assets of business-type activities			\$ (16,599,255)	

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, 2010

	Business-type Activities- Enterprise Funds			Governmental Activities- Internal Service Fund Risk Management
	Solid Waste	MERC	Total	
Cash flows from operating activities:				
Receipts from customers	\$ 51,557,320	31,489,287	83,046,607	8,156,797
Receipts from other governments	-	766,100	766,100	-
Receipts from interfund services provided	-	-	-	1,161,806
Other operating receipts	-	-	-	153,568
Payments to suppliers for goods and services	(37,105,419)	(21,134,436)	(58,239,855)	(8,653,099)
Payments for claims	-	-	-	(1,154,313)
Payments and contributions to other governments	-	(273,304)	(273,304)	-
Payments to employees for services	(7,583,509)	(16,510,480)	(24,093,989)	(238,987)
Payments for interfund services used	(4,168,932)	(2,318,844)	(6,487,776)	-
Net cash provided by (used in) operating activities	2,699,460	(7,981,677)	(5,282,217)	(574,228)
Cash flows from noncapital financing activities:				
Local government shared revenues	-	10,403,248	10,403,248	-
Grants received	4,093	-	4,093	62,437
Contributions and donations	40,537	137,750	178,287	-
Principal payments on loans	-	(133,632)	(133,632)	-
Interest payments	-	(2,730)	(2,730)	-
Grants to others	(2,156,593)	-	(2,156,593)	-
Transfers from other funds	127,140	187,252	314,392	-
Transfers to other funds	(506,883)	(361,266)	(868,149)	(5,389)
Net cash provided by (used in) noncapital financing activities	(2,491,706)	10,230,622	7,738,916	57,048
Cash flows from capital and related financing activities:				
Capital grants	-	437,225	437,225	-
Capital contributions	-	2,238,620	2,238,620	-
Principal payment on bonds	-	(563,665)	(563,665)	-
Interest payments	-	(628,225)	(628,225)	-
Acquisition and construction of capital assets	(510,618)	(1,401,460)	(1,912,078)	-
Net cash provided by (used in) capital and related financing activities	(510,618)	82,495	(428,123)	-
Cash flows from investing activities:				
Investment income	413,404	181,479	594,883	99,991
Net cash provided by investing activities	413,404	181,479	594,883	99,991
Net increase (decrease) in cash including restricted amounts	110,540	2,512,919	2,623,459	(417,189)
Cash at beginning of year including restricted amounts	37,312,357	24,794,523	62,106,880	9,283,951
Cash at end of year including restricted amounts	\$ 37,422,897	27,307,442	64,730,339	8,866,762

(Continued)

METRO
Statement of Cash Flows
Proprietary Funds, *continued*
For the year ended June 30, 2010

	Business-type Activities- Enterprise Funds			Governmental Activities- Internal Service Fund Risk Management
	Solid Waste	MERC	Total	
Equity in internal cash and investment pool	\$ 37,322,897	24,655,191	61,978,088	8,866,762
Restricted equity in internal cash and investment pool	100,000	2,652,251	2,752,251	-
	<u>\$ 37,422,897</u>	<u>27,307,442</u>	<u>64,730,339</u>	<u>8,866,762</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (12,479,528)	(15,020,199)	(27,499,727)	(457,693)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	1,587,718	5,648,287	7,236,005	-
Change in assets and liabilities:				
Trade/other accounts receivable	653,320	440,322	1,093,642	-
Inventory	123,479	-	123,479	-
Other assets	(6,116)	(1,297,225)	(1,303,341)	-
Accounts payable	151,205	(230,194)	(78,989)	(25,712)
Salaries, withholdings and payroll taxes payable/compensated absences	41,822	(20,188)	21,634	4,426
Accrued self-insurance claims	-	-	-	(95,249)
Unearned revenue	-	1,105,400	1,105,400	-
Deposits payable	44,568	292,711	337,279	-
Other liabilities	-	1,099,409	1,099,409	-
Post-closure liability	12,721,117	-	12,721,117	-
Pollution remediation liability	(138,125)	-	(138,125)	-
Total adjustments	<u>15,178,988</u>	<u>7,038,522</u>	<u>22,217,510</u>	<u>(116,535)</u>
Net cash provided by (used in) operating activities	<u>\$ 2,699,460</u>	<u>(7,981,677)</u>	<u>(5,282,217)</u>	<u>(574,228)</u>
Noncash investing, capital, and financing activities:				
Investment income relating to the change in the fair value of investments	\$ (113,319)	(41,716)	(155,035)	(27,900)

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



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 revenue arising from federal and state grants to be available in the period when the underlying related expenditures for reimbursement based grants have been incurred, if it is known that all eligibility requirements that allow for billing of the amount to the grantor agency under the applicable grant agreement have been satisfied. All other revenue is considered available if received within 60 days of fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on long-term debt that is recorded when due and certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, excise taxes, construction excise tax, cemetery revenue surcharges, grants, local government shared revenues, government contributions, charges for services, and investment income are susceptible to accrual. Contributions and donations and other receipts become measurable and available when cash is received and are recognized as revenue at that time.

The accounts of Metro are organized on the basis of funds, each of which is a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. The segregation by fund is for the purpose of carrying on specific activities or attaining certain objectives in accordance with ordinances, special regulations, restrictions or limitations. The various funds are grouped by fund type and classified into two broad fund categories: governmental and proprietary.

Major funds are those whose revenues, expenditures/expenses, assets, or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all governmental or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds for the same item. Additional funds may be reported as a major fund if Metro's officials believe that fund is particularly important to financial statement users. Metro reports the following major governmental funds:

General Fund – This fund accounts for all activities not required to be accounted for in another fund: Metro's primary governmental programs and support services including Communications, Council Office, Finance and Regulatory Services, Human Resources, Information Services, Metro Auditor, Office of Metro Attorney, Oregon Zoo, Parks and Environmental Services (parks, marine facilities, pioneer cemeteries, and golf course components), Planning and development (land use, urban growth management, and environmental and transportation planning), Research Center, Sustainability Center, and non-departmental appropriations. The budgetary General Fund is combined with two other budgetary funds, the General Revenue Bond Fund – General and the General Renewal and Replacement Fund, to become one fund in accordance with accounting principles generally accepted in the United States of America.

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

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

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

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

Metro reports the following major proprietary funds:

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

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

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

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

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

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

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

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

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

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

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

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

4. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Cash and Investments

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

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

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

Receivables and Payables

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

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

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

Metro allocates indirect costs, primarily of an administrative nature, to grants in compliance with cost allocation plans that are subject to the approval of Metro's oversight agency. The plan in effect for fiscal year 2010 allocated indirect costs to grants at a rate of approximately 26 percent of the related direct personnel costs.

Inventories and Prepaid Items

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

Animal Collections

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

Restricted Assets and Liabilities

Resources for future payment of bonds and certain long-term liabilities or activities have been classified as restricted assets (a portion of the equity in the internal cash and investment pool and a portion of investments) on the statement of net assets because their use is limited by certain applicable agreements. Such restrictions include amounts for debt service and Natural Areas programs in governmental activities, 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, intangible easements, artwork, construction in progress, buildings and exhibits, improvements, equipment and vehicles, intangible software, office furniture and equipment, and railroad equipment and facilities, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by Metro as assets with an initial cost of \$5,000 or more (\$10,000 or more for MERC) and an estimated useful life in excess of one year. Capital assets are recorded at cost, and donated capital assets are stated at estimated fair market value when received. Normal maintenance and repairs are charged to operations as incurred. For Metro, replacements exceeding \$5,000 that improve or extend the lives of property are capitalized; for MERC the amount is \$10,000.

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

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 and vehicles	8-20
Intangible-software	5-20
Office furniture and equipment	5-20
Railroad equipment and facilities	10

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

Metro implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* for the year ended June 30, 2010, which resulted only in the reclassification of assets to the new “intangible” asset categories for financial reporting.

Long-term Obligations

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

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

Liability for Compensated Absences

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

Fund Balances and Net Assets

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

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

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

RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

		Capital assets	Other long-term assets	Long-term liabilities
Capital assets	\$	378,286,664	-	-
Accumulated depreciation		(65,633,913)	-	-
Net pension asset		-	18,988,270	-
Net other postemployment benefits obligation		-	-	(585,993)
Accrued interest payable		-	-	(2,424,736)
Bonds payable (net of unamortized premium and deferred amount on refunding)		-	-	(217,116,174)
Compensated absences		-	-	(2,303,118)
Net adjustment to fund balance-total governmental funds to arrive at net assets-governmental activities	\$	312,652,751	18,988,270	(222,430,021)

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 Revised Statutes Chapter 295 governs public funds collateralization. Public entities are required to verify that deposit accounts in excess of federal deposit insurance limits are only maintained at financial institutions included on the list of qualified depositories found on the Oregon Treasurer's web site. The Oregon Treasury monitors each depository bank and ensures compliance with collateralization requirements for all Oregon public fund deposits. Banks will be able to pledge a reduced amount if they are well capitalized; and in turn, the banks are required to share in the liability of a failed institution, should it ever occur.

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

METRO
Notes to the Financial Statements, *continued*
For the year ended June 30, 2010

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, 2010, Metro had the following investments and maturities:

Investment Type	Held by		Fair Value	Investment Maturities (in months)		
	Individual funds	Internal pool		Less than 3	3-17	18-59
U.S. Government securities - USGSE	\$ 46,482,714	42,362,397	88,845,111	2,502,142	86,342,969	-
State Treasurer's investment pool	12,347,748	26,857,181	39,204,929	39,204,929	-	-
Total Investments	58,830,462	69,219,578	128,050,040	41,707,071	86,342,969	-
Cash deposits	-	63,479,921				
Total cash and investments	58,830,462	132,699,499				
Per statement of net assets:						
Unrestricted	-	115,946,077				
Restricted	58,830,462	16,753,422				
Total	\$ 58,830,462	132,699,499				

Interest Rate Risk - As a means of limiting its exposure to fair value losses resulting from rising interest rates, Metro's investment policy allows only the purchase of investments that can be held to maturity. Investments cannot be made predicated upon selling the security prior to maturity. Metro avoids purchasing callable investments unless liquidity needs can be met without relying on the call being exercised.

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted an investment policy that was submitted to and reviewed by the OSTFB. Metro's investment policy has been reviewed by the OSTFB. Metro limits investment maturities as follows:

Maturity	Minimum to mature
Under 3 months	25 percent minimum
Under 18 months	75 percent minimum
Under 60 months	100 percent minimum

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

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

METRO
Notes to the Financial Statements, *continued*
For the year ended June 30, 2010

Custodial Credit Risk - Metro monitors custodial credit risk on deposits (the risk that if a bank failed, Metro's deposits would not be returned) in accordance with Oregon statutes and Metro investment policy. Oregon statutes govern the collateralization of Oregon public funds and provide the statutory requirements for the Public Funds Collateralization Program, a collateral pool administered by the Oregon State Treasurer. Bank depositories are required to pledge collateral against any public funds deposits in excess of federal deposit insurance amounts. Public entities are required to verify that deposit accounts in excess of federal deposit insurance limits are maintained only at financial institutions included on the list of qualified depositories found on the Treasurer's web site. It is the responsibility of the public official to ensure compliance with these requirements in order to eliminate personal liability in the event of a bank loss. Metro also monitors its depository institutions for indications of financial health. At June 30, 2010, all of Metro's deposits were insured as described above.

Concentration of Credit Risk - To avoid incurring unreasonable risks inherent in over-investing in specific instruments or in individual financial institutions, Metro's investment policy sets maximum limits on the percentage of the portfolio that can be invested in any one type of security. In addition, Oregon Revised Statutes require no more than 25 percent of the moneys of a local government to be invested in bankers' acceptances of any qualified financial institution. At June 30, 2010 Metro was in compliance with all percentage restrictions. More than 5 percent of Metro's total investments are in securities by the following issuers:

Issuer	Percentage of Total Investments (Total Entity Concentration)	Policy Allowed Maximum	Fund Concentrations Exceeding Total Entity Concentration	
			Zoo Infrastructure Fund	Natural Areas Fund
Federal Home Loan Bank (FHLB)	21.9%	40.0%	-	35.9%
Federal Farm Credit Bank (FFCB)	20.1%	40.0%	-	39.6%
State Treasurer's Investment Pool	22.1%	100.0%	92.3%	-

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

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	\$383,155	\$171,845
50 years	0 to 1%	365,000	276,207	88,793
3 years	2%	400,000	-	400,000
			Total	<u>\$660,638</u>

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

The 3-year loan agreement bears compounded interest, and the outstanding principal balance and accrued interest are due and payable no later than May 5, 2013.

4. CAPITAL ASSETS

Capital asset balances and activity for fiscal year 2010 were as follows:

	Balance July 1, 2009	Increases	Decreases	Transfers	Balance June 30, 2010
Governmental activities:					
Capital assets, non-depreciable:					
Land	\$ 196,594,041	5,881,039	(113,979)	6,917,098	209,278,199
Intangible-easements	-	23,897	-	1,017,515	1,041,412
Artwork	255,873	-	-	15,722	271,595
Construction in progress	13,097,083	16,565,351	(418,160)	(10,341,550)	18,902,724
Total non-depreciable	209,946,997	22,470,287	(532,139)	(2,391,215)	229,493,930
Capital assets, depreciable:					
Buildings and exhibits	107,223,704	32,125	(386,059)	935,806	107,805,576
Improvements	25,409,255	63,231	(182,316)	1,507,108	26,797,278
Equipment and vehicles	7,745,938	426,145	(74,629)	(27,527)	8,069,927
Intangible-software	-	-	-	2,941,841	2,941,841
Office furniture and equipment	3,985,524	267,910	(75,285)	(2,966,013)	1,212,136
Railroad equipment and facilities	1,938,572	27,404	-	-	1,965,976
Total depreciable	146,302,993	816,815	(718,289)	2,391,215	148,792,734
Accumulated depreciation:					
Buildings and exhibits	(41,144,770)	(2,254,086)	191,561	27,222	(43,180,073)
Improvements	(11,486,340)	(1,048,128)	151,404	(27,222)	(12,410,286)
Equipment and vehicles	(4,465,051)	(470,271)	74,622	-	(4,860,700)
Intangible-software	-	-	-	(2,507,695)	(2,507,695)
Office furniture and equipment	(2,985,469)	(313,577)	75,286	2,507,695	(716,065)
Railroad equipment and facilities	(1,930,631)	(28,463)	-	-	(1,959,094)
Total accumulated depreciation	(62,012,261)	(4,114,525)	492,873	-	(65,633,913)
Total capital assets, depreciable, net	84,290,732	(3,297,710)	(225,416)	2,391,215	83,158,821
Governmental activities capital assets, net	\$ 294,237,729	19,172,577	(757,555)	-	312,652,751

METRO
Notes to the Financial Statements, *continued*
For the year ended June 30, 2010

	Balance July 1, 2009	Increases	Decreases	Transfers	Balance June 30, 2010
Business-type activities:					
Capital assets, non-depreciable:					
Land	\$ 19,329,786	-	-	-	19,329,786
Construction in progress	71,728	710,457	-	(35,284)	746,901
Total non-depreciable	19,401,514	710,457	-	(35,284)	20,076,687
Capital assets, depreciable:					
Buildings and exhibits	274,881,863	343,224	(655,526)	(13,485)	274,556,076
Improvements	16,608,925	86,035	(23,142)	(18,802)	16,653,016
Equipment and vehicles	16,011,996	705,752	(352,744)	1,152,649	17,517,653
Intangible-software	-	-	-	541,027	541,027
Office furniture and equipment	2,013,314	66,610	-	(1,626,105)	453,819
Total depreciable	309,516,098	1,201,621	(1,031,412)	35,284	309,721,591
Accumulated depreciation:					
Buildings and exhibits	(92,750,693)	(5,796,732)	651,702	4,779	(97,890,944)
Improvements	(14,811,295)	(304,327)	23,142	39,363	(15,053,117)
Equipment and vehicles	(9,598,448)	(917,724)	343,909	(686,720)	(10,858,983)
Intangible-software	-	-	-	(310,671)	(310,671)
Office furniture and equipment	(985,903)	(217,222)	-	953,249	(249,876)
Total accumulated depreciation	(118,146,339)	(7,236,005)	1,018,753	-	(124,363,591)
Total capital assets, depreciable, net	191,369,759	(6,034,384)	(12,659)	35,284	185,358,000
Business-type activities capital assets, net	\$ 210,771,273	(5,323,927)	(12,659)	-	205,434,687

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, 2010.

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

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government operations	\$ 851,909
Regional planning and development	1,515
Culture and recreation	1,077,481
Zoo	2,183,620
Total depreciation expense - governmental activities	\$ 4,114,525

Business-type activities:

Solid Waste	\$ 1,587,718
MERC	5,648,287
Total depreciation expense - business-type activities	\$ 7,236,005

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, 2010 were:

	Deferred	Unearned
Delinquent property taxes-General Fund	\$ 525,146	-
Delinquent property taxes-Debt Service Fund	1,786,553	-
Other delinquent revenue-General Fund	12,069	-
Long-term receivable-Natural Areas Fund	350,000	-
Grant and contract drawdowns prior to meeting all eligibility requirements-General Fund	-	433,795
Advance ticket sales/registrations-General Fund	-	886,647
	<u>\$2,673,768</u>	<u>1,320,442</u>

6. DEFERRED COMPENSATION PLAN

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

7. PENSION PLAN

Defined Benefit Plan Description

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

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

Funding Policy

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

METRO
Notes to the Financial Statements, *continued*
For the year ended June 30, 2010

personnel policies; however, some union employees are required to pay the 6 percent contribution in accordance with the collective bargaining agreements covering those employees. Metro's current required employer contribution rates, based on the 2007 valuation, are 3.16 percent of covered employees' salaries for the OPSRP plan, and 2.49 percent for the PERS plan. Metro also charges an internal rate of 3.2 percent of payroll to departments to fund the repayment of pension obligation bonds issued in fiscal year 2006.

Annual Pension Cost/Pension Asset

For fiscal year 2010, Metro's annual pension cost was \$2,403,340. This amount consisted of Metro's actual required contributions of \$480,609 to the OPSRP plan and \$862,921 for the PERS plan, as well as \$1,059,810 in amortization of pension assets of the PERS plan. In addition, Metro paid \$2,641,425 for the 6 percent employee contribution as described above. The pension asset is the result of issuance in prior years of limited tax pension obligation bonds to finance Metro's unfunded actuarial accrued liability. Metro's pension asset equaled \$18,988,270 at June 30, 2010. Metro's required employer contribution was determined as part of an actuarial valuation at December 31, 2007.

Three-year historical trend information:

Fiscal year ended June 30:	OPSRP Plan			PERS Plan		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2008	\$743,401	100%	0	\$2,804,167	100%	0
2009	988,954	100%	0	2,819,298	100%	0
2010	480,609	100%	0	1,922,731	100%	0

8. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

Funding Policy

Metro has not established a trust fund for future net OPEB obligations. At June 30, 2010, 21 retirees and spouses were paying premiums through Metro for health insurance coverage. Metro's required contribution is based on projected pay-as-you-go financing requirements. Metro contributed an estimated \$115,961 of implicit subsidies in postemployment health care in fiscal year 2010.

METRONotes to the Financial Statements, *continued*

For the year ended June 30, 2010

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, 2010 is:

Annual Required Contribution (ARC)	\$ 435,681
Interest on prior year Net OPEB Obligation	32,105
Adjustment to ARC	(59,058)
Annual OPEB cost	408,728
Estimated benefits payments	(115,961)
Increase in Net OPEB Obligation	292,767
Net OPEB Obligation – beginning of year	802,624
Net OPEB Obligation – end of year	\$1,095,391
Percentage of annual OPEB cost contributed	28%

Additional information for fiscal year 2010 and the two preceding years is:

Fiscal year ended June 30:	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2008	\$514,033	22%	\$ 400,940
2009	\$536,401	25%	\$ 802,624
2010	\$408,728	28%	\$1,095,391

Funding Status/Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$3,007,784, and the actuarial value of assets was zero, resulting in an UAAL of \$3,007,784. The covered payroll was \$49,864,609 for fiscal year 2010, and the UAAL as a percentage of covered payroll was 6 percent.

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the July 1, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. This method attempts to track the actual economic pattern of benefit accrual over an employee's working lifetime. Significant actuarial assumptions used in the valuation include a discount rate of 4.0 percent, and health care cost trend rate of 10 percent initially, decremented to an ultimate rate of 5 percent in the 31st year and after for the major medical component, which is representative of the entire plan. Metro's UAAL is being amortized using the level-dollar method with an open 20 year amortization methodology. The remaining amortization period at June 30, 2010 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 2010, the contract required a per ton unit price of \$25.77 for the first 137,500 tons and a declining incremental price scale for each ton of waste in excess of 137,500 tons. The per ton rate is adjusted annually on July 1 to reflect changes in the Consumer Price Index (CPI). Effective July 1, 2010, Metro will receive a reduction of \$0.93 per ton from the rate that would have otherwise been charged for disposal at Columbia Ridge Landfill.

Waste Transport

Solid waste transport from Metro facilities to the Columbia Ridge Landfill and other disposal sites is privately contracted through December 31, 2019. The contract specifies a per load unit price that is adjusted annually on July 1 in an amount equivalent to 75 percent of the CPI. For fiscal year 2010 the unit price equated to a per ton rate of \$15.39.

Metro South Station

Operations of Metro South, solid waste transfer station and materials recovery facility, are privately contracted under a new agreement effective April 1, 2010 through March 31, 2017. The agreement sets an annual fixed payment of \$937,937, a price of \$4.82 per ton of Compensable Solid Waste, and a price of \$10.97 per ton of Recoverable Waste. The contractor also receives incentives for materials recovered from the waste stream and not sent to the Columbia Ridge Landfill. All payments are adjusted annually on July 1 in an amount equivalent to 85 percent of the CPI.

Metro Central Station

Operations of Metro Central, solid waste transfer station and materials recovery facility, are privately contracted under a new agreement effective April 1, 2010 through March 31, 2017. The agreement sets an annual fixed payment of \$2,065,174, a price of \$3.17 per ton of Compensable Solid Waste, and a price of \$14.32 per ton of Recoverable Waste. The contractor also receives incentives for materials recovered from the waste stream and not sent to the Columbia Ridge Landfill. All payments are adjusted annually on July 1 in an amount equivalent to 87 percent of the CPI.

METRO

Notes to the Financial Statements, *continued*

For the year ended June 30, 2010

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

	Columbia Ridge Landfill	Waste Transport	Metro South	Metro Central
Fiscal year ending June 30:	Variable payment based on tons	Variable payment based on loads	Variable payment based on tons	Variable payment based on tons
2011	\$ 9,272,549	8,435,407	3,655,091	4,382,160
2012	9,542,522	8,731,255	3,800,500	4,492,834
2013	9,966,096	9,331,425	4,027,788	4,761,856
2014	10,431,550	9,998,558	4,292,971	5,053,896
2015	10,966,642	10,797,847	4,641,724	5,398,791
Thereafter	60,246,026	59,054,687	8,795,389	10,119,320
Total	\$110,425,385	106,349,179	29,213,463	34,208,857

Construction Projects

Metro is committed under a number of contracts for construction services. The amount of uncompleted contracts totals \$1,522,906 at June 30, 2010.

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 \$11,234 per month through October 31, 2014. \$134,614 was paid on the lease in fiscal year 2010.

The future minimum lease payments are as follows:

Fiscal year ending June 30:		Fiscal year ending June 30:		Fiscal year ending June 30:	
2011	\$134,814	2026-30	\$674,070	2061-65	\$ 674,070
2012	134,814	2031-35	674,070	2066-70	674,070
2013	134,814	2036-40	674,070	2071-75	674,070
2014	134,814	2041-45	674,070	2076-80	674,070
2015	134,814	2046-50	674,070	2081-84	449,380
2016-20	674,070	2051-55	674,070		
2021-25	674,070	2056-60	674,070		
				Total	\$9,886,360

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. The interest rate on individual remaining Series B bonds is 5.5 percent.

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

<u>Fiscal year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>
2011	<u>\$223,356</u>	<u>277,644</u>

2002 Series General Obligation Refunding Bonds

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

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

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

<u>Fiscal year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 7,395,000	2,551,188
2012	8,265,000	2,159,687
2013	8,690,000	1,735,813
2014	9,140,000	1,278,637
2015	9,630,000	785,925
2016	10,155,000	266,569
	<u>\$53,275,000</u>	<u>8,777,819</u>
Unamortized costs/premium	3,330,711	
Deferred amount on refunding	(2,231,516)	
Per statement of net assets	<u>\$54,374,195</u>	

METRO**Notes to the Financial Statements, *continued*****For the year ended June 30, 2010****2001 Series A General Obligation Refunding Bonds**

In prior years, Metro issued \$47,095,000 of General Obligation Refunding Bonds, 2001 Series A to refund all outstanding Convention Center 1992 Series A General Obligation Refunding Bonds.

The 2001 bonds are to be repaid with proceeds of Metro's *ad valorem* property tax levied each year. The individual bonds have interest rates ranging from 4.3 percent to 5.0 percent.

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

Fiscal year ending June 30:	Principal	Interest
2011	\$ 4,785,000	691,795
2012	5,035,000	486,040
2013	5,290,000	264,500
Per statement of net assets	\$15,110,000	1,442,335

2005 Series General Obligation Refunding Bonds

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

The 2005 Series Refunding bonds are to be repaid with proceeds of Metro's *ad valorem* property tax levied each year. The bonds mature serially each January 15 through 2017. Interest is payable semiannually on January 15 and July 15. The individual bonds have interest rates ranging from 4.0 percent to 5.0 percent.

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

Fiscal year ending June 30:	Principal	Interest
2011	\$ 1,620,000	643,650
2012	1,710,000	562,650
2013	1,795,000	477,150
2014	1,890,000	387,400
2015	1,995,000	292,900
2016-17	4,305,000	281,550
	\$ 13,315,000	2,645,300
Unamortized costs/premium	587,230	
Deferred amount on refunding	(474,982)	
Per statement of net assets	\$13,427,248	

2007 Series Natural Areas General Obligation Bonds

In prior years, Metro issued \$124,295,000 of 2007 Series Natural Areas General Obligation Bonds. The Natural Areas Bonds were issued by Metro under authority granted by voters for a total of \$227.4 million in general obligation bonds to fund activities to acquire and preserve natural areas and stream frontages, maintain and improve water quality, and protect fish and wildlife habitat. The remaining portion of bonds under the authorization is anticipated to be issued in 2012.

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

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

Fiscal year ending June 30:	Principal	Interest
2011	\$ 3,910,000	4,228,150
2012	4,070,000	4,071,750
2013	4,230,000	3,908,950
2014	4,400,000	3,739,750
2015	4,620,000	3,519,750
2016-20	26,805,000	13,893,750
2021-25	34,100,000	6,594,400
2026	7,790,000	350,550
	\$89,925,000	40,307,050
Unamortized costs/premium	5,055,256	
Per statement of net assets	\$94,980,256	

2008 Series Oregon Zoo General Obligation Bond

In prior years, Metro issued a \$5,000,000 privately placed 2008 Series Oregon Zoo General Obligation Bond. The bond was issued by Metro under authority granted by voters for a total of \$125 million in general obligation bonds to fund Oregon Zoo capital projects to protect animal health and safety, conserve and recycle water and to improve access to conservation education. Another \$15,000,000 of the authorization was issued in August 2010 (see Note 19). The remaining portion of the bond authorization will be issued in the future as program needs dictate.

The \$5,000,000 bond was paid in full in June 2010 in advance of its original redemption date of December 2010.

METRONotes to the Financial Statements, *continued*

For the year ended June 30, 2010

Full Faith and Credit Refunding Bonds 2003 Series

In prior years, Metro issued \$24,435,000 of Full Faith and Credit Refunding Bonds, 2003 Series to refund all outstanding maturities of Metro Regional Center Project 1993 Series A General Revenue Refunding Bonds and to prepay the callable portions of the outstanding 1995 and 1996 Oregon Economic and Community Development Department's (OECD) Special Public Works Fund loans.

The bonds are payable from all legally available taxes and other revenues of Metro. Interest rates on individual bonds range from 3.0 percent to 4.4 percent.

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

Fiscal year ending June 30:	Principal	Interest
2011	\$ 1,265,000	644,615
2012	1,300,000	605,327
2013	1,340,000	562,905
2014	1,385,000	516,558
2015	1,440,000	466,400
2016-20	6,580,000	1,555,870
2021-23	4,255,000	282,400
	<u>\$17,565,000</u>	<u>4,634,075</u>
Unamortized costs/discount	(112,448)	
Deferred amount on refunding	(1,861,263)	
Per statement of net assets	<u>\$15,591,289</u>	

Pension Obligation Bonds Metro Limited Tax Series 2005

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

The bonds are to be repaid through assessments on Metro departments in exchange for the lower pension cost. The individual bonds have interest rates ranging from 4.516 percent to 5.5 percent.

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

Fiscal year ending June 30:	Principal	Interest
2011	\$ 360,000	1,169,472
2012	435,000	1,153,214
2013	525,000	1,129,289
2014	615,000	1,105,071
2015	710,000	1,076,381
2016-20	5,315,000	4,754,366
2021-25	9,165,000	3,092,222
2026-28	6,495,000	598,729
	<u>\$23,620,000</u>	<u>14,078,744</u>
Unamortized costs/premium	(210,170)	
Per statement of net assets	<u>\$23,409,830</u>	

Business-type Activities

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 defeased loan has been paid and the escrow account for the defeasance is closed.

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

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

Fiscal year ending June 30:	Principal	Interest
2011	\$ 625,000	564,131
2012	650,000	538,631
2013	675,000	512,131
2014	705,000	483,650
2015	735,000	453,050
2016-20	4,175,000	1,727,240
2021-25	5,270,000	612,045
	<u>\$12,835,000</u>	<u>4,890,878</u>
Unamortized costs/discount	96,703	
Deferred amount on refunding	(620,539)	
Per statement of net assets	<u>\$12,311,164</u>	

12. OTHER LONG-TERM DEBT

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. This installment loan was paid in full on November 20, 2009.

13. CHANGES IN LONG-TERM LIABILITIES

The following changes occurred during fiscal year 2010 in long-term liabilities:

	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 202,536,896	-	(30,688,540)	171,848,356	17,933,356
Full faith and credit bonds	18,790,000	-	(1,225,000)	17,565,000	1,265,000
Pension obligation bonds	23,910,000	-	(290,000)	23,620,000	360,000
Less deferred amounts:					
For premium or discount	9,680,187	-	(1,029,608)	8,650,579	-
On refunding	(5,237,801)	-	670,040	(4,567,761)	-
Total bonds payable	249,679,282	-	(32,563,108)	217,116,174	19,558,356
Net other postemployment benefits	425,922	226,741	(66,670)	585,993	-
Compensated absences	2,339,730	2,303,118	(2,339,730)	2,303,118	2,114,227
Governmental activity					
Long-term liabilities	\$ 252,444,934	2,529,859	(34,969,508)	220,005,285	21,672,583
Business-type activities:					
Bonds payable:					
Full faith and credit bonds	13,435,000	-	(600,000)	12,835,000	625,000
Less deferred amounts:					
For premium or discount	103,410	-	(6,707)	96,703	-
On refunding	(663,582)	-	43,043	(620,539)	-
Total bonds payable	12,874,828	-	(563,664)	12,311,164	625,000
Post-closure costs payable	2,267,781	13,634,086	(912,969)	14,988,898	773,412
Pollution remediation obligation	1,838,000	78,635	(216,760)	1,699,875	-
Loans payable	133,632	-	(133,632)	-	-
Net other postemployment benefits	376,702	181,987	(49,291)	509,398	-
Compensated absences	1,075,092	1,076,949	(1,075,092)	1,076,949	1,076,949
Business-type activity					
Long-term liabilities	\$ 18,566,035	14,971,657	(2,951,408)	30,586,284	2,475,361

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

14. POLLUTION REMEDIATION OBLIGATION

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

Two Metro properties have pollution remediation obligations where obligating events have occurred and amounts are estimable. At the St. Johns Landfill, three phases of future work associated with pollution remediation for sediment located adjacent to the landfill levees and potentially shallow groundwater included completion of a remedial investigation/feasibility study and remedial design, remedial action implementation and remedial action performance monitoring. The pollution remediation obligation for this work has been estimated at \$1,838,635. Actual cost may vary due to inflation or deflation, changes in technology, or changes in regulations. During fiscal year 2010, Metro paid \$216,760 in remediation costs reducing the remaining estimated liability to \$1,621,875 at June 30, 2010. The second Metro property with estimable pollution remediation obligations is the Expo Center. Current information on this site, which is adjacent to a designated Superfund site, is limited. Therefore, the cost associated with work beyond the initial preliminary study is not yet estimable. The pollution remediation obligation estimate for the preliminary assessment which is recorded in the MERC Fund is \$78,000.

Metro owns other properties that fall within the Initial Study Area of the Portland Harbor Superfund site and adjacent to the Portland Harbor. The area is being investigated by the Lower Willamette Group (LWG) under a 2001 Environmental Protection Agency (EPA) Administrative Order on Consent. For the entire Portland Harbor Superfund site, the LWG has been conducting a remedial investigation in the Willamette River (in water) since 2001 with oversight from EPA. Costs associated with these investigations and studies as they pertain to Metro properties and the allocation of such costs among participating responsible parties (PRPs) has not yet been determined. The PRPs are engaging an allocator to develop a method for allocation of costs associated with the remedial investigation and feasibility study. Costs associated with work beyond the feasibility study also are not estimable and therefore none of these costs have been included in Metro's pollution remediation obligation as of June 30, 2010.

15. POST-CLOSURE COST PAYABLE

The St. Johns Landfill was closed for operations in a prior year. Closure and post-closure care costs were originally recognized while the St. Johns Landfill was still in operation based on the then current estimate of total costs to complete such efforts, regardless of when cash disbursements were to be made. Such costs include methane gas and leachate collection systems, final cover, seeding, roads, drainage, ground water monitoring wells, liner systems, storm water management and operations and maintenance costs. State and federal laws and regulations require Metro to perform certain post-closure maintenance and monitoring functions for thirty years after closure. At June 30, 2010, there were sixteen years remaining until the post-closure care requirement is completed in fiscal year 2026.

The total post-closure cost of the St. Johns Landfill as of June 30, 2010 is estimated to be \$55,027,987 under current Federal and state regulations, which includes a change in estimate of \$13,634,086 due to Oregon Department of Environmental Quality (DEQ) normalizing reporting among facilities and incorporating rule changes not reflected in previous requirements. This change extended Metro's requirements for post-closure operations and maintenance costs through fiscal year 2026, replacing the previously approved rolling six-year period. Actual cost may vary due to inflation or deflation, changes in technology, or changes in regulations. During the fiscal year, Metro paid \$912,969 in closure costs as the closure process continued (\$40,039,089 cumulative to date), reducing the remaining estimated liability to \$14,988,898 at June 30, 2010.

Metro is required by state and federal laws and regulations to provide financial assurance for the coverage of these overall post-closure care estimated costs. Metro is currently providing this financial assurance through an Alternative Financial Assurance Mechanism which has been approved by DEQ in March 2010, and consists of its Solid Waste Fund, a post-closure funding guarantee of future revenues to cover these costs and a Landfill Post-Closure Account. DEQ found Metro to be in compliance with the plan and Oregon Administrative Rules (340-094), which is subject to annual re-certification next due March 31, 2011.

16. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances at June 30, 2010 were due to the consolidation of internal service fund activities for the government-wide statements:

Receivable Entity	Payable Entity	Amount
Governmental activities	Business-type activities	<u>\$2,771,944</u>

Interfund transfers for the fiscal year by fund were:

<i>Transfers out</i>	<i>Transfers in</i>				
	General	Non-major governmental	Solid Waste	MERC	Total
General	\$ -	139,000	127,140	187,252	453,392
Zoo Infrastructure	10,531	-	-	-	10,531
Natural Areas	26,629	-	-	-	26,629
Non-major governmental	851,971	-	-	-	851,971
Solid Waste	190,023	316,860	-	-	506,883
MERC	361,266	-	-	-	361,266
Risk Management	5,389	-	-	-	5,389
Total	<u>1,445,809</u>	<u>455,860</u>	<u>127,140</u>	<u>187,252</u>	<u>2,216,061</u>

The transfers detailed above are transfers of resources from one fund to another that are not based upon a cost allocation plan or any expectation of a payment for services provided, but rather to provide resources for other uses. These include General Fund contributions to the Metro Capital Fund to support capital projects, General Fund support to Solid Waste for the Sustainability Center, General Fund excise tax provided to MERC, Metro Capital Fund transfers to General Fund of fund balance accumulated for renewal and replacement, Solid Waste fees dedicated to the Rehabilitation and Enhancement Fund, and transfers to the General Fund for Pension Obligation bonds debt service.

17. INSURED RISKS

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

- General liability, bodily injury to or property damage of third parties resulting from the negligence of Metro or its employees and errors and omissions risks: these risks are fully covered by the Risk Management Fund. Metro has been protected by ORS Chapter 30, the Oregon Tort Claims Act. The 2009 Legislature amended the Oregon Tort Claims Act to increase statutory claim limits to \$500,000 per claim and \$1,000,000 per occurrence, effective July 1, 2009. These statutory limits are indexed and change every year on July 1. 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.
- Property damage to Metro owned facilities: this risk is covered with a commercial property insurance policy. The property policy insures \$582,056,000 of property values with a \$500,000,000 blanket policy and a \$500,000 deductible.

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Notes to the Financial Statements, *continued*
For the year ended June 30, 2010

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

Metro has not experienced settlements in excess of insurance coverage in any of the last three fiscal years. An independent actuary prepared an actuarial valuation and estimate of liabilities for unpaid claims as of June 30, 2010. 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 \$709,370 reported as accrued self-insurance claims in the Risk Management Fund at June 30, 2010 was established in accordance with the requirements of GASB Statement No. 30, *Risk Financing Omnibus*, which requires that a liability for total estimated claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. A portion of the loss reserves have been discounted, using an assumed average investment rate of 1.0 percent in preparing the estimates. Metro does not purchase annuity contracts from commercial insurers to pay any aggregate amount of outstanding claims liabilities.

Changes in Risk Management Fund claims liability for the previous and current fiscal year were:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
2008-2009	\$854,173	870,723	920,277	804,619
2009-2010	804,619	1,059,064	1,154,313	709,370

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

2010 Series Oregon Zoo General Obligation Bond

In prior years, the region's voters granted authority for a total of \$125 million in general obligation bonds to fund Oregon Zoo capital projects to protect animal health and safety, conserve and recycle water and to improve access to conservation education. The first series of this bond for \$5,000,000 was paid off in fiscal year 2010. On August 5, 2010 another \$15,000,000 of the authorization was issued as a two-year private placement bond with an interest rate of 1.31 percent. The bonds are to be repaid with proceeds of Metro's ad valorem property tax levied each year.

The principal and interest payments are due as follows:

Fiscal year ending June 30:	Principal	Interest
2011	\$10,835,000	161,077
2012	4,165,000	54,396
	<u>\$15,000,000</u>	<u>215,473</u>

Supplementary Information

Required Supplementary Information

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

General Fund

Schedule of Funding Progress

Other Postemployment Benefits

Notes to Required Supplementary Information



METRO**General Fund**
Schedule of Revenues, Expenditures and Changes in Fund Balances-
Budget and Actual (Non-GAAP Basis of Budgeting)
For the year ended June 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
Program revenues:				
Charges for services:				
Government fees	\$ 91,060	91,060	389,643	298,583
Culture and recreation fees	19,932,614	19,932,614	17,402,009	(2,530,605)
Other fees	4,110,320	4,110,320	3,086,589	(1,023,731)
Internal charges for services	3,228	3,228	517	(2,711)
Licenses and permits	406,000	406,000	385,155	(20,845)
Pension debt service assessment	1,472,340	1,472,340	1,592,895	120,555
Miscellaneous revenue	138,500	138,500	342,666	204,166
Operating grants and contributions:				
Grants	13,382,350	13,382,350	11,299,558	(2,082,792)
Government contributions	313,314	313,314	1,505,000	1,191,686
Contributions and donations	1,265,100	1,265,100	1,245,662	(19,438)
General revenues:				
Taxes:				
Property taxes	11,126,206	11,126,206	11,232,026	105,820
Excise taxes	13,465,381	13,465,381	12,964,535	(500,846)
Construction excise tax	1,400,000	1,400,000	1,427,730	27,730
Local government shared revenue	572,895	572,895	509,323	(63,572)
Investment income	544,008	544,008	220,523	(323,485)
Total revenues	68,223,316	68,223,316	63,603,831	(4,619,485)
EXPENDITURES				
Communications	2,178,971	2,321,216	2,180,092	141,124
Council office	3,408,277	3,408,277	3,130,039	278,238
Finance and regulatory services	3,334,056	3,334,056	2,907,839	426,217
Human resources	1,904,090	1,904,090	1,715,911	188,179
Information services	3,170,764	3,170,764	2,780,349	390,415
Metro auditor	669,433	669,433	613,329	56,104
Office of Metro attorney	1,995,694	1,995,694	1,888,831	106,863
Oregon Zoo	27,636,683	27,636,683	24,694,668	2,942,015
Parks and environmental services	6,831,562	6,964,113	6,568,190	395,923
Planning and development	18,182,224	17,862,860	10,816,845	7,046,015
Research center	4,200,843	4,279,363	4,258,776	20,587
Sustainability center	4,490,128	4,667,247	3,389,725	1,277,522

(Continued)

METRO
General Fund
**Schedule of Revenues, Expenditures and Changes in Fund Balances-
Budget and Actual (Non-GAAP Basis of Budgeting), *continued*
For the year ended June 30, 2010**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
Expenditures, continued:				
Special appropriations	\$ 4,721,292	4,721,292	902,069	3,819,223
Former ORS 197.352 claims & judgments	100	100	-	100
Non-departmental:				
Debt service	1,472,340	1,472,340	1,472,339	1
Contingency	3,998,894	3,854,033	-	3,854,033
Total expenditures	88,195,351	88,261,561	67,319,002	20,942,559
Revenues under expenditures	(19,972,035)	(20,038,245)	(3,715,171)	16,323,074
OTHER FINANCING SOURCES (USES)				
Transfers in	9,916,284	9,964,867	9,309,450	(655,417)
Transfers out	(4,844,490)	(4,770,610)	(4,027,306)	743,304
Total other financing sources (uses)	5,071,794	5,194,257	5,282,144	87,887
Revenues and other sources over (under)				
expenditures and other uses	(14,900,241)	(14,843,988)	1,566,973	16,410,961
Beginning fund balance available for				
appropriation - July 1, 2009	26,616,367	26,616,367	28,627,795	2,011,428
Unappropriated ending fund balance -				
June 30, 2010	\$ 11,716,126	11,772,379	30,194,768	18,422,389
Reconciliation to Governmental GAAP basis:				
Excess of revenues and other financing sources over (under)				
expenditures and other financing uses on the basis of budgeting:				
General Fund, as presented above			1,566,973	
General Revenue Bond Fund-General, from page 115			(12,878)	
General Renewal and Replacement Fund, from page 116			(387,725)	
Budget requirements not qualifying as expenses under Governmental GAAP:				
Purchase of assets held for resale			270,943	
Additional revenues required by Governmental GAAP:				
Amortization of loan discounts			38,931	
General Fund net change in fund balance as reported on the statement of				
revenues, expenditures and changes in fund balances-governmental funds			\$ 1,476,244	

METRO
Schedule of Funding Progress
Other Postemployment Benefits
June 30, 2010

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%	\$48,238,961	7%
July 1, 2009	\$ -	\$3,007,784	\$3,007,784	0%	\$49,864,609	6%

BUDGETARY INFORMATION**1. BUDGETS**

A budget is prepared for each fund in accordance with the modified accrual basis of accounting and legal requirements set forth in the Oregon Local Budget Law. This basis differs from GAAP. The Council adopts the original budget for all funds by ordinance prior to the beginning of Metro's fiscal year. The ordinance authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. The legal level of control for each fund is set by department, with separate designations within the fund for the categories of debt service, interfund transfers and contingency.

The General Revenue Bond Fund is a budgetary fund comprised of two components that are separated and combined with other budgetary funds for reporting under GAAP. The General Renewal and Replacement Fund is a budgetary fund that is combined with the General Fund for reporting under GAAP.

The detail budget document is required to contain more specific, detailed information about the aforementioned expenditure categories. Appropriations that have not been expended at year end lapse and subsequent actual expenditures are charged against ensuing year appropriations. Encumbrances are recorded in Metro's internal accounting records for management reporting and control. Encumbrances are closed at June 30 and re-established in the ensuing fiscal year against appropriations for that year.

Unexpected additional resources and budget revisions may be added to the budget through the use of a supplemental budget or by an ordinance passed by the Council amending the budget. A supplemental budget requires hearings before the public, publication in newspapers and approval by the Council. Original, amended and supplemental budgets may be modified by the use of appropriation transfers between the levels of control, with approval of the Council. Management may amend the budget within the appropriated levels of control without Council approval.

Metro adopted eight budget amendments during the year ended June 30, 2010. Two of the amendments would be considered significant. In November 2009 the Metro Council approved additional renewal and replacement capital projects of \$1.68 million. Also, in June 2010 the Metro Capital Fund was reduced approximately \$9.9 million to reflect the Council's decision not to proceed with the Blue Lake nature and golf learning center project.

2. RECONCILIATION OF BASIS OF BUDGETING TO GAAP BASIS

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

Other Supplementary Information

Combining Statements

Nonmajor Governmental Funds

Budgetary Comparison Schedules



Combining Statements

Nonmajor Governmental Funds

Special Revenue Funds

Smith and Bybee Lakes Fund

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

Rehabilitation and Enhancement Fund

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

Capital Projects Funds

Open Spaces Fund

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

Metro Capital Fund

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

Permanent Fund

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

METRO
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010

	Special Revenue		
	Smith and Bybee Lakes	Rehabilitation and Enhancement	Total
ASSETS			
Equity in internal cash and investment pool	\$ 4,024,077	2,032,550	6,056,627
Receivables:			
Trade	-	-	-
Other	-	-	-
Interest	15,448	7,670	23,118
Total assets	\$ 4,039,525	2,040,220	6,079,745
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 13,100	66,034	79,134
Salaries, withholdings and payroll taxes payable	-	-	-
Contracts payable	-	-	-
Total liabilities	13,100	66,034	79,134
FUND BALANCES			
Unreserved	4,026,425	1,974,186	6,000,611
Total fund balances	4,026,425	1,974,186	6,000,611
Total liabilities and fund balances	\$ 4,039,525	2,040,220	6,079,745

Capital Projects			Permanent	Total
Open Spaces	Metro Capital	Total	Cemetery Perpetual Care	Nonmajor Governmental Funds
339,114	1,185,178	1,524,292	315,865	7,896,784
-	16,667	16,667	95	16,762
-	175	175	-	175
1,292	5,011	6,303	1,198	30,619
340,406	1,207,031	1,547,437	317,158	7,944,340
2,900	156,347	159,247	-	238,381
-	91	91	-	91
-	105,513	105,513	-	105,513
2,900	261,951	264,851	-	343,985
337,506	945,080	1,282,586	317,158	7,600,355
337,506	945,080	1,282,586	317,158	7,600,355
340,406	1,207,031	1,547,437	317,158	7,944,340

METRO
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2010

	Special Revenue		
	Smith and Bybee Lakes	Rehabilitation and Enhancement	Total
REVENUES			
Cemetery revenue surcharge	\$ -	-	-
Investment income	41,156	19,672	60,828
Miscellaneous revenue	-	-	-
Contributions and donations	-	-	-
Capital grants	-	-	-
Capital contributions and donations	-	-	-
Total revenues	41,156	19,672	60,828
EXPENDITURES			
Current:			
Culture and recreation	207,092	391,675	598,767
Capital outlay	-	-	-
Total expenditures	207,092	391,675	598,767
Revenues over (under) expenditures	(165,936)	(372,003)	(537,939)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	316,860	316,860
Transfers out	-	-	-
Total other financing sources (uses)	-	316,860	316,860
Net change in fund balances	(165,936)	(55,143)	(221,079)
Fund balances - July 1, 2009	4,192,361	2,029,329	6,221,690
Fund balances - June 30, 2010	\$ 4,026,425	1,974,186	6,000,611

Capital Projects			Permanent	Total
Open	Metro		Cemetery	Nonmajor
Spaces	Capital	Total	Perpetual Care	Governmental
				Funds
-	-	-	25,497	25,497
3,395	20,912	24,307	2,978	88,113
-	9,302	9,302	-	9,302
-	73,332	73,332	-	73,332
-	37,792	37,792	-	37,792
-	1,467,373	1,467,373	-	1,467,373
3,395	1,608,711	1,612,106	28,475	1,701,409
-	-	-	-	598,767
19,526	3,265,675	3,285,201	-	3,285,201
19,526	3,265,675	3,285,201	-	3,883,968
(16,131)	(1,656,964)	(1,673,095)	28,475	(2,182,559)
-	139,000	139,000	-	455,860
-	(851,971)	(851,971)	-	(851,971)
-	(712,971)	(712,971)	-	(396,111)
(16,131)	(2,369,935)	(2,386,066)	28,475	(2,578,670)
353,637	3,315,015	3,668,652	288,683	10,179,025
337,506	945,080	1,282,586	317,158	7,600,355

Budgetary Comparison Schedules

Oregon Administrative Rules 162-010-0050 through 162-010-0330 incorporated in the Minimum Standards for Audits of Oregon Municipal Corporations, as prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, requires an individual schedule of revenues, expenditures, and changes in fund balance, budget and actual be presented for each fund for which a legally adopted budget is required.

In accordance with GASB Statement No. 34, Metro's General Fund is presented as required supplementary information. Budgetary comparisons for all other funds are displayed in the following pages.

Other Major Governmental Funds

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

Debt Service Fund

General Obligation Bond Debt Service Fund

Capital Projects Funds

Zoo Infrastructure and Animal Welfare Fund

Natural Areas Fund

METRO**General Obligation Bond Debt Service Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances -****Budget and Actual (Non-GAAP Basis of Budgeting)****For the year ended June 30, 2010**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
General revenues:				
Taxes:				
Property taxes	\$ 39,783,851	39,783,851	40,225,036	441,185
Investment income	150,000	150,000	162,612	12,612
Total revenues	39,933,851	39,933,851	40,387,648	453,797
EXPENDITURES				
Debt service:				
Principal	30,741,540	30,741,540	30,688,540	53,000
Interest	9,791,482	9,791,482	9,791,481	1
Total expenditures	40,533,022	40,533,022	40,480,021	53,001
Revenues under expenditures	(599,171)	(599,171)	(92,373)	506,798
Beginning fund balance available for appropriation - July 1, 2009	12,645,000	12,645,000	13,133,831	488,831
Unappropriated ending fund balance - June 30, 2010	\$ 12,045,829	12,045,829	13,041,458	995,629

METRO

Zoo Infrastructure and Animal Welfare Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual (Non-GAAP Basis of Budgeting)

For the year ended June 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
General revenues:				
Investment income	\$ 362,821	362,821	26,399	(336,422)
Total revenues	362,821	362,821	26,399	(336,422)
EXPENDITURES				
Oregon Zoo	12,034,142	12,034,142	1,479,501	10,554,641
Contingency	2,826,363	2,826,363	-	2,826,363
Total expenditures	14,860,505	14,860,505	1,479,501	13,381,004
Revenues under expenditures	(14,497,684)	(14,497,684)	(1,453,102)	13,044,582
OTHER FINANCING SOURCES				
Bond principal	10,000,000	10,000,000	-	(10,000,000)
Revenues and other sources under expenditures	(4,497,684)	(4,497,684)	(1,453,102)	3,044,582
Beginning fund balance available for appropriation - July 1, 2009	4,512,846	4,512,846	4,260,056	(252,790)
Unappropriated ending fund balance - June 30, 2010	\$ 15,162	15,162	2,806,954	2,791,792

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, 2010**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
Program revenues:				
Charges for services:				
Miscellaneous revenue	\$ -	-	13,251	13,251
Operating grants and contributions:				
Grants	835,710	835,710	322,479	(513,231)
Contributions and donations	-	90,000	-	(90,000)
General revenues:				
Investment income	1,875,000	1,875,000	940,859	(934,141)
Total revenues	2,710,710	2,800,710	1,276,589	(1,524,121)
EXPENDITURES				
Sustainability center	58,543,237	58,566,956	20,263,215	38,303,741
Contingency	17,667,050	17,642,838	-	17,642,838
Total expenditures	76,210,287	76,209,794	20,263,215	55,946,579
Revenues under expenditures	(73,499,577)	(73,409,084)	(18,986,626)	54,422,458
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	-	-	50,000	50,000
Transfers out	(1,472,292)	(1,472,292)	(1,379,974)	92,318
Total other financing sources (uses)	(1,472,292)	(1,472,292)	(1,329,974)	142,318
Revenues and other sources under expenditures and other uses	(74,971,869)	(74,881,376)	(20,316,600)	54,564,776
Beginning fund balance available for appropriation - July 1, 2009	75,000,000	75,000,000	77,109,207	2,109,207
Unappropriated ending fund balance - June 30, 2010	\$ 28,131	118,624	56,792,607	56,673,983

Nonmajor Governmental Funds

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

Special Revenue Funds

Smith and Bybee Lakes Fund

Rehabilitation and Enhancement Fund

Capital Projects Funds

Open Spaces Fund

Metro Capital Fund

Permanent Fund

Cemetery Perpetual Care Fund

METRO**Smith and Bybee Lakes Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances -****Budget and Actual (Non-GAAP Basis of Budgeting)****For the year ended June 30, 2010**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
Program revenues:				
Charges for services:				
Culture and recreation fees	\$ 1,700	1,700	-	(1,700)
Operating grants and contributions:				
Grants	30,000	30,000	-	(30,000)
Government contributions	50,000	50,000	-	(50,000)
General revenues:				
Investment income	103,091	103,091	41,156	(61,935)
Total revenues	184,791	184,791	41,156	(143,635)
EXPENDITURES				
Parks and environmental services	266,740	221,740	38,014	183,726
Contingency	200,000	200,000	-	200,000
Total expenditures	466,740	421,740	38,014	383,726
Revenues over (under) expenditures	(281,949)	(236,949)	3,142	240,091
OTHER FINANCING SOURCES (USES)				
Transfers out	(124,899)	(169,899)	(169,078)	821
Revenues under expenditures and other uses	(406,848)	(406,848)	(165,936)	240,912
Beginning fund balance available for appropriation - July 1, 2009	4,215,397	4,215,397	4,192,361	(23,036)
Unappropriated ending fund balance - June 30, 2010	\$ 3,808,549	3,808,549	4,026,425	217,876

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, 2010**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
General revenues:				
Investment income	\$ 50,663	50,663	19,672	(30,991)
Total revenues	50,663	50,663	19,672	(30,991)
EXPENDITURES				
Sustainability center	452,649	452,649	359,013	93,636
Contingency	300,000	300,000	-	300,000
Total expenditures	752,649	752,649	359,013	393,636
Revenues under expenditures	(701,986)	(701,986)	(339,341)	362,645
OTHER FINANCING SOURCES (USES)				
Transfers in	373,312	373,312	316,860	(56,452)
Transfers out	(32,662)	(32,662)	(32,662)	-
Total other financing sources (uses)	340,650	340,650	284,198	(56,452)
Revenues and other sources under expenditures and other uses	(361,336)	(361,336)	(55,143)	306,193
Beginning fund balance available for appropriation - July 1, 2009	2,026,532	2,026,532	2,029,329	2,797
Unappropriated ending fund balance - June 30, 2010	\$ 1,665,196	1,665,196	1,974,186	308,990

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, 2010**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
Program revenues:				
Charges for services:				
Miscellaneous revenue	\$ 350,000	350,000	-	(350,000)
Operating grants and contributions:				
Grants	75,000	75,000	-	(75,000)
General revenues:				
Investment income	8,863	8,863	3,395	(5,468)
Total revenues	433,863	433,863	3,395	(430,468)
EXPENDITURES				
Sustainability center	788,378	788,378	19,526	768,852
Total expenditures	788,378	788,378	19,526	768,852
Revenues under expenditures	(354,515)	(354,515)	(16,131)	338,384
Beginning fund balance available for				
appropriation - July 1, 2009	354,515	354,515	353,637	(878)
Unappropriated ending fund balance -				
June 30, 2010	\$ -	-	337,506	337,506

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, 2010**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
Program revenues:				
Charges for services:				
Miscellaneous revenue	\$ -	-	9,302	9,302
Operating grants and contributions:				
Contributions and donations	-	-	73,332	73,332
Capital grants and contributions:				
Grants	-	-	37,792	37,792
Capital contributions and donations	1,200,000	1,253,953	1,467,373	213,420
General revenues:				
Investment income	76,851	76,851	20,912	(55,939)
Total revenues	1,276,851	1,330,804	1,608,711	277,907
EXPENDITURES				
Capital program	13,427,140	3,852,844	3,267,704	585,140
Contingency	2,976,986	2,727,503	-	2,727,503
Total expenditures	16,404,126	6,580,347	3,267,704	3,312,643
Revenues under expenditures	(15,127,275)	(5,249,543)	(1,658,993)	3,590,550
OTHER FINANCING SOURCES (USES)				
Transfers in	139,000	139,000	139,000	-
Interfund loan	10,650,000	-	-	-
Transfers out	(907,080)	(910,663)	(849,942)	60,721
Total other financing sources (uses)	9,881,920	(771,663)	(710,942)	60,721
Revenues and other sources under expenditures and other uses	(5,245,355)	(6,021,206)	(2,369,935)	3,651,271
Beginning fund balance available for appropriation - July 1, 2009	5,633,688	6,406,821	3,315,015	(3,091,806)
Unappropriated ending fund balance - June 30, 2010	\$ 388,333	385,615	945,080	559,465

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, 2010**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
General revenues:				
Taxes:				
Cemetery revenue surcharge	\$ 23,300	23,300	25,497	2,197
Investment income	7,190	7,190	2,978	(4,212)
Total revenues	30,490	30,490	28,475	(2,015)
Beginning fund balance available for				
appropriation - July 1, 2009	287,615	287,615	288,683	1,068
Unappropriated ending fund balance -				
June 30, 2010	\$ 318,105	318,105	317,158	(947)

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, 2010**

	Budgeted Amounts		Actual Amounts	Variance with final budget
	Original	Final		
REVENUES				
Program revenues:				
Charges for services:				
Government fees	\$ 900,950	900,950	987,943	86,993
Culture and recreation fees	3,800	3,800	21,488	17,688
Solid waste fees	51,718,039	51,718,039	49,760,548	(1,957,491)
Other fees	45,000	45,000	46,064	1,064
Miscellaneous revenue	33,000	33,000	129,681	96,681
Operating grants and contributions:				
Grants	1,094,105	1,094,105	4,093	(1,090,012)
Contributions and donations	-	-	40,537	40,537
General revenues:				
Investment income	883,119	883,119	367,099	(516,020)
Total revenues	54,678,013	54,678,013	51,357,453	(3,320,560)
EXPENDITURES				
Operating Account:				
Finance and administrative services	2,115,970	2,248,470	2,055,886	192,584
Sustainability center	8,076,135	8,076,135	6,627,770	1,448,365
Parks and environmental services	38,052,014	37,969,514	36,283,840	1,685,674
Landfill Closure Account:				
Parks and environmental services	2,250,783	2,250,783	255,406	1,995,377
Renewal and Replacement Account:				
Parks and environmental services	1,770,000	1,770,000	468,157	1,301,843
General Account:				
Parks and environmental services	1,377,800	1,377,800	237,513	1,140,287
Contingency	11,172,580	15,122,580	-	15,122,580
Total expenditures	64,815,282	68,815,282	45,928,572	22,886,710

(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, 2010**

	Budgeted Amounts		Actual Amounts	Variance with final budget
	Original	Final		
Revenues over (under) expenditures	\$ (10,137,269)	(14,137,269)	5,428,881	19,566,150
OTHER FINANCING SOURCES (USES)				
Interfund loan-interest	266,250	-	-	-
Transfers in	155,037	155,037	159,802	4,765
Interfund loan-principal	(10,650,000)	-	-	-
Transfers out	(6,828,579)	(6,828,579)	(6,375,207)	453,372
Total other financing sources (uses)	(17,057,292)	(6,673,542)	(6,215,405)	458,137
Revenues and other sources under expenditures and other uses	(27,194,561)	(20,810,811)	(786,524)	20,024,287
Beginning fund balance available for appropriation - July 1, 2009	35,470,285	35,470,285	38,769,438	3,299,153
Unappropriated ending fund balance - June 30, 2010	\$ 8,275,724	14,659,474	37,982,914	23,323,440

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, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
Program revenues:				
Charges for services:				
Culture and recreation fees	\$ 29,517,557	29,749,557	29,471,259	(278,298)
Miscellaneous revenue	122,226	147,226	179,594	32,368
Operating grants and contributions:				
Grants	-	216,925	190,976	(25,949)
Government contributions	760,926	760,926	766,100	5,174
Contributions and donations	672,500	440,500	137,750	(302,750)
Capital grants and contributions:				
Capital contributions and donations	1,250,000	1,250,000	2,238,620	988,620
General revenues:				
Local government shared revenue	10,974,589	10,974,589	9,941,144	(1,033,445)
Investment income	586,518	586,518	170,773	(415,745)
Total revenues	43,884,316	44,126,241	43,096,216	(1,030,025)
EXPENDITURES				
MERC	42,735,748	43,284,237	39,181,329	4,102,908
Debt service	17,258	152,258	136,362	15,896
Contingency	8,805,905	8,122,416	-	8,122,416
Total expenditures	51,558,911	51,558,911	39,317,691	12,241,220
Revenues over (under) expenditures	(7,674,595)	(7,432,670)	3,778,525	11,211,195
OTHER FINANCING SOURCES (USES)				
Transfers in	692,490	692,490	187,252	-
Transfers out	(3,704,857)	(3,704,857)	(3,495,476)	209,381
Total other financing sources (uses)	(3,012,367)	(3,012,367)	(3,308,224)	209,381
Revenues and other sources over (under) expenditures and other uses	(10,686,962)	(10,445,037)	470,301	11,420,576
Beginning fund balance available for appropriation - July 1, 2009	26,074,761	26,074,761	26,619,235	544,474
Unappropriated ending fund balance - June 30, 2010	\$ 15,387,799	15,629,724	27,089,536	11,965,050

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, 2010

	Solid Waste	MERC	Total
Excess of revenues and other financing sources over (under) expenditures and other financing uses on the basis of budgeting:			
Solid Waste Revenue Fund	\$ (786,524)	-	(786,524)
MERC Fund	-	470,301	470,301
General Revenue Bond Fund-Expo	-	(11,876)	(11,876)
Budget resources not qualifying as revenues under GAAP:			
Revenue deferred	(74,386)	-	(74,386)
Budget requirements not qualifying as expenses under GAAP:			
Payment of post-closure liability	912,969	-	912,969
Payment of pollution remediation liability	216,760		216,760
Capital assets additions	510,618	1,401,460	1,912,078
Principal and interest payments on bonds	-	650,054	650,054
Principal and interest payments on loans	-	133,632	133,632
Additional expenses required by GAAP:			
Increase in post-closure liability estimate	(13,634,086)	-	(13,634,086)
Increase in pollution remediation liability estimate	(78,635)	-	(78,635)
Depreciation and amortization	(1,587,718)	(5,648,287)	(7,236,005)
Loss on disposal of capital assets	(12,659)	-	(12,659)
Amortization of bond discount and costs	-	(36,335)	(36,335)
Other postemployment benefits	(44,468)	(88,228)	(132,696)
Vacation benefits	(38,665)	36,809	(1,856)
Accrued interest on bonds	-	(45,816)	(45,816)
Change in net assets presented in the statement of revenues, expenses and changes in fund net assets for proprietary funds	\$ (14,616,794)	(3,138,286)	(17,755,080)

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, 2010**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
Program revenues:				
Charges for services:				
Other fees	\$ -	-	5,770	5,770
Internal charges for services	8,586,555	8,586,555	8,156,797	(429,758)
Miscellaneous revenue	5,000	5,000	147,798	142,798
Operating grants and contributions:				
Grants	40,000	40,000	72,676	32,676
General revenues:				
Investment income	200,000	200,000	87,473	(112,527)
Total revenues	8,831,555	8,831,555	8,470,514	(361,041)
EXPENDITURES				
Finance and administrative services	11,434,039	11,434,039	9,935,253	1,498,786
Total expenditures	11,434,039	11,434,039	9,935,253	1,498,786
Revenues under expenditures	(2,602,484)	(2,602,484)	(1,464,739)	1,137,745
OTHER FINANCING SOURCES				
Transfers in	1,211,710	1,211,710	1,161,806	(49,904)
Revenues and other sources under expenditures	(1,390,774)	(1,390,774)	(302,933)	1,087,841
Beginning fund balance available for appropriation - July 1, 2009	2,756,352	2,756,352	8,301,172	5,544,820
Unappropriated ending fund balance - June 30, 2010	\$ 1,365,578	1,365,578	7,998,239	6,632,661

Other Budgetary Funds

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

General Revenue Bond Fund

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

General Renewal and Replacement Fund

This fund is a budgetary fund that is combined with another budgetary fund for reporting under GAAP.

METRO**General Revenue Bond Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances-****Budget and Actual (Non-GAAP Basis of Budgeting)****For the year ended June 30, 2010**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
General revenues:				
Investment income	\$ 5,700	5,700	2,245	(3,455)
Total revenues	5,700	5,700	2,245	(3,455)
EXPENDITURES				
Debt service account:				
Debt service-Metro Regional Center	1,500,849	1,500,849	1,500,848	1
Debt service-Washington Park Parking Lot	403,820	403,820	403,820	-
Debt service-Expo Center Hall D	1,188,632	1,188,632	1,188,631	1
Project account:				
Capital outlay-Washington Park Parking Lot	219,167	219,167	-	219,167
Total expenditures	3,312,468	3,312,468	3,093,299	219,169
Revenues under expenditures	(3,306,768)	(3,306,768)	(3,091,054)	215,714
OTHER FINANCING SOURCES				
Transfers in	3,078,301	3,078,301	3,066,300	(12,001)
Revenues and other sources under expenditures	(228,467)	(228,467)	(24,754)	203,713
Beginning fund balance available for appropriation - July 1, 2009	230,840	230,840	244,668	13,828
Unappropriated ending fund balance - June 30, 2010	\$ 2,373	2,373	219,914	217,541

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, 2010

	Allocated to:		
	General	MERC	Total
REVENUES			
General revenues:			
Investment income	\$ 2,122	123	2,245
Total revenues	2,122	123	2,245
EXPENDITURES			
Debt service account:			
Debt service-Metro Regional Center	1,500,848	-	1,500,848
Debt service-Washington Park Parking Lot	403,820	-	403,820
Debt service-Expo Center Hall D	-	1,188,631	1,188,631
Total expenditures	1,904,668	1,188,631	3,093,299
Revenues under expenditures	(1,902,546)	(1,188,508)	(3,091,054)
OTHER FINANCING SOURCES			
Transfers in	1,889,668	1,176,632	3,066,300
Revenues and other sources under expenditures	(12,878)	(11,876)	(24,754)
Beginning fund balance available for appropriation - July 1, 2009	232,492	12,176	244,668
Unappropriated ending fund balance - June 30, 2010	\$ 219,614	300	219,914

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

METRO**General Renewal and Replacement Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances-****Budget and Actual (Non-GAAP Basis of Budgeting)****For the year ended June 30, 2010**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
Program revenues:				
Charges for services:				
Miscellaneous revenue	\$ -	-	966	966
Operating grants and contributions:				
Grants	-	1,212,500	-	(1,212,500)
Capital grants and contributions:				
Grants	-	-	1,188,332	1,188,332
Capital contributions and donations	-	32,000	32,000	-
General revenues:				
Investment income	216,559	216,559	65,726	(150,833)
Total revenues	216,559	1,461,059	1,287,024	(174,035)
EXPENDITURES				
Renewal and replacement program	2,455,906	4,743,287	3,663,924	1,079,363
Contingency	3,220,515	2,370,004	-	2,370,004
Total expenditures	5,676,421	7,113,291	3,663,924	3,449,367
Revenues under expenditures	(5,459,862)	(5,652,232)	(2,376,900)	3,275,332
OTHER FINANCING SOURCES (USES):				
Transfers in	2,082,475	2,274,845	1,989,175	(285,670)
Revenues and other sources under expenditures	(3,377,387)	(3,377,387)	(387,725)	2,989,662
Beginning fund balance available for appropriation - July 1, 2009	6,379,524	6,379,524	6,978,925	599,401
Unappropriated ending fund balance - June 30, 2010	\$ 3,002,137	3,002,137	6,591,200	3,589,063

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

Capital Assets Used in the Operation of Governmental Funds

METRO**Capital Assets Used in the Operation of Governmental Funds
Schedule by Source
June 30, 2010****GOVERNMENTAL FUNDS CAPITAL ASSETS**

Land	\$	209,278,199
Intangible-easements		1,041,412
Artwork		271,595
Construction in progress		18,902,724
Buildings and exhibits		107,805,576
Improvements		26,797,278
Equipment and vehicles		8,069,927
Intangible-software		2,941,841
Office furniture and equipment		1,212,136
Railroad equipment and facilities		1,965,976
Total governmental funds capital assets		\$ 378,286,664

INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE

General Fund	\$	143,091,510
Special Revenue Fund:		
Smith and Bybee Lakes Fund		2,281,031
Capital Projects Funds:		
Zoo Infrastructure and Animal Welfare Fund		2,245,300
Natural Areas Fund		68,003,021
Open Spaces Fund		127,858,655
Metro Capital Fund		34,807,147
Total governmental funds capital assets		\$ 378,286,664

METRO

Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
June 30, 2010

	Function and Activity				Total
	General government operations	Regional planning and development	Culture and recreation	Zoo	
Land	\$ 588,716	-	206,116,033	2,573,450	209,278,199
Intangible-easements	-	-	1,041,412	-	1,041,412
Artwork	10,000	-	261,595	-	271,595
Construction in progress	-	-	5,535,390	13,367,334	18,902,724
Buildings and exhibits	20,945,472	-	12,969,288	73,890,816	107,805,576
Improvements	-	-	14,211,781	12,585,497	26,797,278
Equipment and vehicles	1,415,695	-	1,239,468	5,414,764	8,069,927
Intangible-software	2,941,841	-	-	-	2,941,841
Office furniture and equipment	847,172	16,368	-	348,596	1,212,136
Railroad equipment and facilities	-	-	-	1,965,976	1,965,976
Total	\$ 26,748,896	16,368	241,374,967	110,146,433	378,286,664

METRO

Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
For the year ended June 30, 2010

Function and Activity	Governmental Funds			Governmental Funds	
	Capital Assets July 1, 2009	Additions	Deductions	Transfers	Capital Assets June 30, 2010
General government operations	\$ 27,636,797	2,900,506	(304,079)	(3,484,328)	26,748,896
Regional planning and development	16,368	-	-	-	16,368
Culture and recreation	223,613,422	16,420,904	(643,223)	1,983,864	241,374,967
Zoo	104,983,403	3,965,692	(303,126)	1,500,464	110,146,433
Total	\$ 356,249,990	23,287,102	(1,250,428)	-	378,286,664

Other Financial Schedules



METRO
**Schedule of Property Tax Transactions and Outstanding Receivable
For the year ended June 30, 2010**

Fiscal Year	Original levy or balance of receivable July 1, 2009	Add (deduct)				Property taxes receivable June 30, 2010
		Discounts	Adjustments	Interest	Collections	
2009-10	\$ 53,137,308	(1,306,442)	(183,605)	6,530	(49,982,313)	1,671,478
2008-09	1,657,642	-	(73,019)	19,857	(962,070)	642,410
2007-08	540,872	-	(26,387)	11,229	(248,117)	277,597
2006-07	135,422	-	(8,606)	5,302	(72,207)	59,911
2005-06	47,041	-	(4,347)	1,948	(33,360)	11,282
2004-05	13,019	-	(3,065)	415	(1,878)	8,491
2003-04 & prior	33,574	-	(4,009)	504	(2,096)	27,973
	<u>\$ 55,564,878</u>	<u>(1,306,442)</u>	<u>(303,038)</u>	<u>45,785</u>	<u>(51,302,041)</u>	<u>2,699,142</u>

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

Governmental
Activities

Cash collections July 1, 2009 to June 30, 2010

\$ 51,302,041

Accrual of receivables:

July 1, 2008 to August 31, 2009

(327,394)

July 1, 2009 to August 31, 2010

387,443

Timing difference between county tax collector
and county treasurer

(9,565)

Payments in lieu of property taxes

104,538

Taxes earned but not available:

June 30, 2009

(2,100,176)

June 30, 2010

2,311,699

Property tax revenue per Statement of Activities

\$ 51,668,586

METRO
Schedule of Future Bonded Debt Service Requirements
General Obligation Bonds
June 30, 2010

Year of maturity	1995 Series B Open Spaces Program General Obligation Bonds		2002 Series General Obligation Refunding Bonds		2001 Series A General Obligation Refunding Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
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	\$ 223,356	277,644	53,275,000	8,777,819	15,110,000	1,442,335

(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
1,620,000	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
<u>13,315,000</u>	<u>2,645,300</u>	<u>89,925,000</u>	<u>40,307,050</u>	<u>171,848,356</u>	<u>53,450,148</u>

METRO
Schedule of Future Bonded Debt Service Requirements
Full Faith and Credit and Pension Obligation Bonds
June 30, 2010

Year of maturity	Full Faith and Credit Bonds				Pension Obligation Bonds	
	Refunding Bonds		Oregon Local Governments		Metro Limited Tax Pension	
	2003 Series		2006 Series		Obligation Bonds Series 2005	
	Principal (2)	Interest	Principal (1)	Interest	Principal (2)	Interest
2010-11	\$ 1,265,000	644,615	625,000	564,131	360,000	1,169,472
2011-12	1,300,000	605,327	650,000	538,631	435,000	1,153,214
2012-13	1,340,000	562,905	675,000	512,131	525,000	1,129,289
2013-14	1,385,000	516,558	705,000	483,650	615,000	1,105,071
2014-15	1,440,000	466,400	735,000	453,050	710,000	1,076,381
2015-16	1,485,000	413,008	765,000	421,175	820,000	1,041,882
2016-17	1,325,000	360,360	795,000	387,528	930,000	1,002,039
2017-18	1,210,000	310,985	830,000	349,387	1,055,000	956,850
2018-19	1,255,000	261,685	870,000	306,887	1,185,000	905,587
2019-20	1,305,000	209,832	915,000	262,263	1,325,000	848,008
2020-21	1,360,000	154,520	960,000	215,388	1,480,000	783,627
2021-22	1,420,000	95,430	1,010,000	169,925	1,645,000	709,567
2022-23	1,475,000	32,450	1,055,000	126,044	1,820,000	627,251
2023-24	-	-	1,095,000	76,250	2,010,000	536,179
2024-25	-	-	1,150,000	24,438	2,210,000	435,598
2025-26	-	-	-	-	2,430,000	325,010
2026-27	-	-	-	-	2,660,000	203,413
2027-28	-	-	-	-	1,405,000	70,306
Total	\$ 17,565,000	4,634,075	12,835,000	4,890,878	23,620,000	14,078,744

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

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

METRO
Schedule of Long-term Bonded Debt Transactions
General Obligation Bonds
For the year ended June 30, 2010

	Principal				
	Outstanding July 1, 2009	Issued During Year	Matured and Paid During Year	Outstanding June 30, 2010	Interest Expenditure
DEBT SERVICE FUND					
1995 Series B Open Spaces Program General Obligation Bonds with interest rate of 5.5%, final maturity 9/1/10	\$ 461,896	-	238,540	223,356	261,460
2002 Series General Obligation Refunding Bonds with interest rates from 5.0 to 5.25%, final maturity 9/1/15	60,305,000	-	7,030,000	53,275,000	2,911,812
2001 Series A General Obligation Refunding Bonds with interest rates from 4.3 to 5.0%, final maturity 1/1/13	19,635,000	-	4,525,000	15,110,000	918,045
2005 Series General Obligation Refunding Bonds with interest rates from 4.0 to 5.0%, final maturity 1/15/17	14,870,000	-	1,555,000	13,315,000	698,075
2007 Series Natural Areas General Obligation Bonds with interest rates from 4.0 to 5.0%, final maturity 6/1/26	102,265,000	-	12,340,000	89,925,000	4,845,150
2008 Series Oregon Zoo General Obligation Bond with interest rate of 2.12%, early redemption on 6/15/10	5,000,000	-	5,000,000	-	156,939
Total	\$ 202,536,896	-	30,688,540	171,848,356	9,791,481

METRO

Schedule of Long-term Bonded Debt Transactions
 Full Faith and Credit and Pension Obligation Bonds
 For the year ended June 30, 2010

	Principal				
	Outstanding	Issued	Matured	Outstanding	Interest
	July 1,	During	and Paid	June 30,	
	2009	Year	During Year	2010	Expenditure
GENERAL FUND					
<u>Full Faith and Credit</u>					
Refunding Bonds 2003 Series					
with interest rates from 3.0 to 4.4%,					
final maturity 8/1/22	\$ 18,790,000	-	1,225,000	17,565,000	679,668
<u>Pension Obligation</u>					
Metro Limited Tax Series 2005					
with interest rates from 4.516 to 5.5%,					
final maturity 6/1/28	23,910,000	-	290,000	23,620,000	1,182,339
Total	\$ 42,700,000	-	1,515,000	41,185,000	1,862,007
ENTERPRISE FUNDS					
MERC FUND:					
<u>Full Faith and Credit</u>					
Oregon Local Governments 2006 Series					
with interest rates from 4.0 to 5.0%,					
final maturity 12/1/24	\$ 13,435,000	-	600,000	12,835,000	588,631

Statistical Section

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

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

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

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

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

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

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

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

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

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

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

2005	2006	2007	2008	2009	2010
3,158,675	10,128,233	11,724,680	14,464,735	14,198,441	12,779,417
11,367,579	10,580,855	11,633,709	15,998,524	13,023,497	14,978,447
8,582,520	6,515,693	6,906,903	12,040,343	13,350,232	17,316,051
-	23,159,685	25,165,745	27,268,768	29,426,286	28,311,531
7,679,504	8,421,370	9,626,880	13,228,648	12,121,270	10,888,841
30,788,278	58,805,836	65,057,917	83,001,018	82,119,726	84,274,287
47,697,124	50,565,165	52,805,117	53,514,858	52,014,903	64,228,318
24,158,065	-	-	-	-	-
41,363,806	42,799,786	45,069,117	44,148,046	46,239,579	46,229,249
113,218,995	93,364,951	97,874,234	97,662,904	98,254,482	110,457,567
144,007,273	152,170,787	162,932,151	180,663,922	180,374,208	194,731,854
2,593	1,377,281	1,359,684	1,440,462	1,394,695	1,741,850
1,215,077	1,547,604	1,024,612	1,271,625	1,682,136	1,214,423
2,699,983	2,568,418	2,519,340	2,824,138	2,648,864	3,696,310
-	14,417,730	15,699,595	15,991,730	18,040,150	17,606,196
8,552,429	12,015,598	9,674,387	14,963,194	13,889,920	14,446,031
-	959,676	1,378,075	2,163,915	8,457,258	2,725,497
12,470,082	32,886,307	31,655,693	38,655,064	46,113,023	41,430,307
51,574,923	53,814,957	54,108,083	53,238,401	50,478,290	50,904,000
13,184,305	-	-	-	-	-
27,268,341	26,296,316	29,064,019	30,451,878	30,007,172	29,650,854
3,774,815	984,284	692,146	861,851	830,902	1,378,076
786,534	-	-	-	265,740	2,000,000
96,588,918	81,095,557	83,864,248	84,552,130	81,582,104	83,932,930
109,059,000	113,981,864	115,519,941	123,207,194	127,695,127	125,363,237

(Continued)

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

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

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

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

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

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

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

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

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

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

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

2005	2006	2007	2008	2009	2010
17,653,137	27,850,826	28,669,525	46,312,638	44,897,096	51,457,062
13,577,891	14,243,252	14,834,721	14,341,764	12,971,067	12,964,535
-	-	1,806,012	2,483,137	1,734,579	1,427,730
25,270	21,395	33,000	23,267	24,168	25,497
540,690	547,512	519,463	545,550	500,473	509,323
625,190	2,068,326	4,536,529	8,802,118	4,715,238	1,545,284
352,195	490,892	441,531	576,342	481,480	389,643
1,125,860	14,712,855	15,860,633	16,728,873	17,893,774	17,402,009
1,438,929	3,237,906	3,012,834	2,569,892	3,246,604	3,086,589
790,222	514,885	661,007	849,709	917,250	2,629,198
-	402,300	409,332	405,408	388,375	385,155
235,784	573,107	221,369	397,731	838,365	366,185
6,871,101	10,682,649	8,015,836	13,961,401	12,382,032	11,622,037
46,865	-	342,540	12,500	266,319	1,505,000
1,634,463	1,332,949	1,316,011	1,391,471	1,241,569	1,318,994
-	-	-	-	1,851,255	1,226,124
-	959,676	1,378,075	2,163,915	6,606,003	1,499,373
44,917,597	77,638,530	82,058,418	111,565,716	110,955,647	109,359,738
3,541,419	8,853,776	9,634,211	12,752,353	12,251,458	11,575,042
11,624,509	10,553,489	11,896,946	15,951,042	12,974,517	14,909,242
9,085,680	6,349,345	7,737,303	13,218,846	12,057,905	14,670,631
-	20,908,177	22,974,261	25,527,960	26,112,124	24,623,138
10,640,155	12,478,037	12,703,945	24,181,585	26,447,275	32,203,540
7,534,732	8,304,109	8,469,032	14,847,345	12,745,812	11,653,488
2,425,758	5,210,036	12,320,285	29,890,673	31,911,433	23,298,304
44,852,253	72,656,969	85,735,983	136,369,804	134,500,524	132,933,385
65,344	4,981,561	(3,677,565)	(24,804,088)	(23,544,877)	(23,573,647)

(Continued)

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

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

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

2005	2006	2007	2008	2009	2010
18,085,000	24,290,000	124,295,000	-	5,000,000	-
1,230,005	23,286	6,383,369	-	-	-
-	-	592,500	-	-	-
-	-	-	16,000	100,000	50,000
10,306,075	4,288,434	2,933,742	8,574,992	9,390,120	1,901,669
(19,112,101)	-	-	-	-	-
(10,000,066)	(3,752,514)	(3,695,027)	(8,296,089)	(9,265,675)	(1,342,523)
508,913	24,849,206	130,509,584	294,903	5,224,445	609,146
-	(24,022,369)	-	-	-	-
574,257	5,808,398	126,832,019	(24,509,185)	(18,320,432)	(22,964,501)
1,976,193	4,613,707	7,004,744	-	-	-
43.9%	31.2%	29.4%	37.4%	38.2%	40.0%



METRO

Solid Waste Tonnage by Waste Type and Destination (1)

Last Ten Fiscal Years

Unaudited

Fiscal year ended June 30,	Waste (2)				Organic (3)	ECU (4)	Regional Total All Waste Types
	Metro- Owned Facilities	Total Per Ton Rate	Privately- Owned Facilities	Total Per Ton Rate	Metro- Owned Facilities	Privately- Owned Facilities	
2001	641,220	\$ 62.50	547,429	\$ 17.58	13,084	32,180	1,233,913
2002	603,946	62.50	589,111	17.94	13,446	45,320	1,251,823
2003	570,165	66.23	628,973	21.39	11,888	151,178	1,362,204
2004	564,337	67.18	673,500	22.89	13,460	312,587	1,563,884
2005	572,611	70.96	730,127	23.67	13,881	309,636	1,626,255
2006	589,140	71.41	749,948	22.87	19,340	356,044	1,714,472
2007	610,854	69.86	783,698	21.92	21,639	183,291	1,599,482
2008	592,950	71.14	745,684	22.31	26,003	146,652	1,511,289
2009	514,709	75.75	676,963	25.01	27,832	151,488	1,370,992
2010	483,471	80.75	654,536	27.36	26,604	168,104	1,332,715

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

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

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

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

Source: Metro Parks and Environmental Services Department.

METRO
Solid Waste Disposal Rates
Last Ten Fiscal Years
Unaudited

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
METRO FACILITIES										
Disposal fee (1) (2)	\$ 29.75	29.75	33.02	42.55	45.55	46.80	46.20	47.09	49.00	51.65
Disposal fee - unspecified (1)	4.32	3.96	-	-	-	-	-	-	-	-
Metro facility fee (1)	2.55	2.55	2.55	-	-	-	-	-	-	-
Regional transfer fee (1)	6.56	6.56	7.53	-	-	-	-	-	-	-
Regional system fee	12.90	12.90	15.00	16.57	15.09	14.54	13.57	14.08	16.04	17.53
Excise tax	4.68	5.04	6.39	6.32	8.58	8.33	8.35	8.23	8.97	9.83
Rehabilitation & enhancement and host fee	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
DEQ fees - orphan sites	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13
DEQ fees - promotion	1.11	1.11	1.11	1.11	1.11	1.11	1.11	1.11	1.11	1.11
Total rate per ton (2)	\$ 62.50	62.50	66.23	67.18	70.96	71.41	69.86	71.14	75.75	80.75
Transaction fee-scalehouse	\$ 5.00	5.00	6.00	6.00	7.50	7.50	8.50	8.50	8.50	10.00
Transaction fee-automated	\$ -	-	-	-	-	-	3.00	3.00	3.00	3.00
PRIVATELY-OWNED FACILITIES										
Regional system fee	\$ 12.90	12.90	15.00	16.57	15.09	14.54	13.57	14.08	16.04	17.53
Excise tax	4.68	5.04	6.39	6.32	8.58	8.33	8.35	8.23	8.97	9.83
Total rate per ton	\$ 17.58	17.94	21.39	22.89	23.67	22.87	21.92	22.31	25.01	27.36

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

(2) Rates are per ton of mixed waste disposal. For fiscal year 2010, minimum charge is \$28.00 for 400 pounds or less.

Source: Metro Parks and Environmental Services Department.

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

Customer/Payer	2010			2002		
	Fees Paid (2)	Rank	Percentage of Total Solid Waste Fee Revenue	Fees Paid (2)	Rank	Percentage of Total Solid Waste Fee Revenue
Waste Management of Oregon	\$ 7,345,816	1	15.04 %	\$ 8,325,504	1	18.50 %
AGG	2,538,147	2	5.20	1,917,138	3	4.26
Oregon City Garbage Company	2,328,079	3	4.77	2,142,693	2	4.76
Trashco Services Inc	1,708,614	4	3.50	1,101,034	7	2.45
Portland Disposal & Recycling	1,644,345	5	3.37	1,677,167	4	3.73
Keller Drop Box Inc	1,513,750	6	3.10	1,110,123	6	2.47
Gresham Sanitary Service Inc	1,417,673	7	2.90	1,129,161	5	2.51
Allied Waste Services of Portland	1,248,494	8	2.56	-	-	-
Heiberg Garbage Service	1,217,045	9	2.49	845,170	10	1.88
Arrow Sanitary Services	1,038,920	10	2.13	-	-	-
River City Disposal Company Inc	-	-	-	982,396	8	2.18
Oak Grove Disposal Company Inc	-	-	-	865,564	9	1.92
Total	\$ 22,000,883		45.06 %	\$ 20,095,950		44.66 %

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

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

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

METRO
Ratios of Outstanding Debt by Type
Last Nine Fiscal Years (1)
Unaudited

Fiscal year ended June 30,	Governmental Activities					
	General Obligation Bonds	General Revenue Refunding Bonds	Full Faith and Credit Refunding Bonds	Pension Obligation Bonds	Loans Payable	Capital Leases
2002	\$ 177,847,373	\$ 22,710,000	\$ -	\$ -	\$ 151,185	\$ 146,747
2003	165,364,313	22,070,000	-	-	129,694	75,135
2004	153,820,393	-	20,380,000	-	106,844	-
2005	143,000,238	-	19,565,000	-	82,550	-
2006	131,647,201	-	22,295,000 (2)	24,290,000	507,151	-
2007	244,378,256	-	21,155,000	24,290,000	1,072,239	-
2008	221,976,671	-	19,985,000	24,130,000	592,500	-
2009	202,536,896	-	18,790,000	23,910,000	-	-
2010	171,848,356	-	17,565,000	23,620,000	-	-

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

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

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

* Not available

Business-type Activities

	Revenue Bonds	Full Faith and Credit Bonds	Loans Payable	Total Primary Government	Percentage of Personal Income (3)	Per Capita (3)
\$	25,590,000	\$ -	\$ 19,790,280	\$ 246,235,585	0.37 %	\$ 165.91
	16,410,000	-	19,343,935	223,393,077	0.33	148.54
	16,410,000	4,055,000	15,121,263	209,893,500	0.30	137.87
	10,275,000	3,855,000	14,620,186	191,397,974	0.26	123.97
	8,045,000	14,700,000 (2)	164,470	201,648,822	0.25	128.51
	5,810,000	14,570,000	154,191	311,429,686	0.36	195.45
	4,585,000	14,015,000	143,911	285,428,082	0.32	176.79
	-	13,435,000	133,632	258,805,528	N/A *	158.61
	-	12,835,000	-	225,868,356	N/A *	137.34



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

Fiscal year ended June 30,	General Bonded Debt Outstanding			Real Market Value (1)	Percentage of Actual Real Market Value of Property	Per Capita (2)
	General Obligation Bonds	Less: Amounts Restricted to Repaying Principal	Net General Bonded Debt			
2001	\$ 186,845,998	\$ 8,938,625	\$ 177,907,373	\$ 113,011,064,594	0.16 %	\$ 121.25
2002	177,847,373	9,798,060	168,049,313	123,050,948,638	0.14	113.23
2003	165,364,313	11,543,920	153,820,393	128,542,544,330	0.12	102.28
2004	153,820,393	10,328,133	143,492,260	138,455,070,187	0.10	94.25
2005	143,000,238	10,004,443	132,995,795	146,360,729,671	0.09	86.14
2006	131,647,201	10,680,405	120,966,796	156,666,228,799	0.08	77.09
2007	244,378,256	12,082,430	232,295,826	181,787,247,525	0.13	145.79
2008	221,976,671	13,661,489	208,315,182	207,455,843,980	0.10	129.03
2009	202,536,896	13,133,831	189,403,065	218,478,090,509	0.09	116.08
2010	171,848,356	13,041,458	158,806,898	208,123,520,973	0.08	96.57

Sources:

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

(2) See page 155 for population data.

METRO

Direct and Overlapping Governmental Activities Debt

As of June 30, 2010

Unaudited

Overlapping government	Percent within District	Overlapping	
		Gross property tax backed debt	Net property tax backed debt
Clackamas County	73.77 %	\$ 78,583,493	\$ 58,551,249
North Clackamas Parks & Rec. District	100.00	18,720,000	-
Oak Lodge Sanitary District 2	100.00	24,485,000	-
Oak Lodge Water District 4	100.00	860,000	860,000
Clackamas County RFPD 1	86.81	24,220,353	6,758,260
Clackamas County SD 3J (West Linn-Wilsonville)	93.92	219,393,333	179,988,568
Clackamas County SD 7J (Lake Oswego)	100.00	114,290,796	74,568,643
Clackamas County SD 12 (N Clackamas)	98.61	376,456,771	275,414,581
Clackamas County SD 62 (Oregon City)	68.47	66,962,584	36,079,687
Clackamas County SD 115 (Gladstone)	100.00	58,719,017	44,095,373
Clackamas County SD 86 (Canby)	15.08	13,981,545	9,102,406
Clackamas Community College	73.24	64,284,591	25,517,548
City of Gladstone	100.00	2,255,000	-
City of Happy Valley	100.00	4,735,000	4,735,000
City of Lake Oswego	100.00	81,020,000	21,020,000
City of Milwaukie	100.00	4,685,000	450,000
City of Oregon City	99.92	18,750,063	2,333,141
City of West Linn	100.00	14,370,000	11,505,000
City of Wilsonville	100.00	12,735,000	-
Columbia County SD 1J (Scappoose)	6.06	2,017,081	2,017,081
Northwest Regional ESD	70.67	4,596,986	-
Multnomah County	99.07	310,996,103	103,715,512
Port of Portland	91.14	65,092,096	-
Lusted Water District	97.55	877,916	877,916
Multnomah County Drainage District 1	100.00	4,605,000	-
Tri-Met	97.96	27,389,448	27,389,448
Multnomah County SD 1J (Portland)	99.66	479,295,082	26,225,657
Multnomah County SD 3 (Parkrose)	100.00	5,775,000	5,775,000
Multnomah County SD 7 (Reynolds)	100.00	142,326,051	69,770,000
Multnomah County SD 28J (Centennial)	100.00	33,634,672	33,159,672
Multnomah County SD 40 (David Douglas)	100.00	68,660,000	68,660,000
Multnomah County SD 51J (Riverdale)	100.00	29,840,095	29,840,095
Multnomah County SD 10J (Gresham-Barlow)	96.24	100,568,443	47,055,619
Multnomah County SD 10J (Orient 6 Bond)	72.70	49,413	49,413
Multnomah ESD	99.13	35,921,495	-
Mt. Hood Community College	86.09	58,006,353	14,403,125
Portland Community College	91.74	378,823,912	205,529,048

(Continued)

METRO
Direct and Overlapping Governmental Activities Debt, *continued*

As of June 30, 2010

Unaudited

Overlapping government	Percent within District	Overlapping	
		Gross property tax backed debt	Net property tax backed debt
City of Fairview	100.00 %	\$ 485,000	\$ -
City of Gresham	100.00	67,715,998	23,469,998
City of Portland	100.00	742,818,740	145,239,274
City of Troutdale	100.00	8,570,000	8,570,000
Washington County	92.76	122,472,595	24,155,928
Tualatin Hills Park & Rec. District	99.95	67,044,280	66,904,344
Forest Grove RFPD	6.21	9,622	9,622
Tualatin Valley Fire & Rescue District	96.68	43,393,382	26,958,326
Washington County SD 15 (Forest Grove)	77.18	54,253,315	31,597,508
Washington County SD 23J (Tigard-Tualatin)	99.28	130,943,227	125,966,718
Washington County SD 48J (Beaverton)	99.75	570,232,565	391,864,066
Washington County SD 88J (Sherwood)	79.74	106,550,052	96,346,464
Washington County SD 1J (Hillsboro)	84.00	301,513,888	216,170,599
Washington County SD 1J (Reedville Bond)	98.23	388,027	388,027
City of Beaverton	99.98	11,942,288	-
City of Cornelius	93.95	2,508,358	-
City of Durham	100.00	1,445,000	1,445,000
City of Forest Grove	99.62	6,684,529	2,864,087
City of Hillsboro	98.39	23,619,264	-
City of Sherwood	99.98	11,428,106	8,776,549
City of Tigard	100.00	17,717,196	9,458,100
City of Tualatin	100.00	10,185,000	10,185,000
Clackamas County ESD	74.11	19,682,925	-
Clackamas County SD 46 (Oregon Trail)	6.63	7,616,766	7,616,766
East Multnomah Soil & Water Conservation	99.36	899,231	899,231
Subtotal, overlapping debt		\$ 5,278,102,046	\$ 2,584,332,649
Metro direct debt		225,868,356	158,533,356
Total direct and overlapping debt		\$ 5,503,970,402	\$ 2,742,866,005

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

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

Source: The Municipal Debt Advisory Commission, State of Oregon

METRO
Legal Debt Margin Information
Last Ten Fiscal Years
Unaudited

Legal Debt Margin Calculation for Fiscal Year 2010

True cash value	\$	208,123,520,973
Debt limit (10% of true cash value)		20,812,352,097
Debt applicable to limit:		
Gross bonded debt principal	\$	225,868,356
Less legal deductions from debt limit:		
Full Faith and Credit Refunding Bonds Refunding Bonds 2003 Series		(17,565,000)
Full Faith and Credit Oregon Local Governments Bonds 2006 Series		(12,835,000)
Metro Limited Tax Pension Obligation Bonds Series 2005		(23,620,000)
Total net debt applicable to limit		171,848,356
Legal debt margin	\$	20,640,503,741

	Fiscal Year			
	2001	2002	2003	2004
Debt limit	\$ 11,301,106,459	12,305,094,864	12,854,254,433	13,845,507,019
Total net debt applicable to limit	186,845,998	177,847,373	165,364,313	153,820,393
Legal debt margin	\$ 11,114,260,461	12,127,247,491	12,688,890,120	13,691,686,626
Total net debt applicable to the limit as a percentage of the debt limit	1.65%	1.45%	1.29%	1.11%

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					
2005	2006	2007	2008	2009	2010
14,636,072,967	15,666,622,880	18,178,724,753	20,745,584,398	21,847,809,051	20,812,352,097
143,000,238	131,647,201	244,378,256	221,976,671	202,536,896	171,848,356
14,493,072,729	15,534,975,679	17,934,346,497	20,523,607,727	21,645,272,155	20,640,503,741
0.98%	0.84%	1.34%	1.07%	0.93%	0.83%

METRO
Pledged Revenue Coverage
Last Ten Fiscal Years
Unaudited

Fiscal year ended June 30,	Solid Waste Revenue Bonds					
	Solid Waste operating revenue	Less: operating expenses	Net available revenue	Debt service (1)		Coverage
				Principal	Interest	
2001	\$ 50,297,847	\$ 43,537,879	\$ 6,759,968	\$ 2,364,493	544,176	2.32
2002	47,291,208	44,642,220	2,648,988	1,001,037	1,643,109	1.00
2003	49,037,072	45,362,166	3,674,906	629,526	1,294,455	1.91
2004	50,652,679	44,068,880	6,583,799	256,944	117,060	17.60
2005	51,935,277	44,695,266	7,240,011	830,493	1,501,060	3.11
2006	55,276,659	47,332,824	7,943,835	781,768	1,555,221	3.40
2007	56,198,701	49,919,528	6,279,173	640,903	1,600,400	2.80
2008	55,134,283	50,918,534	4,215,749	2,265,000	108,963	1.78
2009 (2)	-	-	-	-	-	-
2010 (2)	-	-	-	-	-	-

(1) Debt service expenditures paid as pass-through debt service activities and payments to escrow agents on advance refundings are not included as a debt service requirement for purposes of this schedule.

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

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

METRO
Demographic and Economic Statistics
Last Ten Fiscal Years
Unaudited

Fiscal year ended June 30,	Population (1)	Total Personal income (in thousands) (2)	Per capita personal income (2)	Portland metropolitan unemployment rate (2)
2001	1,467,300	\$ 65,361,302	\$ 33,084	6.0 %
2002	1,484,150	66,304,245	32,976	7.8
2003	1,503,900	68,225,058	33,542	8.3
2004	1,522,400	70,928,621	34,553	7.0
2005	1,543,910	74,752,932	35,869	5.9
2006	1,569,170	80,796,486	38,040	5.0
2007	1,593,370	85,339,023	39,443	4.8
2008	1,614,465	88,021,653	39,942	5.9
2009	1,631,665	N/A	* N/A *	10.6
2010	1,644,535 (3)	N/A	* N/A *	N/A *

* Not available

(1) For Clackamas, Multnomah and Washington counties.

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

(3) Preliminary estimate

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

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

Employer	2010			2001		
	Employees	Rank	Percentage of Total Metropolitan Area Employment	Employees	Rank	Percentage of Total Metropolitan Area Employment
State of Oregon	22,700	1	2.19 %	18,800	1	1.97 %
US Government	18,600	2	1.79	18,100	2	1.89
Intel Corporation	15,141	3	1.46	16,000	3	1.67
Providence Health System	13,825	4	1.33	8,938	6	0.93
Oregon Health & Science University	12,700	5	1.22	9,300	5	0.97
Fred Meyer Stores	9,630	6	0.93	10,800	4	1.13
Kaiser Foundation Health Plan of the NW	8,759	7	0.84	6,725	9	0.70
Legacy Health System	8,251	8	0.80	6,731	8	0.70
Nike, Inc	7,000	9	0.67	-	-	-
City of Portland	6,900	10	0.67	7,614	7	0.80
Multnomah County	-	-	-	6,499	10	0.68
Total	123,506		11.90 %	109,507		11.44 %

(1) Portland-Vancouver-Beaverton MSA

Sources: Portland Business Journal and Oregon Employment Division.

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
FUNCTIONS/PROGRAMS										
Primary Government:										
<i>Governmental activities:</i>										
General government operations	128.00	131.50	132.75	119.85	122.20	125.50	134.70	142.96	149.78	169.50
Regional planning and development	79.31	80.25	79.00	80.10	73.15	78.60	81.40	82.08	83.65	88.78
Culture and recreation	49.75	49.50	48.00	42.10	44.10	45.15	42.40	55.65	63.65	59.63
Zoo	163.60	-	-	-	-	149.13	149.13	151.96	155.98	157.98
Total governmental activities	420.66	261.25	259.75	242.05	239.45	398.38	407.63	432.65	453.06	475.89
<i>Business-type activities:</i>										
Solid Waste	106.25	110.15	109.15	108.70	106.20	106.20	106.75	106.75	109.00	92.95
Zoo	-	167.03	169.73	160.23	151.85	-	-	-	-	-
MERC	159.90	152.00	193.00	180.25	157.00	156.00	163.00	186.00	191.00	194.00
Total business-type activities	266.15	429.18	471.88	449.18	415.05	262.20	269.75	292.75	300.00	286.95
Total primary government	686.81	690.43	731.63	691.23	654.50	660.58	677.38	725.40	753.06	762.84
			(2)	(3)	(4)			(5)	(6)	(7)

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

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

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

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

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

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

(7) In 2009-10, Metro undertook the Sustainable Metro Initiative which reorganized the management structure by core competencies and functions to align programs with desired regional outcomes. This resulted in the shifting of staff and responsibilities between areas.

Source: Metro Adopted Budget documents.

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

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

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

(Continued)

METRO

Operating Indicators by Function/Program, *continued*

Last Nine Fiscal Years

Unaudited

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

(1) This indicator discontinued in 2009.

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

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

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

Source: Various Metro departments.

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

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

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

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

Source: Various Metro departments.

2005	2006	2007	2008	2009	2010
1	1	1	1	1	1
110,000	110,000	110,000	110,000	110,000	110,000
162	162	162	162	162	162
485	485	485	485	485	485
5	5	5	5	6	7
1,572	1,572	1,572	1,572	1,701	1,957
14	14	14	14	14	14
67	67	67	67	67	67
1	1	1	1	1	1
232	232	232	232	232	232
2	2	2	2	2	2
3	3	3	3	3	3
7	7	7	7	7	7
2,422	2,422	2,422	2,422	2,422	2,422
20	20	20	20	20	20
8,131	8,173	8,185	8,185	8,001	7,745
-	-	27	27	27	27
-	-	304	730	1,037	2,465
65	65	65	65	65	65
63	65	70	70	70	71
1	1	1	1	1	1
2	2	2	2	2	2
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
907,000	907,000	907,000	907,000	907,000	907,000
800	800	800	800	800	800
1	1	1	1	1	1
330,000	330,000	330,000	330,000	330,000	330,000
2,200	2,200	2,200	2,200	2,200	2,200



METRO
Property Tax Levies and Collections (1)
Last Ten Fiscal Years
Unaudited

Fiscal year ended June 30,	Taxes levied by assessor	Current tax collections	Current tax collections as percent of current levy	Delinquent tax collections	Total tax collections	Total collections as percent of current levy	Uncollected taxes	Uncollected taxes as percent of current levy
2001	\$ 27,612,647	\$ 25,936,657	93.9 %	\$ 716,457	\$ 26,653,114	96.5 %	\$ 1,559,461	5.6 %
2002	28,067,559	26,357,614	93.9	863,115	27,220,729	97.0	1,589,819	5.7
2003	25,461,547	23,932,994	94.0	891,558	24,824,552	97.5	1,397,706	5.5
2004	26,872,963	25,350,559	94.3	743,803	26,094,362	97.1	1,310,504	4.9
2005	27,379,364	25,852,468	94.4	713,792	26,566,260	97.0	1,170,866	4.3
2006	28,618,145	27,115,918	94.8	668,916	27,784,834	97.1	1,100,030	3.8
2007	29,415,279	27,895,188	94.8	650,052	28,545,240	97.0	1,140,509	3.9
2008	48,123,417	45,437,777	94.4	676,085	46,113,862	95.8	1,815,332	3.8
2009	46,756,581	43,824,192	93.7	927,952	44,752,144	95.7	2,427,570	5.2
2010	53,137,308	49,982,313	94.1	1,319,728	51,302,041	96.5	2,699,142	5.1

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

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

Last Ten Fiscal Years

Unaudited

Fiscal year ended June 30,	Real property		Personal property	
	Assessed value	Real market value	Assessed value	Real market value
2001	\$ 72,324,619,679	\$ 103,550,908,925	\$ 4,778,797,938	\$ 5,014,856,997
2002	76,887,078,626	113,257,470,348	5,241,574,117	5,332,826,767
2003	80,537,735,166	119,083,633,530	5,171,288,194	5,260,708,472
2004	83,831,528,669	129,455,074,198	4,953,228,970	5,027,676,572
2005	87,594,182,912	137,358,990,439	4,844,569,951	4,933,679,306
2006	91,988,728,939	147,912,179,454	4,818,026,408	4,927,283,069
2007	96,689,252,140	172,711,048,668	4,957,074,851	5,044,779,069
2008	101,956,444,799	197,962,560,247	5,205,212,864	5,295,350,718
2009	106,884,314,269	208,683,033,872	5,461,575,352	5,562,877,902
2010	110,633,008,438	197,889,829,108	5,337,576,261	5,438,484,913

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

Public utility property		Total		Ratio of total assessed to total real market value
Assessed value	Real market value	Assessed value	Real market value	
\$ 3,906,448,496	\$ 4,445,298,672	\$ 81,009,866,113	\$ 113,011,064,594	71.7 %
4,360,911,274	4,460,651,523	86,489,564,017	123,050,948,638	70.3
4,128,896,729	4,198,202,328	89,837,920,089	128,542,544,330	69.9
3,953,101,838	3,972,319,417	92,737,859,477	138,455,070,187	67.0
4,047,402,277	4,068,059,926	96,486,155,140	146,360,729,671	65.9
3,796,815,443	3,826,766,276	100,603,570,790	156,666,228,799	64.2
3,968,232,130	4,031,419,788	105,614,559,121	181,787,247,525	58.1
4,053,406,742	4,197,933,015	111,215,064,405	207,455,843,980	53.6
4,168,433,884	4,232,178,735	116,514,323,505	218,478,090,509	53.3
4,696,890,236	4,795,206,952	120,667,474,935	208,123,520,973	58.0

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

June 30, 2010

Unaudited

<u>Taxpayer account</u>	<u>Type of business</u>	<u>Assessed valuation</u>	<u>Percent of total valuation</u>
MULTNOMAH COUNTY			
Port of Portland	Marine and aviation facilities	\$ 442,177	0.82 %
Portland General Electric Co.	Electric utility	349,053	0.65
Comcast Corporation	Telecommunications	318,952	0.59
Pacificorp (PP&L)	Electric utility	304,036	0.56
Qwest Corporation	Telecommunications	237,471	0.44
Weston Investment Co. LLC	Nonresidential construction	231,687	0.43
Verizon Communications	Telecommunications	189,704	0.35
Boeing Company	Aircraft manufacturing	186,428	0.35
Evrast Inc NA	Steel manufacturing	179,207	0.33
Northwest Natural Gas Co.	Natural gas utility	171,291	0.32
All other taxpayers	-	51,242,854	95.16
Total		\$ 53,852,860	100.00 %
WASHINGTON COUNTY			
Intel Corporation	Computer electronics	\$ 1,053,478	2.53 %
Nike, Inc.	Athletic apparel	429,873	1.03
Verizon Communications	Telecommunications	411,953	0.99
Northwest Natural Gas Co.	Natural gas utility	300,944	0.72
Pacific Realty Associates	Real estate	294,193	0.71
Portland General Electric Co.	Electric utility	282,708	0.68
Comcast Corporation	Telecommunications	211,073	0.51
Maxim Integrated Products, Inc.	Semiconductor manufacturing	155,112	0.37
Tektronix, Inc.	Computer electronics	132,746	0.32
PS Business Parks LP	Commercial property manager	104,442	0.25
All other taxpayers	-	38,311,644	91.89
Total		\$ 41,688,166	100.00 %
CLACKAMAS COUNTY			
General Growth Properties, Inc.	Real estate	\$ 232,253	0.92 %
Shorenstein Properties LLC	Real estate	225,449	0.90
Portland General Electric Co.	Electric utility	207,069	0.82
Clackamas Baking Plant (Fred Meyer, Inc.)	Retailer	147,713	0.59
Comcast Corporation	Telecommunications	136,572	0.54
Northwest Natural Gas Co.	Natural gas utility	128,739	0.51
PCC Structural, Inc.	Metal castings and machining	83,725	0.33
Xerox Corporation	Document management	69,994	0.28
Thomson Reuters Pts, Inc.	Information company	68,777	0.27
Blount, Inc.	Equipment manufacturer	64,189	0.26
All other taxpayers	-	23,761,969	94.58
Total		\$ 25,126,449	100.00 %

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

AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE AND FEDERAL REGULATIONS

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

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

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



**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, 2010 and have issued our report thereon dated December 2, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

Compliance

As part of obtaining reasonable assurance about whether Metro's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-010-0000 to 162-010-0330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts:

- The use of approved depositories to secure the deposit of public funds.
- The requirements relating to debt.
- The requirements relating to the preparation, adoption and execution of the annual budgets for fiscal years 2010 and 2011.
- 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.

Requirements pertaining to the awarding of public contracts and the construction of public improvements.

Our testing of public contracts identified one instance of ten contracts tested where the contract was approved by individuals in excess of the amount they had the authority to approve under Metro's internal policy.

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

During our testing of procurement for the Single Audit, we noted a significant deficiency in internal controls and related instance of non-compliance finding concerning two contracts tested where the contract did not include Metro's standard federal clauses used to ensure contractors are aware that the project is federally sourced and additional federal compliance requirements are applicable to the project.

The above matters are reported in further detail in the accompanying Schedule of Findings and Questioned Costs. Further, additional best practice observations and recommendations were included in a letter issued separately to management.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. Those financial statement findings are reported as 2010-01 and 2010-02 in the Schedule of Findings and Questioned Costs. *A significant deficiency* is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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.

A handwritten signature in black ink, reading "James C. Lavarotto". The signature is written in a cursive, flowing style.

For Moss Adams LLP
Eugene, Oregon
December 2, 2010



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

Metro Council and Metro Auditor
Portland, Oregon

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Metro as of and for the year ended June 30, 2010, which collectively comprise Metro's basic financial statements and have issued our report thereon dated December 2, 2010. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Oregon Zoo Foundation, a discretely presented component unit, as described in our report on Metro's financial statements. The financial statements of the Oregon Zoo Foundation were not audited in accordance with *Governmental Auditing Standards*.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting as items 2010-01 and 2010-02. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Metro's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Metro in a separate letter dated December 2, 2010.

This report is intended solely for the information and use of the audit committee; management; the Council; the Secretary of State, Divisions of Audits, of the State of Oregon; federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Moss Adams, LLP

Eugene, Oregon
December 2, 2010

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

Metro Council and Metro Auditor
Portland, Oregon

Compliance

We have audited Metro's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Metro's major federal program for the year ended June 30, 2010. Metro's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of Metro's management. Our responsibility is to express an opinion on Metro's compliance based on our audit.

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

In our opinion, Metro complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2010-03.

Internal Control over Compliance

Management of Metro is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Metro's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Metro's internal control over compliance.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133 AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS –
(continued)**

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2010-03. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Metro's responses to the findings identified in our audit are included in a separate letter issued by management and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the audit committee; management; the Council; the Secretary of State, Divisions of Audits, of the State of Oregon; federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Moss Adams, LLP

Eugene, Oregon
December 2, 2010

METRO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

<u>Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
<u>U. S. Department of Agriculture</u>			
Direct Programs:			
Natural Resources Conservation Service-			
Wetlands Reserve Program-Forest Grove Habitat	10.072	66-0435-8-060	\$ 7,342
Wetlands Reserve Program-Lovejoy Restoration	10.072	66-0435-8-060	11,596
Wetlands Reserve Program-Gotter Prairie	10.072	66-0436-8-035	18,292
Subtotal Wetlands Reserve Program			<u>37,230</u>
Wildlife Habitat Incentives Program	10.914	7204365C165	<u>8,550</u>
Forest Service-			
Condor Program	10.XXX	09-CS-11062200-007	3,500
UNO Program	10.XXX	09-CS-11062200-010	15,000
Subtotal Forest Service Program			<u>18,500</u>
Total U. S. Department of Agriculture			<u>64,280</u>
<u>U.S. Department of Defense</u>			
Passed through Washington Department of Fish & Wildlife:			
Water Resources Development Act	12.110	WDFW # 06-1337	<u>50,000</u>
Total U.S. Department of Defense			<u>50,000</u>
<u>U. S. Department of the Interior</u>			
Bureau of Land Management-			
Direct Program:			
Federal Land Policy and Management Act (FLPMA)	15.DDG	HAF079Q05	<u>40,000</u>
U.S. Fish and Wildlife Service-			
Passed through Oregon Department of Fish & Wildlife:			
Sport Fish Restoration Program	15.605	F-111D-267	<u>490,034</u>
Passed through The Department of State Lands:			
Cooperative Endangered Species Conservation Fund	15.615	USFWS Sec 6 grant E-28	10,000
Cooperative Endangered Species Conservation Fund	15.615	USFWS Sec 6 grant E6-52	17,811
Subtotal Cooperative Endangered Species Conservation Fund			<u>27,811</u>
Passed through Oregon State Marine Board:			
Clean Vessel Act	15.616	N/A	<u>788</u>
Sportfishing and Boating Safety Act	15.622	1379	<u>98,007</u>
Passed through Oregon Department of Fish & Wildlife:			
Oregon Conservation Strategy Grant	15.634	T-16, E-56	7,606
Passed through Washington Department of Fish & Wildlife:			
State Wildlife Grants	15.634	08-1424	<u>52,240</u>
Subtotal State Wildlife Grants			<u>59,846</u>

METRO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
YEAR ENDED JUNE 30, 2010

<u>Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
Direct Program:			
Service Training and Technical Assistance	15.649	FWS #13420-1113-0000	28,000
Total U. S. Department of the Interior			744,486
<u>U. S. Department of Transportation</u>			
Federal Transit Administration-			
Federal Highway Administration-			
Highway Research and Development Program:			
Direct Program:			
FHWA - DTA Methods Deployment	20.200	DTFH60-09-P-000115	12,000
Highway Planning and Construction (Highway Planning and Construction Cluster)-			
Passed through Oregon Department of Transportation:			
2010 Planning Fund	20.205	ODOT # 25916	1,281,200
2008 Planning Fund Carryover funds	20.205	ODOT # 25916	511,504
2010 STP funds	20.205	ODOT # 25916	700,544
2008 STP Carryover funds	20.205	ODOT # 25916	281,465
2008 STP Next Corridor Carryforward	20.205	ODOT # 25916	148,213
2010 STP Freight	20.205	ODOT # 25916	75,000
Transportation Options Mass Marketing Campaign	20.205	ODOT # 22211	957,094
I-5 / 99W Connector Project	20.205	ODOT # 22445	7,626
Oregon Hwy 212 / Damascus Project	20.205	ODOT # 25218-01	20,418
Passed through Multnomah County, Oregon:			
Sellwood Bridge IGA	20.205	4600006289	8,813
Passed through Clackamas County, Oregon:			
Sunrise Corridor EIS	20.205	Metro # 925507	8,564
Subtotal Highway Planning and Construction			4,000,441
Federal Transit Metropolitan Transportation Planning Grants-			
Passed through Oregon Department of Transportation :			
2010 Technical Studies (Sec 5303)	20.505	ODOT # 25996	315,242
2009 Technical Studies (Sec 5303)	20.505	ODOT # 24986	166,510
Subtotal Federal Transit Metropolitan Planning Grants			481,752
Federal Transit - Formula Grants (Federal Transit Cluster)-			
Direct Programs:			
Transit Oriented Development	20.507	OR90-X073	17,340
Congestion Mitigation & Air Quality Improvement Program (CMAQ):			
Regional Travel Options	20.507	OR95-X010	1,716,586

METRO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
YEAR ENDED JUNE 30, 2010

<u>Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
Passed through Tri-County Metropolitan Transportation District of Oregon (TriMet):			
Lake Oswego-Portland - DEIS Support - Task 1	20.507	GH090495TL	211,375
Subtotal Federal Transit Cluster			<u>1,945,301</u>
Alternative Analysis-			
Direct Programs:			
Streetcar/Eastside/LO-PDX (Sec 5339)	20.522	OR39-0002-01	245,944
Travel Forecasting Model Improvement (Sec 5339)	20.522	OR39-0004	86,302
Subtotal Alternative Analysis Grants			<u>332,246</u>
Total U.S. Department of Transportation			<u>6,771,740</u>
<u>U.S. Department of Education</u>			
Institute of Museum and Library Services -			
Direct Program:			
Museums for America	45.301	MA-04-08-0266-08	37,792
Total U.S. Department of Education			<u>37,792</u>
<u>U.S. Environmental Protection Agency</u>			
Passed through Oregon DEQ:			
Nonpoint Source Implementation Grants	66.460	C9-000451-07	36,862
Direct Program:			
Brownfields Assessment and Cleanup Cooperative Agreements II	66.818	BF-96072301	50,075
Total U.S. Environmental Protection Agency			<u>86,937</u>
Total Expenditures of Federal Awards			<u>\$ 7,755,235</u>

METRO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

NOTE 1 - ACCOUNTING POLICIES

General - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Metro. Metro's financial reporting entity is described in note 1 to Metro's basic financial statements. Financial assistance received directly from federal agencies as well as financial assistance passed through other government agencies is included in the accompanying schedule.

Basis of accounting - The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in note 3 to Metro's basic financial statements.

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

METRO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies(s) identified that are not considered to be material weaknesses? X yes _____ none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies (s) identified that are not considered to be material weaknesses? X yes _____ none reported

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
15.605	U.S. Department of the Interior – U.S. Fish and Wildlife Sport Fish Restoration Program
20.205	U.S. Department of Transportation Highway Planning and Construction Cluster

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

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

METRO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Section II - Financial Statement Findings

FINDING 2010-01 – OPEB Census Data – Significant Deficiency in Internal Control

Criteria: Under generally accepted accounting principles (GAAP), the existence, and assets and liabilities, of other post employment benefit plans (OPEB) are required disclosures in the financial statements. For plans covering over 200 or more participants, an actuarial valuation of plan assets and liabilities is required at least biennially, based on participant census data provided by the employer, and by use of certain allowable actuarial methods and assumptions as provided by GASB 45.

Condition: In our testing of the census data of participants of the plan provided to the actuary, we found errors in the census data that was provided to the actuary.

Context: We found that of the 742 participants that should have been included in the census data, 16 were included that were actually no longer participants eligible for benefits under the plan, and 65 participants eligible for benefits were excluded.

Effect: The recorded OPEB liability in the government-wide statement of net assets is estimated to be understated at year end by \$77,000, and the reported actuarial accrued liability in the notes to the financial statements, the present value of benefits earned to date under the plan, is estimated to be understated by \$176,000.

Cause: The reports generated from the human resource and payroll system were not properly revised to remove new employees that had not yet met eligibility requirements for participation, and failed to include employees terminated after the valuation date but were eligible as of the valuation date. Furthermore, Metro's review and approval process for the census data was not adequate to catch the errors.

Recommendation: We recommend that management create reports that look specifically for new employees not yet eligible for benefits, as well as recently terminated employees that were still eligible for benefits at the valuation date, so that accurate data can be assembled and sent to the actuary. We also recommend that the review process be expanded to specifically look for new hires not yet eligible for participation, as well as terminated employees that were eligible for benefits as of the valuation date.

Management's Response: Management's response is included at "Management's Views and Corrective Action Plan"

METRO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

FINDING 2010-02 – Zoo Bond Accrued Payroll – Significant Deficiency in Internal Control

Criteria: Under generally accepted accounting principles (GAAP), the liabilities of accrued payroll are required to be reflected and disclosed in the financial statements.

Condition: In our testing of the year-end payroll accrual, we noted that the accrued payroll related accounts were not reconciled and adjusted to correct ending balances in the Zoo Infrastructure and Animal Welfare Fund (ZIAWF).

Context: The ZIAWF was reporting a debit balance – a negative liability – for accrued payroll, and an entry was required to correct the error in the amount of approximately \$77,000. This fund records capital improvements at the Oregon Zoo and reported \$1.4M of total expenditures for the year. A small amount of Zoo employee labor normally reported in the General Fund was used in the various capital projects during the year, and an allocation of payroll related costs and liabilities was required to be reported in this fund.

Effect: The recorded payroll liability in the ZIAWF financial statements was understated at year end by \$77,000 prior to the correcting entry posted by management.

Cause: There were adjusting payroll entries made as a part of the normal payroll process which resulted in the payroll cost and accrual allocations to the ZIAWF. However, subsequent to these accruals during the year, timely reconciliations of the accruals with payments made were not properly reflected in the ZIAWF. In addition, reviews of transactions and balances posted to the ZIAWF were not performed timely by employees in the normal course of performing their duties.

Recommendation: We recommend that management revisit the fund balance and transaction monitoring duties of those responsible for the ZIAWF, and ensure those duties are performed timely.

Management's Response: Management's response is included at "Management's Views and Corrective Action Plan"

METRO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Section III - Federal Award Findings and Questioned Costs

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

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

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

Award Year: 2009-2010

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

Condition: During our testing of procurement, we noted two instances in four contracts tested where a contract did not include any of the required federal clauses and certifications. The costs paid by the grant were allowable per the scope of the grant. Metro implemented a review process in fiscal year 2009 to use a checklist for new and amended contracts to ensure all proper language is included qualifying contracts. However, this change was not fully implemented for the Parks department.

Questioned Costs: None as discussed above.

Context: The procured contractor's contracts that were identified as being sourced with federal funds were not amended to include the federal contracting language. This resulted in the contracts not being negotiated with the federal clauses and certifications.

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

Cause: Although this issue was identified in the prior year, the Parks department had not identified all existing contracts for projects that have become federally sourced.

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

Management's Response: Management's response is included at "Management's Views and Corrective Action Plan"

METRO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Section IV – Summary Schedule of Prior Federal Award Findings

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

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

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

Current Status: Resolved

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

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

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

Current Status: Unresolved. See Finding 2010-03.

