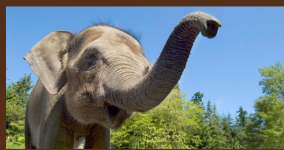
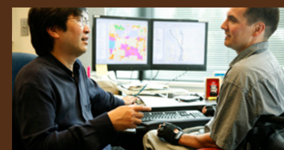
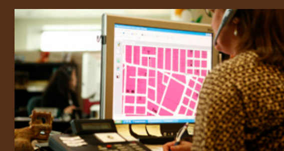
www.oregonmetro.gov












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.oregon**metro.gov**

# 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)

| | | Primary Government | | | Component Unit |
|---|---|---|---|---|---|
| | | Governmental Activities | Business-type 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

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

| | | | Program Revenues | |
|---|---|---|---|---|
| | Expenses | Charges for Services | Operating 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) | |
| (42,843,980) | - | (42,843,980) | |
| - | (13,279,688) | (13,279,688) | |
| - | (13,244,949) | (13,244,949) | |
| - | (26,524,637) | (26,524,637) | |
| (42,843,980) | (26,524,637) | (69,368,617) | |
| | | | 799,325 |
| $ 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) | - | - |
| 68,763,519 | 9,925,382 | 78,688,901 | 188,096 |
| 25,919,539 | (16,599,255) | 9,320,284 | 987,421 |
| 222,932,273 | 253,738,793 | 476,671,066 | 5,585,059 |
| $ 248,851,812 | 237,139,538 | 485,991,350 | 6,572,480 |

# 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.

Deferrred 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 Zoo Infrastructure and Animal Welfare | Capital Projects Natural Areas | Other Governmental Funds | Total 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 Zoo Infrastructure and Animal Welfare | Capital Projects Natural Areas | Other Governmental Funds | Total 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) |
| 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 | (4,114,525) | 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 | (68,665) | 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 |
| 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 | 405,081 | (418,622) |
| Change in net assets of governmental activities | | $ 25,919,539 |

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, *Continued*** | | | | |
| 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 |
|---|---|---|---|---|
| | Solid Waste | MERC | Total | Risk Management |
| **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 |
|---|---|---|---|---|
| | **Solid Waste** | **MERC** | **Total** | **Risk Management** |
| 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 activites | | | $ (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 |
|---|---|---|---|---|---|
| | | Solid Waste | MERC | Total | Risk Management |
| 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 |
|---|---|---|---|---|
| | Solid Waste | MERC | Total | Risk Management |
| 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 | - |
| | $ 37,422,897 | 27,307,442 | 64,730,339 | 8,866,762 |
| 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 | 15,178,988 | 7,038,522 | 22,217,510 | (116,535) |
| Net cash provided by (used in) operating activities | $ 2,699,460 | (7,981,677) | (5,282,217) | (574,228) |
| **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 postemployement 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).

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:

| | | Held by | | | Investment Maturities (in months) | | |
|---|---|---|---|---|---|---|---|
| **Investment Type** | | **Individual funds** | **Internal pool** | **Fair Value** | **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.

***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:

| | | | Fund Concentrations Exceeding Total Entity Concentration | |
|---|---|---|---|---|
| **Issuer** | **Percentage of Total Investments (Total Entity Concentration)** | **Policy Allowed Maximum** | **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 |
| | | $8,789,267 |

## 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 | $660,638 |

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 |

| | 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 |
| | $2,673,768 | 1,320,442 |

## 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 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:

| | OPSRP Plan | | | PERS Plan | | |
|---|---|---|---|---|---|---|
| **Fiscal year ended June 30:** | **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.

**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.

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:

| Fiscal year ending June 30: | Principal | Interest |
|---|---|---|
| 2011 | $223,356 | 277,644 |

### 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:

| Fiscal year ending June 30: | Principal | Interest |
|---|---|---|
| 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 |
| | $53,275,000 | 8,777,819 |
| Unamortized costs/premium | 3,330,711 | |
| Deferred amount on refunding | (2,231,516) | |
| Per statement of net assets | $54,374,195 | |

### 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.

**Full Faith and Credit Refunding Bonds 2003 Series**

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

The bonds are payable from all legally available taxes and other revenues of Metro. Interest rates on individual bonds range from 3.0 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 |
| | $17,565,000 | 4,634,075 |
| Unamortized costs/discount | (112,448) | |
| Deferred amount on refunding | (1,861,263) | |
| Per statement of net assets | $15,591,289 | |

**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 |
| | $23,620,000 | 14,078,744 |
| Unamortized costs/premium | (210,170) | |
| Per statement of net assets | $23,409,830 | |

*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 |
| | $12,835,000 | 4,890,878 |
| Unamortized costs/discount | 96,703 | |
| Deferred amount on refunding | (620,539) | |
| Per statement of net assets | $12,311,164 | |

## 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 | $2,771,944 |

Interfund transfers for the fiscal year by fund were:

| | Transfers in | | | | |
|---|---|---|---|---|---|
| *Transfers out* | 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 | 1,445,809 | 455,860 | 127,140 | 187,252 | 2,216,061 |

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.

- 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 |
| | $15,000,000 | 215,473 |