

# MAKING A GREAT PLACE



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600 NE Grand Ave.  
Portland, Oregon  
97232-2736



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2014

# MAKING A GREAT PLACE

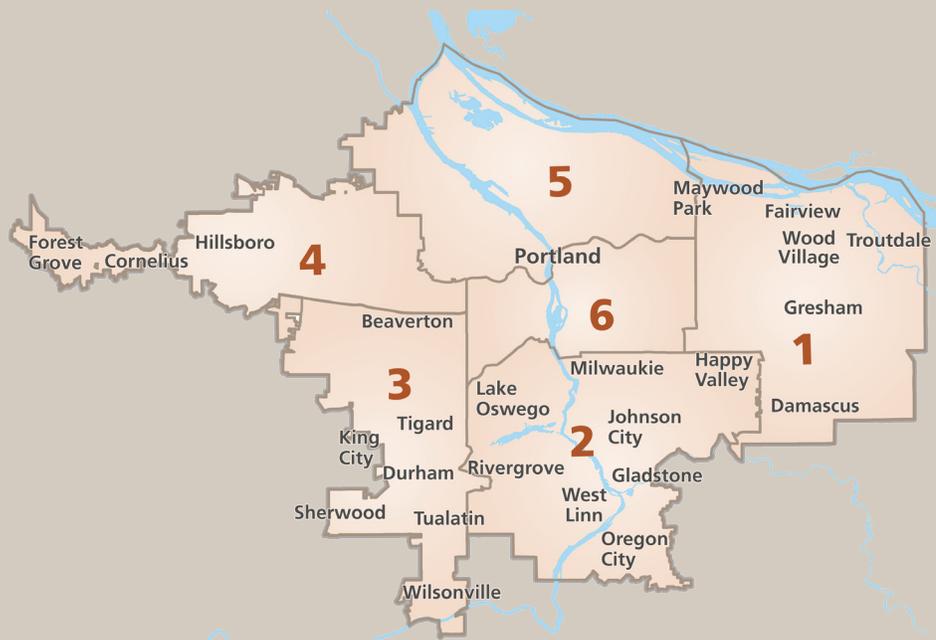


Clean air and clean water do not stop at city limits or county lines. Neither does the need for jobs, a thriving economy, and sustainable transportation and living choices for people and businesses in the region. Voters have asked Metro to help with the challenges and opportunities that affect the 25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

A regional approach simply makes sense when it comes to providing services, operating venues and making decisions about how the region grows. Metro works with communities to support a resilient economy, keep nature close by and respond to a changing climate. Together, we're making a great place, now and for generations to come.

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Metro C A F R

# Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2014

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Metro | *Making a great place*

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<b>Table of Contents</b> .....	i
 <b>INTRODUCTORY SECTION</b>	
Letter of Transmittal .....	1
Certificate of Achievement for Excellence in Financial Reporting .....	11
Elected and Appointed Officials .....	12
Organizational Structure .....	13
 <b>FINANCIAL SECTION</b>	
Letter from Metro Auditor .....	15
Report of Independent Auditors .....	16
Management’s Discussion and Analysis .....	19
 <b>BASIC FINANCIAL STATEMENTS:</b>	
<b>Government-Wide Financial Statements</b>	
Statement of Net Position .....	37
Statement of Activities .....	40
<b>Fund Financial Statements</b>	
<i>Governmental Funds:</i> .....	43
Balance Sheet .....	44
Statement of Revenues, Expenditures and Changes in Fund Balances .....	46
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	48
<i>Proprietary Funds:</i> .....	49
Statement of Net Position .....	50
Statement of Revenues, Expenses and Changes in Net Position .....	52
Statement of Cash Flows .....	53
<b>Notes to the Financial Statements</b> .....	55
 <b>SUPPLEMENTARY INFORMATION:</b>	
<b>Required Supplementary Information</b> .....	85
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Basis of Budgeting):	
General Fund .....	87
Parks and Natural Areas Local Option Levy Fund .....	89
Schedule of Funding Progress:	
Other Postemployment Benefits .....	90
Notes to Required Supplementary Information .....	91
<b>Other Supplementary Information</b> .....	93
Combining Statements: .....	94
<i>Nonmajor Governmental Funds:</i>	
Combining Balance Sheet .....	95
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	96

Table of Contents, *continued*

Budgetary Comparison Schedules: .....	97
<i>Other Major Governmental Funds:</i> .....	99
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Basis of Budgeting):	
General Obligation Bond Debt Service Fund .....	100
Oregon Zoo Infrastructure and Animal Welfare Fund .....	101
Natural Areas Fund .....	102
<i>Nonmajor Governmental Funds:</i> .....	103
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Basis of Budgeting):	
Smith and Bybee Lakes Fund .....	104
Rehabilitation and Enhancement Fund .....	105
Open Spaces Fund .....	106
Cemetery Perpetual Care Fund .....	107
<i>Proprietary Funds:</i> .....	109
Enterprise Funds:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Basis of Budgeting):	
Solid Waste Revenue Fund .....	110
MERC Fund .....	111
Reconciliation of Enterprise Fund Revenues and Expenditures (Basis of Budgeting) to Statement of Revenues, Expenses and Changes in Net Position (GAAP Basis) .....	112
Internal Service Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Basis of Budgeting):	
Risk Management Fund .....	113
<i>Other Budgetary Funds:</i> .....	115
General Revenue Bond Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Basis of Budgeting) .....	116
Schedule of Revenues, Expenditures and Changes in Fund Balance - (Non-GAAP Basis of Budgeting) .....	117
General Asset Management Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Basis of Budgeting) .....	118
<b>Other Financial Schedules:</b> .....	119
Schedule of Property Tax Transactions and Outstanding Receivable .....	121
Schedule of Future Bonded Debt Service Requirements:	
General Obligation Bonds .....	122
Full Faith and Credit and Pension Obligation Bonds .....	124
Schedule of Long-term Bonded Debt Transactions:	
General Obligation Bonds .....	125
Full Faith and Credit and Pension Obligation Bonds .....	126

**STATISTICAL SECTION (UNAUDITED)**

Introduction .....	127
Financial Trends Information:	
Net Position by Component - Last Ten Fiscal Years .....	128
Changes in Net Position - Last Ten Fiscal Years .....	130
Fund Balances, Governmental Funds - Last Ten Fiscal Years .....	134
Changes in Fund Balances, Governmental Funds - Last Ten Fiscal Years .....	136
Revenue Capacity Information:	
Solid Waste Tonnage by Waste Type and Destination - Last Ten Fiscal Years .....	141
Solid Waste Disposal Rates - Last Ten Fiscal Years .....	142
Principal Solid Waste Fee Payers - Current Year and Nine Years Ago .....	143
Debt Capacity Information:	
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years .....	144
Ratios of Net General Bonded Debt Outstanding - Last Ten Fiscal Years .....	147
Direct and Overlapping Governmental Activities Debt as of June 30, 2014 .....	148
Legal Debt Margin Information - Last Ten Fiscal Years .....	150
Pledged Revenue Coverage - Last Ten Fiscal Years .....	152
Demographic and Economic Information:	
Demographic and Economic Statistics - Last Ten Fiscal Years .....	153
Principal Employers - Current Year and Nine Years Ago .....	154
Operating Information:	
Full-Time Equivalent Employees by Function/Program - Last Ten Fiscal Years .....	155
Operating Indicators by Function/Program - Last Ten Fiscal Years .....	156
Capital Asset Statistics by Function/Program - Last Ten Fiscal Years .....	160
Additional Information:	
Property Tax Levies and Collections - Last Ten Fiscal Years .....	163
Assessed and Real Market Value of Taxable Property - Last Ten Fiscal Years .....	164
Principal Property Tax Taxpayers Within the District by County - June 30, 2014 .....	166

**AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE AND FEDERAL REGULATIONS**

Introduction .....	167
Report of Independent Auditors On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With <i>Oregon Minimum Audit Standards</i> .....	169
Report Of Independent Auditors On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i> .....	171
Report Of Independent Auditors On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance .....	173
Schedule Of Expenditures Of Federal Awards .....	175
Notes To Schedule Of Expenditures Of Federal Awards .....	177
Schedule Of Findings And Questioned Costs .....	178
Summary Schedule Of Prior Audit Findings .....	179





November 18, 2014

To the Council and Citizens of the Metro Region:

In accordance with ORS 297.425, we are pleased to present the Comprehensive Annual Financial Report of Metro, for the fiscal year ended June 30, 2014, accompanied by the report of Metro's independent auditors, Moss Adams, LLP.

The Comprehensive Annual Financial Report (CAFR) presents the financial position of Metro as of June 30, 2014, and the results of its operations, as well as cash flows for its proprietary fund types for the fiscal year ending on that date. The financial statements and supporting schedules have been prepared by management in accordance with accounting principles generally accepted in the United States of America (GAAP), meet the requirements of the standards as prescribed by the Oregon Secretary of State and are in conformance with the guidelines for financial reporting developed by the Government Finance Officers Association of the United States and Canada.

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

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

**Independent audit.** In accordance with Oregon law, Metro's financial statements have been audited by Moss Adams, LLP. The auditor issued an unmodified ("clean") opinion on Metro's financial statements for the year ended June 30, 2014 (see pages 16-18). The independent audit of the financial statements was performed in accordance with applicable auditing standards as described by Moss Adams, LLP in their reports included in this document.

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

## Profile of Metro

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

**History.** In 1978 voters approved the merger of a council of governments (Columbia Region Association of Governments) that had land use and transportation planning responsibilities, with the Metropolitan Service District, which had been created to provide regional services that included the solid waste management plan and operation of a metropolitan zoo (now named the Oregon Zoo). The expanded Metropolitan Service District (the District) had the combined authority of the two predecessor agencies and potential additional powers. The District was organized under a grant of authority by the Oregon Legislature, incorporated in Oregon Revised Statutes. The District's powers were limited to those granted by the Legislature with the implied powers necessary to carry out its duties. Any extension of the District's powers had to be approved by the Legislature.

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

Also in 1990, the Legislature referred a constitutional amendment to the voters to allow the creation of a home-rule regional government in the Portland metropolitan area. Voters approved the amendment and subsequently approved the Metro Charter in 1992. Metro thereby achieved the distinction of being the nation's only directly elected regional government organized under a home-rule charter approved by voters. Metro is responsible for a broad range of public services. According to the home-rule charter, Metro has primary responsibility for regional land use and transportation planning, and is further empowered to address any other issue of "metropolitan concern."

In 1994 Metro assumed management responsibility for the Multnomah County parks system and the Portland Expo Center (Expo). Ownership of these facilities was transferred to Metro on July 1, 1996. Subsequent voter-approved bond measures have been used to maintain and improve water quality and protect fish and wildlife habitat.

Metro has emerged as a leader of regional initiatives – a collaborative partner, facilitator, technical assistance provider, process manager and advocate. The 2040 Growth Concept, adopted in 1997, guides the management of the Urban Growth Boundary, efficient use of land, protection of farmland and natural areas, a balanced transportation system, a healthy economy and diverse housing options. Metro recently completed a three-year engagement process with its regional partners and the public to update the 2040 Plan called "Making a Great Place." This plan update demonstrates how new and renewed urban centers can integrate housing, shopping, business and recreation with pedestrian-friendly streets and easy access to transportation and forges unprecedented agreements that determine the location and scale of urban development for the next 50 years.

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

## Reporting Entity

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

## Factors Affecting Financial Condition

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

**Local economy.** The Portland metropolitan region (i.e., the Portland-Vancouver-Hillsboro, OR-WA Metropolitan Statistical Area) is home to over 2.3 million residents, nearly 1.6 million of those residing within the Metro boundary. The Portland MSA ranks as the 24th largest U.S. metropolitan area. The "economic region" is comprised of five counties in Oregon and two other counties in Washington. Significant economic interactions can be seen among the counties.

The region is a hub for financial activities, domestic and international trade, transportation and services for all of Oregon, southwest Washington and the Columbia River basin. The Portland MSA has employment totaling over 1 million jobs, with over 80 percent of those jobs located inside the Metro boundary. The latest Portland MSA job reading (June 2014) shows year over year annualized growth of 3.1 percent, outpacing the 1.8 percent rate for the United States. Like much of the United States, the formation of new jobs in the region has been subdued during this recovery period, with the number of jobs now just cresting over the pre-recession employment mark. The region's unemployment rate continues to fall and now stands at 6.1 percent (*source: Bureau of Labor Statistics, June 2014*). The region remains the largest in the state in terms of outright job growth at about 20,000 jobs per year from 2011 to 2013. The Portland MSA represents a rising share of all jobs in the State of Oregon – about 54 percent (this share is calculated after subtracting jobs for Clark and Skamania counties which are in Washington).

The regional economy is poised for more rapid growth with locally-based billion dollar companies like Nike, Precision Castparts, Schnitzer Steel, StanCorp Financial Group, Portland General Electric, Columbia Sportswear and Flir calling the Portland area home. Other top private sector manufacturers and financial companies in the region include Intel, Wells Fargo, U.S. Bank, Daimler Trucks North America, Xerox, The Standard, and Boeing. The largest health and medical providers also ranked by number of metro area employees are Providence Health System, Legacy Health System and Kaiser Permanente Northwest (*source: Portland Business Journal*).

Additionally, the region boasts two deep water operating ports on the Columbia River (in Portland, OR and Vancouver, WA) providing public terminal services and space for industrial tenants. The Port of Portland, which also has terminals on the Willamette River, is the larger of the two, and handles about 13 million tons of cargo annually. Key types of imports/exports are automobiles, grains (i.e., wheat), minerals (i.e., potash and soda ash) as well as break bulk cargo consisting primarily of steel slabs, steel rails, and materials for industrial drilling (*source: Port of Portland*).

The Port of Portland also oversees an international airport in Portland (PDX) and two smaller regional commuter airports in Hillsboro and Gresham, located at opposite ends of the region. PDX hosts non-stop international flights to Europe and Asia and is a major hub for Alaska Airlines and Horizon Air. Recently, PDX topped 15.5 million passengers going through the airport and handles over 215,000 tons of cargo through the air on an annualized basis (*source: Port of Portland*). PDX ranked second among medium-sized airports in a nationwide airport satisfaction survey in 2010 (*J.D. Power and Associates*).

Since September 2001, regional population growth has been greatly subdued with average population growth having dipped to 1.3 percent annually for the Portland region. Slower regional population growth can be attributed to significantly lower net migration levels after the events of 9/11 (+20,000 annual net migration) as compared to the decade of the 1990's (+40,000 annual net migration) (*source: PSU Population Research Center*). Moreover, the U.S. Census Bureau also lowered its fertility rate projections, citing in particular the decision to delay child rearing to an older age as compared to prior generations of women. The latest regional population forecast has been adjusted to reflect this downshift at the national level. Regional population growth bounced up to 1.1 percent in 2013 after annual rates fell to 0.7 percent while in the economic throes of the Great Recession (*source: Census Bureau*).

**Outlook.** According to the State of Oregon's June 2014 analysis, U.S. job growth thus far in 2014 is on pace to be the strongest since 2000 and major economic headwinds impeding the recovery are receding. There was a brief pause in Gross Domestic Product (GDP) growth in the first quarter of 2014 due in part to bad winter weather, but most economic indicators have bounced back up this spring. It is expected by many economic pundits that the nationwide expansion will gain momentum in the next 2 to 3 years and the benefits of this expansion will be more widespread. A broad consensus of economic forecasters and industry leaders in Oregon has become increasingly optimistic about the pace of the recovery. Oregon is once again a leader in terms of job gains, with the pace of statewide growth now matching the best years of the housing boom. The additional job growth assumed in the June 2014 state forecast will bring with it additional state tax collections in fiscal year 2015 and beyond (*source: Oregon Office of Economic Analysis*).

The regional economic outlook is expected to face favorable economic trends. The region's economy skipped over the worst of the weather induced downturn from first quarter GDP. Regional employment growth is gaining momentum going forward now that the drag from a slow recovering real estate sector and a downsizing government sector has been removed. Job levels in the region are nearing the pre-recession mark. The manufacturing sector had cooled off a bit beginning late last year, but it is once again showing solid year over year gains this summer (2014). Private sector employment, led by leisure and recreation services and business service sectors, has added 16,000 and 9,000 more jobs, respectively, since the start of the recovery. The manufacturing and construction sectors each added 10,000 additional jobs during the recovery. Monthly employment readings on a year over year basis are trending higher with the latest summer reading over 3 percent annualized growth. Employment now stands at 1,072,600 jobs as of June 2014 (seasonally unadjusted). By year 2040, the draft regional forecast for the Portland MSA region will have employment levels hit 1,571,000, an average growth rate of 1.5 percent a year.

Population growth rates in the region have tapered off since the housing boom. The sluggish economic recovery points to a "reset" of the regional economy onto a slower economic course. As a result of both of these factors, future population trends have been downscaled in the latest Metro forecast to reflect slower population growth. The Metro forecast anticipates annual population growth in the region to average about 1.1 percent per year; down from the 1.4 percent annualized growth rate from a forecast five years ago.

As the effects of the national recession of 2008 begin to wane, Metro has seen operating revenues begin to slowly climb to pre-recession levels. Some portions of the economy appear to be recovering – especially the visitor economy – and this recovery has relieved the pressure on some of Metro's services. The Oregon Zoo and Oregon Convention Center continue to experience record attendance which is expected to continue into the next fiscal year. Property taxes maintain their solid collection rate and continue to grow at a modest rate as the housing industry continues its recovery. Federal transportation funding is expected to increase modestly, but will require reauthorization in 2015, affecting both general transportation system planning and specific project planning. Revenue from interest earned on investments continues to be constrained by the low market rates. The agency's fiscal discipline during the economic downturn has positioned Metro to recover more rapidly than anticipated.

## Long-term Financial Planning and Major Initiatives

**Long-term financial planning.** Metro’s strong financial policies and disciplined practices have created operational stability. An important tool for building Metro’s budget is the five-year forecast for its primary operating funds: the General Fund, the Metropolitan Exposition Recreation Commission (MERC) Fund and the Solid Waste Revenue Fund. Each budget cycle begins with a review of how the funds are performing, what factors affect the funds that are global assumptions and what factors are related to the specific nature of the operations that result in individual assumptions. Metro adheres to common-sense operation practices such as maintaining its assets, using one-time funds for one-time purposes and ensuring enterprise activities manage to the bottom line.

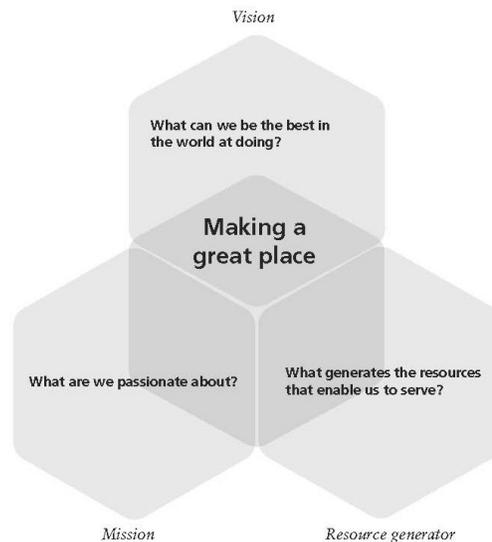
Metro’s budgets are anchored by the region’s six desired outcomes. Developed by the region and adopted by the Metro Council in 2010 as part of the region’s growth management policies, the six outcomes help all leaders and their communities focus on what makes this region a great place. The Metro Council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



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

Decisions made during the past five fiscal years to carefully manage Metro’s size, to be focused on core services, to ask the region’s voters for resources in the May 2013 Parks and Natural Areas Local Option Levy, and to address, in partnership with its labor organizations, the growth in salary and benefit costs, have enabled Metro to maintain vital regional services, exceptional customer service and a collaborative environment even in the midst of the Great Recession. Metro avoided disruptive cutbacks to major programs and activities, even though the size and scope of many activities was reduced.

In November 2013, the Metro Council met to provide direction about the Council’s strategic priorities for the next three to five years and the key Council initiatives that would focus their efforts through fiscal year 2015. The Metro Compass, shown in the diagram below, is used to frame decisions about core priorities in budget development and alignment with and support of the regional outcomes.



Metro also prepares a five-year Capital Improvement Plan with annual updates as part of its financial planning responsibilities. The Metro Council annually reviews Metro’s capital asset management policies as part of the budget process. Metro’s capital projects threshold is \$100,000 which is consistent with the State of Oregon’s definition of “public improvement.”

The financing sources for major capital projects vary by project. Care for most of Metro’s facilities is consolidated in Parks and Environmental Services including all existing parks, the Metro Regional Center and solid waste operations. Parks and Metro Regional Center projects are funded by the designated renewal and replacement reserves in the General Fund’s fund balance and occasionally by grants. Solid waste and MERC operations generally rely on similar fund balance reserves in the Solid Waste Fund and MERC Fund, respectively, and funding for these projects is considered when setting the rates.

**Major initiatives.** The budget for fiscal year 2015 is driven by the strategic goals and key initiatives identified by the Metro Council that guide the agency and region towards the six desired regional outcomes.

**Strategic Goal #1 – Invest in public infrastructure throughout the region.** The fiscal year 2015 budget includes further work evolving the recommendations of the Community Investment Initiative into the Regional Infrastructure Supporting our Economy (RISE). RISE will build on the previous work and on policy projects such as the Industrial Lands Inventory and the Regional Brownfields Scoping Study. Other projects include collaboration with the City of Oregon City, Clackamas County and the State of Oregon on redevelopment of the Willamette Falls/Blue Heron site. RISE staff will also develop a work plan that allows Metro to better integrate the various investments already made through programs at the agency to leverage its work. The budget also includes staffing for Metro’s efforts to participate in development of a transportation funding and policy package for consideration by the Oregon Legislature in its 2015 session and for work on federal transportation reauthorization.

**Strategic Goal #2 – Set the stage for the future of the region with innovative planning.** Fiscal year 2015 is an important year for Metro in its work to manage economic and population growth. The budget reflects staffing in several departments – Planning and Development, Research Center, Office of Metro Attorney and Communications – to assist the region and the Council in completing the Urban Growth Report by December 2014 and to begin discussions about whether to expand the Urban Growth Boundary in 2015.

Adoption of the 2014 Regional Transportation Plan, the Active Transportation Plan and the Climate Smart Communities Scenarios will conclude in fiscal year 2015, resulting in the projects shifting to implementation. Corridor planning work included in the fiscal year 2015 budget illustrates the gap between the ability to plan for vibrant downtowns, safe and reliable transportation and economic prosperity and the region’s ability to pay for the infrastructure and services to support those plans.

In addition to the above projects, the fiscal year 2015 budget provides continued investment in innovative planning for the region’s solid waste system through the Solid Waste Roadmap. Increasing competition, changing technology and site specific constraints at Metro’s transfer stations also require vigilance, planning and investment. Within the next five years Metro will need to make significant decisions about the solid waste system that could fundamentally change the agency’s existing financial structure.

**Strategic Goal #3 – Make investments to preserve and enhance the natural environment.** In May 2013, voters of the region approved a 9.6 cents per thousand local option levy to invest in projects and programs to protect the region’s water quality and help restore native fish and wildlife habitat. The fiscal year 2015 budget continues the work begun in the prior year implementing the levy’s promises:

- Improving water quality in local rivers and streams for salmon and other native fish
- Restoring wildlife habitat, removing invasive weeds, restoring wetlands and floodplains
- Replacing aging restrooms, picnic shelters and playgrounds in Metro’s parks
- Providing nature education programs to school-aged children and visitors
- Supporting community partnership projects

Fiscal year 2015 will also reflect continued work on the Parks and Natural Areas System Plan for the region. The additional staffing and materials and services for this effort will define a vision, strategy and action plan for protecting and enhancing all of the region’s natural areas and will be the basis for a discussion of the long-term funding plan for natural areas prior to the expiration of the local option levy.

**Strategic Goal #4 – Invest in efforts to increase high wage jobs.** In addition to the work on RISE noted earlier, the fiscal year 2015 budget includes projects that address this goal through Metro’s Visitor Venues. The success or failure of the headquarters hotel project will shape the future direction and market for the Oregon Convention Center (OCC). A portion of OCC is almost 25 years old, and has ongoing capital needs as a result. Expo is working on a business plan that will ensure Metro has an up-to-date assessment of the market for the facility, developing options for operations and identifying the range of options to address the major capital needs of the facility. Expo is particularly hard hit by changes in the City of Portland’s stormwater utility rates and issues related to the Columbia River Levee system. The budget contains continued participation for Metro in Greater Portland, Inc., the Metropolitan Export Initiative and four key regional business associations.

**Strategic Goal #5 – Ensure that regional efforts respond to increasing diversity of the region’s residents.** Funding will continue for Metro’s development of a strategy for advancing equity throughout the region. Metro plans to complete the adoption of an equity baseline, which will illustrate how different communities are faring in Metro’s work to build vibrant communities, provide safe and reliable transportation, and protect air and water. The effort will also map the relationship between Metro’s programs and activities and these outcomes. Completion of these steps will set the stage for developing an action plan for the agency.

Metro will work to implement the Council-adopted Diversity Action Plan. Funding is provided in fiscal year 2015 for action steps in four core areas: internal awareness, recruitment and retention, procurement and community engagement. In addition, the budget supports refinement of a plan to address barriers to access to Metro facilities and services in the upcoming year, as well as outreach work to diverse communities.

*Strategic Goal #6 – Increase citizen engagement and involvement throughout the region and with Metro.* All of Metro’s major projects and initiative’s include staffing and funding for engaging stakeholders and residents in the decisions Metro makes. The majority of Metro’s programs depend on a strong relationship from citizens. The fiscal year 2015 budget includes investments in making the most of a new website, improving the ability to use and respond to social media, integration of marketing efforts from the zoo, the visitor venues, MetroPaint, parks, and other Metro efforts, and working more effectively with Metro’s Public Engagement Review Committee.

The fiscal year 2015 budget continues to ensure that Metro provides excellent services to the people and communities of the Portland metropolitan region and implements the mission to inspire, teach, engage and invite people to enhance the quality of life and environment for the region’s current and future generations.

### **Relevant Financial Policies**

Comprehensive financial policies are reviewed annually and provide the basic framework for the overall fiscal management of the agency. The policies are designed to operate independently of changing circumstances and conditions and help safeguard Metro’s assets, promote effective and efficient operations, and support the achievement of Metro’s strategic goals. The policies were re-adopted by the Metro Council on June 19, 2014 (Resolution No. 14-4535), as published in its adopted budget.

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

Metro has set aside fund balance amounts within the General Fund for potential additional Public Employee Retirement System pension liabilities, and for future debt service on the full faith and credit bonds issued to refinance Metro Regional Center. This fund balance also includes amounts for cash flow and fund stabilization. Based upon a historical analysis, Metro’s policies call for a minimum of 7 percent of operating revenues be set aside for either contingency or stabilization to guard against unexpected downturns in revenues and to stabilize resulting budget actions. The target provides a 90 percent confidence level that revenues would only dip below this amount once every ten years.

Debt management policies provide that Metro shall issue long-term debt only to finance capital improvements (including land acquisition) that cannot be readily financed from current revenues, or to reduce the cost of long-term financial obligations. Metro will not use short-term borrowing to finance operating needs unless specifically authorized by Council. Further, Metro will repay all debt issued within a period not to exceed the expected useful life of the improvements financed by the debt. Metro followed these policies during the fiscal year ended June 30, 2014.

Metro's revenue policies provide that the agency will strive to maintain a diversified and balanced revenue system to protect it from short-term fluctuations in any one revenue source. One-time revenues shall be used to support one-time expenditures or to increase fund balance.

A further detailed discussion of Metro's financial policies and plans for the future can be found in *Metro's 2014-15 Adopted Budget*.

## Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Metro for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the twenty-second consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

In addition, Metro received the GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting for its annual financial report for the fiscal year ended June 30, 2013. In order to qualify for this award, the government must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

## Acknowledgements

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

Respectfully submitted,



Martha J. Bennett  
Chief Operating Officer



Timothy C. Collier  
Finance and Regulatory Services Director





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Metro  
Oregon**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

A handwritten signature in black ink, reading "Jeffrey R. Egan".

Executive Director/CEO

## **GFOA Award**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Metro for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013. This was the twenty-second consecutive year that the government has achieved this prestigious award.

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## Elected Officials

<b>Name</b>	<b>Position</b>	<b>Term expires</b>
Tom Hughes	Metro Council President	January 2015
Shirley Craddick	Councilor-District 1	January 2015
Carlotta Collette	Councilor-District 2	January 2015
Craig Dirksen	Councilor-District 3	January 2017
Kathryn Harrington	Councilor-District 4	January 2015
Sam Chase	Councilor-District 5	January 2017
Bob Stacey	Councilor-District 6	January 2017
Suzanne Flynn, CIA	Metro Auditor	January 2015

## Appointed Officials

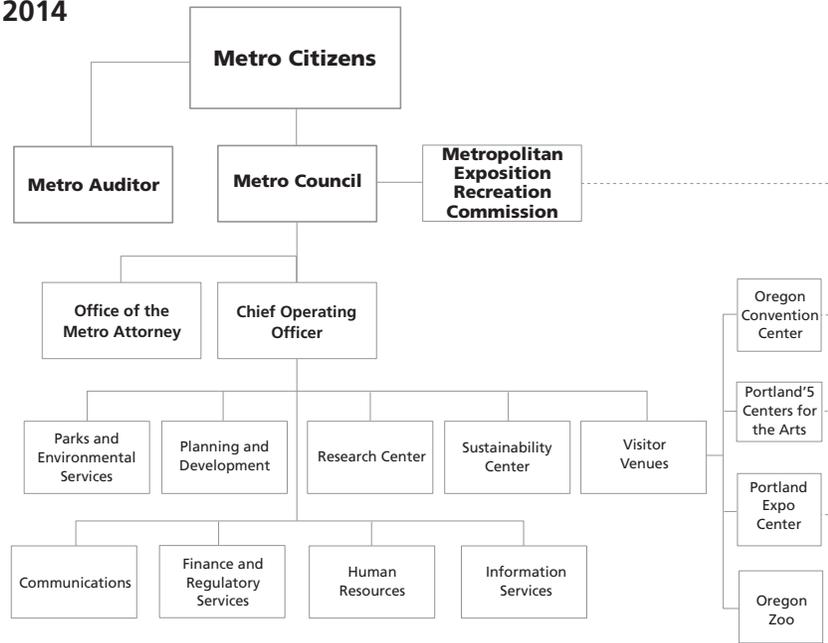
<b>Name</b>	<b>Position</b>
Martha Bennett	Chief Operating Officer
Scott Robinson	Deputy Chief Operating Officer
Alison Kean	Metro Attorney
Timothy Collier	Finance and Regulatory Services Director
Mary Rowe	Human Resources Director
Jim Middaugh	Communications Director
Rachel Coe	Information Services Director
Teri Dresler	Interim Oregon Zoo Director
Elissa Gertler	Planning and Development Director
Scott Robinson	Interim Research Center Director
Paul Slyman	Parks and Environmental Services Director
James Desmond	Sustainability Center Director
Scott Robinson	Interim General Manager of Visitor Venues
Scott Cruickshank	Oregon Convention Center Director
Matthew Rotchford	Portland Expo Center Director
Robyn Williams	Portland's 5 Centers for the Arts Director

## Registered Agent

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

# Organizational Structure

as of June 30, 2014



## METRO ELECTED OFFICIALS

Council President, Tom Hughes; District 1– Shirley Craddick; District 2– Carlotta Collette ; District 3– Craig Dirksen; District 4– Kathryn Harrington; District 5– Sam Chase; District 6– Bob Stacey.

Metro Auditor– Suzanne Flynn

## OPERATING DEPARTMENTS

**Parks and Environmental Services:** Manages Metro’s parks and natural areas including cemeteries and marine facilities; solid waste facilities including transfer station operations and household hazardous waste facilities; and regional headquarters.

**Planning and Development:** Provides land use and regional transportation planning, facilitating the creation of great places in centers and corridors throughout the region.

**Research Center:** Supports public policy and regulatory compliance through accurate and reliable data, forecasting, mapping and technical services.

**Sustainability Center:** Demonstrates and inspires sustainable stewardship of natural resources through acquisition and protection and access to nature; product stewardship and waste reduction initiatives; and youth and adult conservation education.

**Visitor Venues:** Maintains world-class gathering and entertainment spaces for residents and visitors. Hosts 1500 annual events for 1.7 million people, contributing significant economic impact and jobs for the region.

## ADMINISTRATIVE AND SUPPORT SERVICES

**Council Office and Chief Operating Officer:** The Metro Council provides leadership from a regional perspective, setting overall policy direction and legislative oversight. The Chief Operating Officer, appointed by the President with the consent of Council, is responsible for day-to-day management of the organization.

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

**Communications:** Advances Metro’s policy initiatives and supports programs through internal and external communication, media relations, marketing, graphic and web design and public engagement.

**Finance and Regulatory Services:** Provides financial planning, budget management, accounting services, procurement of goods and services and risk management.

**Human Resources:** Manages labor relations, benefits and compensation, and recruitment, retention and staff development.

**Information Services:** Supplies technology-based leadership and solutions.

**Office of the Auditor:** An independently elected auditor ensures that Metro is accountable to the public; that its activities are transparent; and that its services are of high quality, efficient and effective.





**Suzanne Flynn**  
**Metro Auditor**

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

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November 18, 2014

To the Metro Council and Residents of the Metro Region:

Oregon State law requires an annual audit of Metro's financial records and transactions by independent certified public accountants. The Metro Auditor is required by Metro Code to appoint certified public accountants to conduct this audit. In 2009, after completing a competitive process, I appointed Moss Adams LLP to conduct the audit of Metro. My office coordinated and monitored this audit.

Following this letter is the independent auditor's report on Metro's financial statements as of June 30, 2014. In addition to the above report, Metro is required to have an audit of its expenditures of federal awards in accordance with the U.S. Office of Management and Budget Circular A-133 and the provisions of *Government Auditing Standards* issued by the Comptroller General of the United States. The necessary reports pertaining to Metro's internal control, compliance with applicable laws, regulations, grants and the Schedule of Expenditures of Federal Awards for the year ended June 30, 2014 are included in the last section of this report, Audit Comments and Disclosures Required by State and Federal Regulations.

As before, I would like to commend Metro staff and management for their hard work and attention to detail that makes this process run smoothly.

Respectfully submitted,

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

Suzanne Flynn  
Metro Auditor

## REPORT OF INDEPENDENT AUDITORS

Metro Council and Metro Auditor  
Portland, Oregon

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Metro, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Metro's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Oregon Zoo Foundation, a discretely presented component unit, which represents 100% of the assets, net position, and revenues of the discretely presented component unit of Metro. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Oregon Zoo Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of The Oregon Zoo Foundation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Metro's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Metro, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 19 through 35; the schedules of revenues, expenditures and changes in fund balance – budget and actual and related notes (the “budgetary schedules”); and the schedule of funding progress for the other postemployment benefits on pages 87 through 90, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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

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

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Metro's basic financial statements. The other supplementary information and other financial schedules, and the schedule of expenditures of federal awards which is required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; each as listed in the table of contents (collectively, the supplementary information), are

## MOSS ADAMS<sub>LLP</sub>

presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, other financial schedules, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Metro's basic financial statements. The introductory section and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory section and statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2014, on our consideration of Metro's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Metro's internal control over financial reporting and compliance.

### **Report on Other Legal and Regulatory Requirements**

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 18, 2014, on our consideration of Metro's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



For Moss Adams LLP  
Eugene, Oregon  
November 18, 2014

## Management's Discussion and Analysis For the fiscal year ended June 30, 2014

As management of Metro, Oregon, we provide readers of Metro's financial statements this narrative overview and analysis of the financial activities of Metro for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages 1 - 9 of this report. This information is based upon currently known facts, decisions or conditions.

### FINANCIAL HIGHLIGHTS

- Metro's assets and deferred outflows of resources exceed its liabilities (also defined as *net position*) by \$569,370,029 at June 30, 2014, which reflects an increase of 6.0 percent or \$32,338,291 over the prior fiscal year. Of this amount, \$32,124,998 represents unrestricted net position, which may be used to meet Metro's ongoing obligations to citizens and creditors.
- Metro completed the fiscal year with its governmental funds reporting *combined* fund balances of \$177,117,575. This is down considerably from the prior fiscal year, due mainly to capital spending on Natural Areas and Oregon Zoo Infrastructure and Animal Welfare bond projects. However, with the passage of the Parks and Natural Areas Local Option Levy and the associated establishment of this new special revenue fund, its activities resulted in \$5,171,039 in additional fund balance at June 30, 2014. Of the total amount of governmental combined fund balance, \$21,358,970 or 12.1 percent, is considered available for spending at Metro's discretion (*unassigned* fund balance).
- At the end of fiscal year 2014, unrestricted spendable fund balance (the total of the *committed*, *assigned* and *unassigned* components of fund balance) in the general fund totaled \$27,195,523 and represents 36.2 percent of total general fund expenditures.
- Metro's total outstanding long-term liabilities decreased \$32,032,799 or 9.7 percent during the current fiscal year, primarily as a result of the payment of regularly scheduled maturities of principal on outstanding bonds payable.
- Metro acquired ownership of 218 acres of additional natural areas (net of easements and disposals) from willing sellers from the proceeds of the Natural Areas general obligation bonds bringing the overall acreage held from this bond to 4,647 acres. The total capitalized cost for the property and easements acquired and stabilized in the current fiscal year under this program was \$16,081,960.
- The Oregon Zoo's construction for the Elephant Lands major capital project work under the Oregon Zoo Infrastructure and Animal Welfare Bond program was on-going during fiscal year 2014. The railroad portion of the above project started earlier than planned and construction of Forest Hall was also underway. The Condors of the Columbia exhibit was completed. These and other related projects are all funded by bond proceeds with total capitalized costs in fiscal year 2014 of \$23,041,983.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The *statement of net position* includes all of Metro's assets, liabilities, and deferred outflows/inflows of resources, with the net difference between these elements reported as net position. Over time, increases or decreases in Metro's net position may serve as a useful indicator of whether the financial position of Metro is improving or deteriorating. This is only one measure, however, and the reader should consider other indicators such as general economic conditions in the region, changes in property taxes and assessed value, and the age and condition of capital assets used by Metro.

All of the current fiscal year's revenues and expenses are accounted for in the *statement of activities*. The statement presents information showing how Metro's net position changed during the fiscal year. Such changes are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected property taxes and earned but unused vacation leave). Because it separates program revenue (revenue generated by specific programs through charges for services, grants, and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each program has to rely on taxes and other general revenues for funding.

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

*Governmental activities* – Activities supported principally by general revenue sources including various taxes that provide Metro's basic governmental services. These services include the *general government operations* functions of the Council office and various administrative functions; *regional planning and development* which includes regional transportation and land use planning; *culture and recreation* which includes regional parks and natural areas, rehabilitation and enhancement activities near Metro area solid waste facilities, management of Smith and Bybee Lakes and Pioneer Cemeteries; and *zoo* programs that account for operation of the Oregon Zoo.

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

*Component unit* – Metro includes The Oregon Zoo Foundation (OZF) as a discretely presented component unit. OZF is considered a component unit as the sole purpose of this legally separate non-profit organization is to provide support and significant additional funding for Metro's Oregon Zoo.

The government-wide financial statements can be found on pages 37 - 41 of this report.

**Fund financial statements.** The *fund financial statements* focus on individual parts of Metro and report Metro's operations in more detail, and on a different basis of accounting, than the government-wide statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Metro, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements – including bond covenants and Oregon local budget law requirements. The funds of Metro can be classified into two categories:

- **Governmental funds** are used to account for essentially the same functions as reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, these statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Thus, the governmental funds statements provide a detailed short-term view that helps the reader determine the comparative level of financial resources that can be spent in the near future to finance Metro's programs.

Because this information does not encompass the additional long-term focus of the government-wide statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of Metro's near-term financing decisions. A reconciliation that follows the governmental funds statements explains the differences between the two statements to facilitate this comparison between *governmental funds* and *governmental activities*.

Metro maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the five funds considered major: General, Parks and Natural Areas Local Option Levy, General Obligation Bond Debt Service, Oregon Zoo Infrastructure and Animal Welfare, and Natural Areas funds. Data from the other four governmental funds (Smith and Bybee Lakes, Rehabilitation and Enhancement, Open Spaces and Cemetery Perpetual Care) are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Of special note, a portion of one budgetary fund (the General Revenue Bond Fund) and one additional entire budgetary fund (General Asset Management Fund) are allocated to the General Fund and combined with those operating activities for reporting in conformance with generally accepted accounting principles in the governmental fund financial statements. The remaining portion of the budgetary General Revenue Bond Fund is allocated to the MERC Fund for proprietary fund presentation noted below.

The governmental fund financial statements can be found on pages 43 - 48 of this report.

- **Proprietary funds** Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail, including cash flows. Metro includes two different types:

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

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

The proprietary fund financial statements can be found on pages 49 - 54 of this report.

**Notes to the financial statements.** The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 55 - 83 of this report.

**Required Supplementary Information (RSI).** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budget-to-actual results for Metro's General Fund and its major special revenue fund. RSI also presents Metro's progress in funding its other post-employment healthcare benefit obligations. RSI can be found on pages 85 - 91.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 93 -118.

METRO

Management's Discussion and Analysis, *continued*  
 For the fiscal year ended June 30, 2014

In presenting the financial statements and disclosures, no new GASB statements were required to be implemented by Metro in fiscal year 2014.

**FINANCIAL ANALYSIS OF METRO AS A WHOLE (Government-Wide)**

*Net position.* As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Metro's assets and deferred outflows of resources exceed liabilities (defined as *net position*) by \$569,370,029 at June 30, 2014. The following table reflects the condensed Government-wide Statement of Net Position.

Metro's Net Position							
		Governmental Activities		Business-type Activities		Total - Primary Government	
		2014	2013	2014	2013	2014	2013
Current and other assets	\$	221,003,122	247,541,046	86,973,818	80,503,726	307,976,940	328,044,772
Capital assets		405,249,851	373,377,735	188,979,206	192,949,042	594,229,057	566,326,777
<b>Total assets</b>		<b>626,252,973</b>	<b>620,918,781</b>	<b>275,953,024</b>	<b>273,452,768</b>	<b>902,205,997</b>	<b>894,371,549</b>
<b>Total deferred outflows of resources</b>		<b>1,493,175</b>	<b>1,819,473</b>	<b>448,366</b>	<b>491,409</b>	<b>1,941,541</b>	<b>2,310,882</b>
Long-term liabilities outstanding		275,408,750	305,473,089	21,188,830	23,157,290	296,597,580	328,630,379
Other liabilities		22,764,284	18,953,742	15,415,645	12,066,572	38,179,929	31,020,314
<b>Total liabilities</b>		<b>298,173,034</b>	<b>324,426,831</b>	<b>36,604,475</b>	<b>35,223,862</b>	<b>334,777,509</b>	<b>359,650,693</b>
Net position:							
Net investment in							
capital assets		293,851,981	271,978,616	179,069,899	182,360,721	472,921,880	454,339,337
Restricted		60,588,283	43,460,675	3,734,868	2,496,996	64,323,151	45,957,671
Unrestricted		(24,867,150)	(17,127,868)	56,992,148	53,862,598	32,124,998	36,734,730
<b>Total net position</b>	\$	<b>329,573,114</b>	<b>298,311,423</b>	<b>239,796,915</b>	<b>238,720,315</b>	<b>569,370,029</b>	<b>537,031,738</b>

Metro's governmental activities account for the most significant portion of total net position – totaling \$329,573,114 or 57.9 percent, whereas business-type activities account for \$239,796,915 or 42.1 percent.

Of Metro's total net position, 83.1 percent reflects its net investment in capital assets (e.g., headquarters offices, zoo exhibits, open spaces and natural areas property, parks, transfer stations, and other significant assets), less any related outstanding debt that was used to acquire those assets. Metro uses these capital assets to provide services to its citizens, therefore, this amount is not available for future spending. Although Metro's investment in its capital assets is reported net of the related debt, it should be noted that the resources needed to repay this debt must come from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of Metro's net position (11.3 percent) represents resources that are subject to external restrictions on how they may be used. External restrictions for specific purposes include parks and natural areas local option levy, Transit Oriented Development (TOD), Smith and Bybee Lakes management plan, capital projects funded by bond proceeds, donations or contractual requirements, community rehabilitation and enhancement, cemetery perpetual care, and debt service. The restricted component of net position increased \$18,365,480 or 40.0 percent from the amount at June 30, 2014. Governmental activities restricted component of net position increased primarily due to: an increase in the amount restricted for capital projects due to contractual requirements in the General Fund or unspent bond proceeds

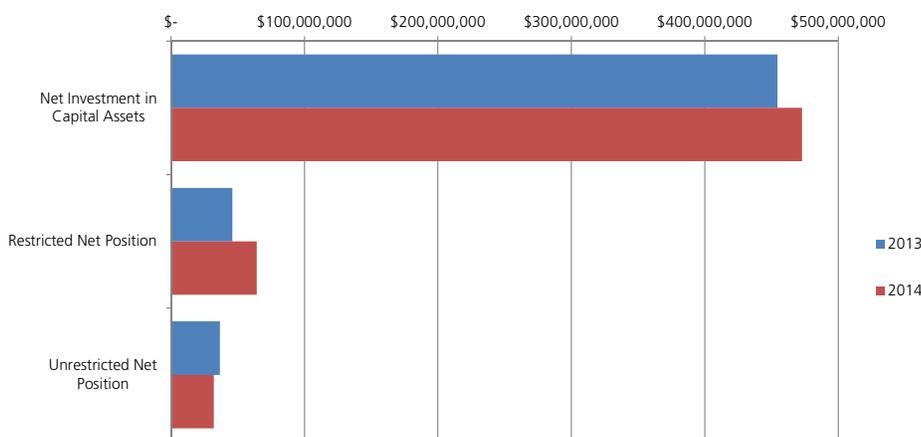
**METRO**

Management’s Discussion and Analysis, *continued*  
 For the fiscal year ended June 30, 2014

in the Oregon Zoo Infrastructure and Animal Welfare and Natural Areas bond funds (up a combined \$9,367,577); an increase in TOD assets (up \$1,910,775); and amounts restricted under the new Parks and Natural Areas Local Option Levy (\$5,341,212) at June 30, 2014. The restricted component of net position in Business-type activities increased \$1,237,872 over the prior fiscal year due to additional amounts restricted under contract for MERC related capital projects.

The remaining \$32,124,998 is unrestricted, which represents the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. Of this amount, \$56,992,148 is attributable to Metro’s business-type activities which cannot be used to make up for the deficit reported in governmental activities. Unrestricted net position decreased \$7,739,282 (to a total deficit of \$24,867,150) in governmental activities due primarily to the continued increase in the share of bonds payable associated with the local share component of the Natural Areas program where Metro is responsible for repayment of the bonds, but the associated assets were used to finance capital programs of other governmental entities. Unrestricted net position in business-type activities increased \$3,129,550 or 5.8 percent which is explained later in this analysis.

**Metro Net Position, at June 30, 2013 and 2014**



Overall, Metro’s net position increased 6.0 percent or \$32,338,291 over the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental and business-type activities.

**Changes in net position.** Governmental activities’ net position increased \$31,261,691, while Business-type activities’ net position increased \$1,076,600. The components of the change in net position are reflected in the condensed information from Metro’s Statement of Activities presented in the table below. Unrestricted local government shared revenues, previously reflected in general revenues, is now reflected in operating grants and contributions program revenues with comparative amounts for the prior year reflected in the same manner to be consistent with the current presentation. Program revenues generated directly from Metro’s operations increased \$2,330,130 or 1.5 percent from the prior fiscal year, while the share of total revenues derived from these sources decreased from the prior fiscal year, now 66.4 percent compared to 68.8 percent in the prior fiscal year. A significant portion, 52.7 percent, of Metro’s revenues come from, or is based upon, its charges for services. Program expenses for Metro as a whole increased \$6,946,483 or 3.5 percent from the prior fiscal year. The reasons for the changes noted here are discussed in the following sections for governmental activities and business-type activities.

**METRO**

Management's Discussion and Analysis, *continued*  
 For the fiscal year ended June 30, 2014

**Changes in Metro's Net Position**

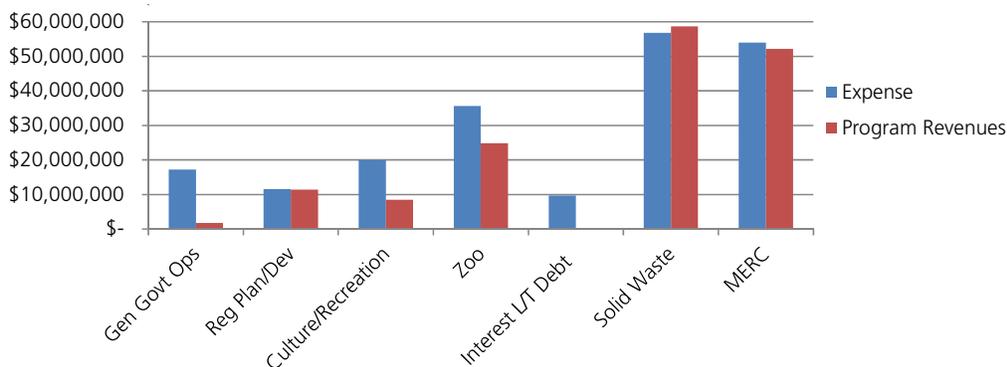
	Governmental Activities		Business-type Activities		Total - Primary Government	
	2014	2013	2014	2013	2014	2013
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 31,242,049	30,618,599	93,674,647	92,331,863	124,916,696	122,950,462
Operating grants and contributions	11,945,779	14,108,514	17,183,489	15,846,776	29,129,268	29,955,290
Capital grants and contributions	3,454,245	2,264,327	-	-	3,454,245	2,264,327
General revenues						
Property taxes	59,506,228	51,609,216	-	-	59,506,228	51,609,216
Excise taxes	18,537,802	17,704,339	-	-	18,537,802	17,704,339
Other	1,252,039	783,464	416,652	231,302	1,668,691	1,014,766
<b>Total revenues</b>	<b>125,938,142</b>	<b>117,088,459</b>	<b>111,274,788</b>	<b>108,409,941</b>	<b>237,212,930</b>	<b>225,498,400</b>
<b>Expenses:</b>						
General government operations	17,216,935	14,704,292	-	-	17,216,935	14,704,292
Regional planning and development	11,609,788	11,234,615	-	-	11,609,788	11,234,615
Culture and recreation	19,969,697	20,788,176	-	-	19,969,697	20,788,176
Zoo	35,660,651	33,662,272	-	-	35,660,651	33,662,272
Interest on long-term debt	9,712,521	10,927,415	-	-	9,712,521	10,927,415
Solid Waste	-	-	56,759,612	55,266,458	56,759,612	55,266,458
MERC	-	-	53,945,435	51,344,928	53,945,435	51,344,928
<b>Total expenses</b>	<b>94,169,592</b>	<b>91,316,770</b>	<b>110,705,047</b>	<b>106,611,386</b>	<b>204,874,639</b>	<b>197,928,156</b>
Increase in net position before transfers	31,768,550	25,771,689	569,741	1,798,555	32,338,291	27,570,244
Transfers	(506,859)	(596,564)	506,859	596,564	-	-
<b>Increase in net position</b>	<b>31,261,691</b>	<b>25,175,125</b>	<b>1,076,600</b>	<b>2,395,119</b>	<b>32,338,291</b>	<b>27,570,244</b>
<b>Net Position, July 1</b>	<b>298,311,423</b>	<b>273,136,298</b>	<b>238,720,315</b>	<b>236,325,196</b>	<b>537,031,738</b>	<b>509,461,494</b>
<b>Net Position, June 30</b>	<b>\$ 329,573,114</b>	<b>298,311,423</b>	<b>239,796,915</b>	<b>238,720,315</b>	<b>569,370,029</b>	<b>537,031,738</b>

METRO

Management’s Discussion and Analysis, *continued*  
 For the fiscal year ended June 30, 2014

As reflected in the chart below, program revenues did not cover all program costs in each of the functional and program areas - other than Solid Waste (business-type) during the fiscal year ending June 30, 2014. General revenues fund this difference as shown in the Statement of Activities.

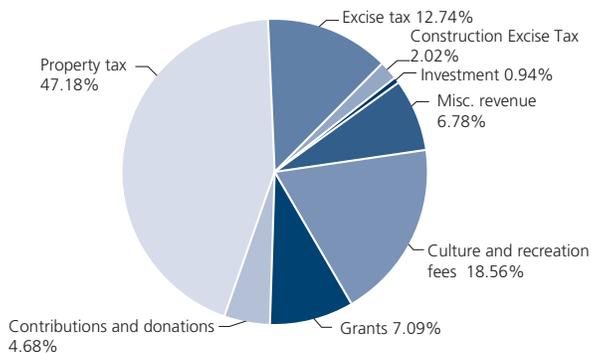
Metro Government-Wide Revenues and Expenses, Fiscal Year 2014



**Governmental activities.** Governmental activities program revenues were down \$349,367 or 0.7 percent and totaled \$46,642,073. Program revenues were up most significantly in the culture and recreation program, up \$2,319,865 or 37.6 percent. This increase is primarily due to a change in operations at the Glendoveer Golf Course. Under a new operations contract that was effective January 1, 2013, Metro reports gross revenues and expenses from its operations. The first six months of the prior fiscal year recorded operations on a net basis under a previous contract. Oregon Zoo program revenues were down \$402,815 or 1.6 percent from the prior fiscal year. Attendance at the zoo dropped 10.1 percent from the prior year’s record level to 1,514,192 visitors, primarily attributable to the implementation by the City of Portland of paid parking across Washington Park. This change resulted in the loss of parking revenues for the zoo after January 2014 and lower admissions revenue from attendance, which was offset by a \$1.00 increase in the zoo ticket price enacted in February 2013. Overall, admissions revenue for the year finished relatively flat. Food and beverage revenues increased from \$3.15 to \$3.58 per visitor. The zoo remains the highest attended fee-based tourist attraction in Oregon.

Operating grants and contributions were \$2,162,735 or 15.3 percent lower in fiscal year 2014. Planning related grants account for the majority of this decrease as they are cost reimbursement grants with fluctuations from year-to-year reflecting related project costs. Governmental-activities capital grants and contributions were \$1,189,918 higher than the prior fiscal year, primarily in Metro’s culture and recreation (Natural Areas) program where Metro received a contribution of \$207,063 from the City of Happy Valley for construction of the Scouter’s Mountain Nature Park and a contribution of \$842,564 by the Oregon Department of Transportation for costs of the Blue Lake Trail section of the 40-Mile Loop.

Metro Governmental Activities Sources of Revenue, Fiscal Year 2014



Metro's general government operations expense totaled \$17,216,935 or 18.3 percent of Metro's total program expenses, which was an increase of \$2,512,643 or 17.1 percent from that reported in the prior fiscal year. The most significant increase resulted from payments to other governments for programs funded by the construction excise tax (CET) which were up \$886,032 from the prior year. Metro also had additional expenses totaling \$492,641 for payments to the City of Portland for its local improvement district assessment (LID) for the streetcar loop extension, as well as a new internal sustainability grant program which provided \$197,412 to other programs. General government operations rely significantly on general revenues, primarily property taxes, excise taxes, and transfers, to offset its net expense of \$15,428,518.

Metro's regional planning and development activities had total costs of \$11,609,788, up \$375,173 or 3.3 percent from the prior fiscal year. The level of grants received affects the level of work and expenditures incurred. This program eliminated approximately four full-time equivalent positions due to a two-year effort to reduce operating costs and several positions were vacant for much of the year. These reductions in personal services costs were offset somewhat by additional contracted costs, primarily with TriMet for work on the Southwest Corridor Plan. The net expense for regional planning and development of \$140,644 reflects a decrease of \$624,744 from the prior fiscal year.

Culture and recreation activities, which include operation of Metro's regional parks and management of natural areas, accounted for total expenses of \$19,969,697, down \$818,479 or 3.9 percent from the prior fiscal year. The decrease is due to decreased expenses for the local share and capital grant projects funded by the Natural Areas bond program, which totaled \$4,321,045, a decrease of \$3,462,948 from the prior fiscal year as the local share program reached 84 percent completion. This decrease, combined with an additional decline of \$378,648 in parks operations expenses, was offset by additional program expenses of \$4,276,639 for increased staffing and costs for parks and natural areas restoration projects enabled by the new levy. The remaining net expense of Metro's culture and recreation program, \$11,480,510, was funded from general revenues, including property taxes (including the new levy), excise taxes and interest, as well as the drawing down of assets provided from the Natural Areas bonds. This later component results in an increase in the deficit unrestricted net position for governmental activities as noted earlier.

Total expenses for zoo operations were \$35,660,651, an increase of \$1,998,379 or 5.9 percent from the prior fiscal year. Cost increases were primarily the result of increased labor costs, including fringe benefits and the absence of vacant positions experienced in prior years. In addition, the zoo expended \$400,000 for the purchase of two elephants, Lily and Tusko. Depreciation expense was also \$480,721 higher than the prior year as new assets from the various capital projects were placed into service. The resulting net expense of \$10,765,326 is financed from general revenues, such as excise taxes, property taxes and investment earnings.

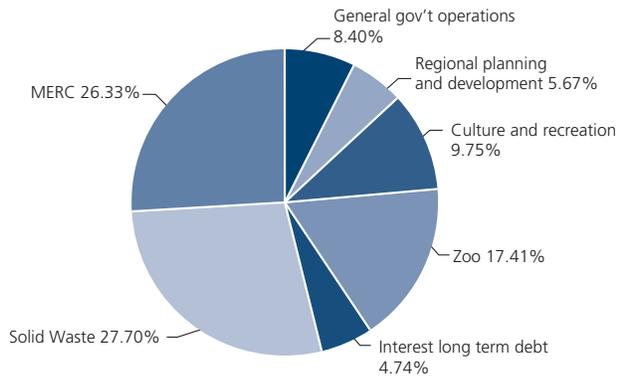
Interest on long-term debt decreased by \$1,214,894 or 11.1 percent from the prior fiscal year and totaled \$9,712,521 or 4.7 percent of Metro's total program costs, down from 5.5 percent in the prior fiscal year as a result of scheduled principal payments on bonded debt.

**METRO**

Management’s Discussion and Analysis, *continued*  
 For the fiscal year ended June 30, 2014

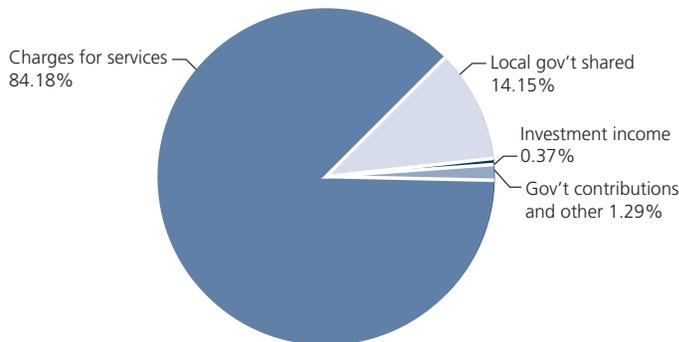
The chart below provides a graphical view of the distribution of costs to Metro’s programs.

**Metro Function/Program Expenses, Fiscal Year 2014**



**Business-type activities.** Program revenues of Metro’s business-type activities (Solid Waste and MERC operations) totaled \$110,858,136, up \$2,679,497 or 2.5 percent. Total expenses increased \$4,093,661 or 3.8 percent to a total of \$110,705,047. These operating activities and transfers resulted in an increase in the net position of business-type activities of \$1,076,600 for the fiscal year ended June 30, 2014. The reasons for these changes are discussed below:

**Metro Business-type Activities Sources of Revenue, Fiscal Year 2014**



Solid Waste program revenues increased \$2,914,658 or 5.2 percent over the prior fiscal year. Mixed waste tonnage delivered to Metro’s transfer stations increased 7.7 percent from tonnage delivered in the prior fiscal year primarily driven by positive economic growth. Tonnage to all facilities (including non-Metro facilities) increased 3.5 percent over the prior fiscal year. Combined with the increase in disposal fee rates (tonnage charge rose to \$61.74 per ton, compared to \$61.35 per ton in the prior fiscal year), the revenue from disposal fees and regional system fees rose \$2,149,011 and \$977,006, respectively. Residential food waste tonnage delivered to Metro facilities decreased 12.3 percent from the prior year due to Recology Oregon Recovery hauling residential organics to their Suttle Road Facility instead of Metro’s Central Transfer Station. Revenues from this source declined \$441,531 from the prior year, even though the fee increased to \$56.67 from \$54.83 on September 1, 2013. Metro’s share of total regional tonnage increased in fiscal year 2014, from 36.4 percent to 37.3 percent.

Solid Waste program expenses were up \$1,493,154, or 2.7 percent, primarily due to the net effect of tonnage related (see above) contractual costs for transfer, transport and disposal of mixed waste and lower organics residential processing fees. Further discussion of Solid Waste program expenses is provided in the Propriety Funds section later in the MD&A. Solid Waste program revenues exceed program expenses by \$1,903,880 for the fiscal year ended June 30, 2014.

MERC operates the Metro-owned OCC and Expo. In addition, under terms of an intergovernmental agreement with the City of Portland, MERC operates the city-owned Portland's Centers for the Arts. MERC program revenues totaled \$52,194,644 in fiscal year 2014, down \$235,161 or 0.4 percent from the prior fiscal year. Event related revenues were down \$1,676,788 or 4.6 percent from the prior fiscal year, primarily a reflection of the exceptional event schedule OCC hosted in fiscal year 2013. In addition, harsh winter weather in February 2014 adversely impacted traditionally high revenue shows for both OCC and Expo. Intergovernmental shared revenue (transient lodging taxes) are now reflected in operating grants and contributions program revenues. Fiscal year 2013 amounts are presented in the same manner for comparison purposes. These revenues were up \$1,248,953 or 9.0 percent, reflective of increased lodging activity across the region.

Total expenses for MERC were \$53,945,435, up \$2,600,507 or 5.1 percent. Expenses were higher primarily attributable to a one-time assessment by the City of Portland for the Portland Streetcar LID that totaled \$1,919,916. The resulting net expense of MERC operations was \$1,750,791 for the fiscal year ended June 30, 2014, a change of \$2,835,668 over the prior fiscal year's net revenue. General revenues used to support this net expense include transfers and investment earnings.

**General revenues.** The most significant general revenue, property taxes, accounts for 47.3 percent of all governmental activities revenues, up from 44.1 percent in the prior fiscal year. Property taxes are dedicated to repayment of general obligation bond debt, or for programs authorized by the new Parks and Natural Areas Local Option Levy, or allocated by the Council in support of governmental activities. Property taxes to support debt service requirements were lower due to continued scheduled debt payments and the resulting reduction of outstanding principal balances on bonds. For the fiscal year ended June 30, 2014, the total amount of property taxes increased, however, as a result of the new levy for Parks and Natural Areas.

Metro assesses excise taxes on users of its goods and services. Solid waste transactions were assessed at a flat rate of \$12.29 per ton effective September 1, 2013, which is up from \$12.19 in the prior fiscal year. All other subject revenues of Metro were assessed at 7.5 percent. Excise tax provides resources primarily for general government and planning functions. The excise tax provided \$15,999,908 in general revenue, up \$645,056 or 4.2 percent from the prior fiscal year. This increase is reflective of the net impact of the change in the tax rates noted earlier to achieve the yield prescribed in Metro Code, as well as the change in Metro enterprise revenues upon which it is assessed, discussed elsewhere in the MD&A.

Metro collected \$2,537,894 in CET during the fiscal year ended June 30, 2014, up \$188,407 or 8.02 percent from the prior fiscal year, reflective of the continued uptick in construction activity in the Metro region being experienced during the fiscal year. This tax is imposed on new construction within the region, with limited exceptions, and is intended to provide funds to local governments for planning of future expansion areas, future urban reserves and planning that enables redevelopment of centers, corridors and employment areas within the existing Urban Growth Boundary.

## FINANCIAL ANALYSIS OF METRO'S FUNDS

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

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

## METRO

### Management's Discussion and Analysis, *continued* For the fiscal year ended June 30, 2014

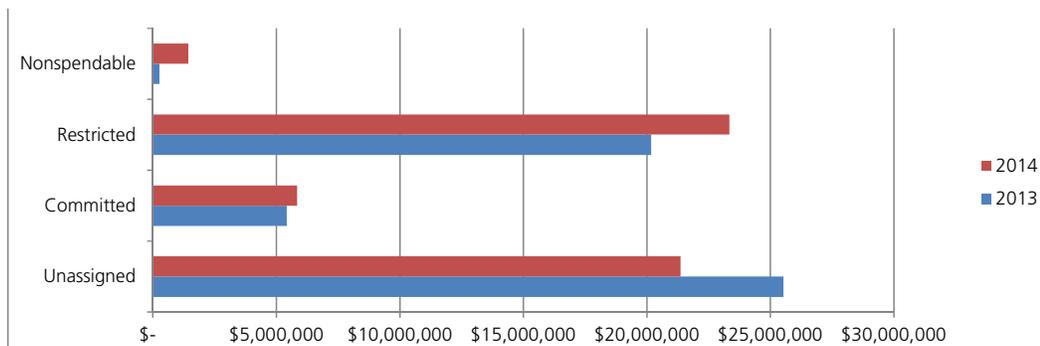
At June 30, 2014, Metro's governmental funds reported *combined* fund balances of \$177,117,575. This is down \$29,237,067 or 14.2 percent from the prior fiscal year, due mainly to the spending of proceeds of Natural Areas and Oregon Zoo Infrastructure and Animal Welfare bonds on their respective projects. The activities of the new Parks and Natural Areas Local Option Levy Fund resulted in an increase in fund balance of \$5,171,039 at June 30, 2014. Of the total amount of governmental combined fund balance above, \$21,358,970 or 12.1 percent, is considered *unassigned* fund balance and available for spending at Metro's discretion.

The remainder of the fund balance is either *nonspendable*, *restricted*, *committed* or *assigned*. *Nonspendable* fund balance represents amounts not in spendable form and the corpus of the permanent fund, which total \$1,870,366 at June 30, 2014. Fund balances *restricted* for particular purposes, such as parks and natural areas, bonded capital projects and debt service totaled \$148,021,530. Fund balance in the amount of \$5,836,553 is *committed* by the Metro Council for local governments' planning efforts under the CET program as noted earlier. *Assigned* fund balance totaled \$30,336 reflected in Metro's permanent fund dedicated to cemetery programs.

Note II.D.11 and Note IV.O provide further information on Metro's fund balance classifications for all governmental funds.

The General Fund is the primary operating fund of Metro. At the end of fiscal year 2014, unassigned fund balance of the general fund was \$21,358,970. Total fund balance increased \$674,875 to a total of \$51,965,597 at June 30, 2014. As a measure of the general fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents 28.5 percent of total general fund expenditures, while total fund balance represents 69.3 percent of that same amount.

#### Metro General Fund, Components of Fund Balance



The General Fund expended \$15,189,343 for general government operations. These operational expenditures included the general government share of costs for the Council Office, Metro Auditor, Office of Metro Attorney, Communications, Human Resources, Finance and Regulatory Services, and Information Services. Expenditures were up \$2,305,492 over the prior year, primarily resulting from higher grants to other governments in the CET program and a one-time street car extension LID payment to the City of Portland. The General Fund advanced an interfund loan to the MERC Fund in the amount of \$1,919,916 to provide resources for it to pay its own share of the street car extension LID as discussed earlier in this analysis. The loan is to be repaid over a period not to exceed ten years and bears interest at the average rate of earnings on Metro's pooled investments. \$440,000 of principal and \$2,064 of interest were received as repayments on the loan by June 30, 2014.

The General Fund expenditures for culture and recreation programs was down \$551,305 from the prior year as the Parks and Natural Areas Local Option Levy now accounts for expenditures for certain restoration projects previously reflected in the General Fund. Regional planning and development and debt service expenditures within the General Fund were relatively unchanged from the prior fiscal year.

Management's Discussion and Analysis, *continued*  
For the fiscal year ended June 30, 2014

Zoo program expenditures totaled \$31,186,712, up \$208,296 or 0.7 percent from the prior fiscal year. Cost increases were mitigated by operational changes in the food service and retail operations and reductions in expenditures in response to the drop in attendance.

Metro's major governmental funds include the Parks and Natural Areas Local Option Levy special revenue fund, the General Obligation Bond Debt Service Fund, and the Oregon Zoo Infrastructure and Animal Welfare and Natural Areas capital projects funds, as described below.

In May 2013, voters approved the Parks and Natural Areas Local Option Levy which activities are accounted for in this new special revenue fund. Metro classifies this fund as major due to its belief that there is qualitative interest by the public in its activities. Property taxes from this new levy totaled \$10,068,297 for the fiscal year ended June 30, 2014. Expenditures for levy approved activities included staffing enhancements to help implement the promises made to voters and project expenditures at Mason Hill Park, Blue Lake Park, Oxbow Park, Chinook Landing Marine Park and Cooper Mountain Nature Park. Expenditures for these activities totaled \$5,144,859, resulting in restricted fund balance of \$5,171,039 at June 30, 2014.

Fund balance in both of the capital projects funds decreased significantly from the prior fiscal year due to expenditures on their capital projects as discussed more fully in the capital asset discussion later in this MD&A. The Oregon Zoo Infrastructure and Animal Welfare Fund expended \$23,041,983 on capital projects and ended the fiscal year with a fund balance of \$46,733,813. Expenditures for Natural Areas capital outlay and local share and capital grant programs totaled \$16,081,960 in fiscal year 2014. Fund balance totaled \$65,755,125 at June 30, 2014. The fund balance in both of these capital projects funds is classified as restricted for these purposes under state law. Although the capital expenditures in both of these funds reduce fund balance, they create new assets for Metro as reported in the Statement of Net Position and discussed in note IV.D in the financial statements.

The General Obligation Bond Debt Service Fund accounts for debt service requirements. During the fiscal year, property tax revenues used to pay debt service totaled \$36,786,346, down \$2,673,038 from the prior fiscal year due to lower assessments required for repayment of the outstanding general obligation bonds as a result of scheduled payments toward bond principal. Interest payments on all general obligation bonds totaled \$11,132,675, which was \$1,082,220 lower than the prior fiscal year reflecting the same decrease in outstanding principal. Expenditures on debt principal totaled \$25,215,000. As a result of these activities, \$1,107,953 remained in fund balance at June 30, 2014, which is restricted by state law for future debt service.

As noted earlier in this analysis, in accordance with *GASB Statement No. 34*, Metro reports certain non-major funds in the Other Governmental Funds column. Total fund balances in these funds decreased \$271,500. The total fund balance of \$6,384,048 in these funds includes the following:

- Nonspendable corpus of the cemetery perpetual care fund, \$432,702
- Restricted by intergovernmental agreement for Smith and Bybee Lakes Management Plan, \$3,446,278
- Restricted by state law for Open Spaces programs, \$535,640
- Restricted by state law and Metro Code for rehabilitation and enhancement programs, \$1,938,092
- Assigned by Metro Council for cemetery perpetual care, \$30,336

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

Unrestricted net position of the Solid Waste Fund totaled \$33,592,861 at fiscal year-end, up 15.2 percent or \$4,442,492. Unrestricted net position for MERC totaled \$25,512,470 at June 30, 2014, down \$1,067,871 or 4.0 percent from the prior fiscal year. Unrestricted net position represents 61.3 percent and 48.5 percent of annual operating expenses for the Solid Waste and MERC enterprise operations, respectively. Net position of \$3,734,868 is restricted in the MERC Fund for capital projects.

The Solid Waste enterprise reflected higher charges for services revenues, up \$2,922,267 or 5.3 percent, due to the combination of tonnage variations at Metro and non-Metro facilities combined with rate increases as discussed earlier in the analysis of business-type activities. Operating expenses were higher primarily due to costs directly associated with handling increased tonnage, including: facility operations costs, up \$693,841 or 5.1 percent; waste transport costs up \$854,712 or 9.2 percent; and disposal fees paid to Columbia Ridge Landfill, up \$197,105 or 2.2 percent. A change in the estimated post-closure costs liability resulted in a reduction of \$785,185 to operating expenses in the fiscal year ended June 30, 2014.

MERC charges for services revenues were down \$1,579,483 or 4.3 percent, which is merely a reflection of the exceptional record breaking event schedule at the OCC in the prior year and for weather related impacts discussed earlier in the analysis of business-type activities. Portland’s event related revenue was 6 percent above the prior year as they replaced resident company shows with several Broadway show bookings. MERC operations reported higher facility operations costs, up \$3,057,449, primarily the result of the streetcar extension LID payment noted earlier and an increase in credit card fees and agency fees for ticket sales at Portland’s as those types of sales nearly doubled over the prior year. MERC received resources in the form of an interfund loan from the General Fund to make its streetcar LID payment of \$1,919,916 as discussed above and in the analysis of the General Fund.

The Risk Management Fund, an internal service fund that is incorporated in governmental activities for government-wide reporting, had unrestricted net position of \$2,490,274 at June 30, 2014. Significant liabilities included the actuarially determined accrued self-insurance claims which totaled \$933,000, up \$502,073 from the prior fiscal year. Risk Management Fund total net position decreased \$691,538 from the prior fiscal year as charges to other Metro operations did not fully cover insurance and claims expenses, including the above noted change in estimated claims liability, during fiscal year 2014.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

As noted earlier, Metro’s General Fund is used to account for general government operations and the programs of Planning, Parks and Environmental Services, and the Oregon Zoo. Over the course of the fiscal year, the Metro Council revised the budget for the General Fund four times, with all of the revisions for relatively insignificant amounts and between appropriation categories within the fund. As a result, total appropriations remained unchanged and total requirements in the final budgeted amount remained at \$116,824,274.

Local budget law (ORS 294.100 and 294.435(4)) requires local governments to stay within the appropriations set for the fiscal year. There were no expenditures in excess of appropriations in the General Fund for the fiscal year ended June 30, 2014.

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

<u>Revenue Source</u>	<u>Estimated Revenues</u>	<u>Actuals</u>	<u>Variance</u>
Grants	\$ 9,894,409	7,483,604	(2,410,805)
Culture and recreation fees	24,324,501	23,306,808	(1,017,693)

Grant revenues came in lower compared to budget due to several factors, mostly within the Planning and Development Department. Most of Metro’s grants in this department are reimbursement based. The Federal Transit Administration funded Regional Travel Options program awards grants on a two-year cycle with fiscal year 2014 being the first year of the cycle and revenues were \$737,459 below budget. The bulk of this program’s grant revenues will occur in fiscal year 2015. Oregon Department of Transportation annual discretionary grants for planning were budgeted at the full award amounts, but the projects carried over into fiscal year 2015, resulting in \$616,121 less revenue than budgeted from this

## METRO

### Management's Discussion and Analysis, *continued* For the fiscal year ended June 30, 2014

source. In addition, the Southwest Corridor Plan underspent on project costs resulting in \$390,600 less in grant revenues than budgeted. Finally, the Powell-Division Plan got underway in February 2014 and continues to ramp up and project revenues during fiscal year 2014 were under budget by \$320,914.

The most significant variance in General Fund expenditures also occurred in the Planning and Development Department, where expenditures totaled \$8,074,889 against appropriations of \$14,216,023, for a favorable variance of \$6,141,134. Materials and services were lower than budget primarily due to underspending of \$3,868,565 in the TOD program as funds are budgeted for potential new projects and are expended at project completion. Several TOD projects were slow to move forward in fiscal year 2014. In addition, the lower expenditures on the Southwest Corridor and Regional Travel Options projects noted earlier resulted in underspending of \$1,082,655. The Development Centers grant program for Centers and Corridors funds small-scale construction grants and expended \$507,056 less than budgeted.

The General Fund's fund balance on a budgetary basis declined \$1,000,456 during the fiscal year, ending at \$32,583,026. This differs from the General Fund balance reported in the Governmental Fund statements due to the consolidation of the General Asset Management Fund and portions of the General Revenue Bond Fund as noted earlier in this analysis, and the write-down in the value of assets held for resale and the treatment of the interfund loan on a generally accepted accounting principles basis.

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital assets.** Metro's capital assets for its governmental and business type activities totals \$594,229,057 (net of accumulated depreciation) as of June 30, 2014. This investment includes land, buildings and exhibits, improvements, and various types of equipment. The total increase (including additions and deductions) in Metro's investment in capital assets for the current fiscal year was \$27,902,281 or 4.9 percent, net of accumulated depreciation. Metro reflects an increase of \$31,872,116 or 8.5 percent in capital assets attributable to governmental activities and a decrease of \$3,969,835 or 2.1 percent in business-type activity capital assets (additional capital assets, less increases in accumulated depreciation).

### Metro's Capital Assets (net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Land	\$243,148,754	\$238,572,641	19,329,786	19,329,786	262,478,540	257,902,427
Intangible - easements	9,427,050	8,266,376	-	-	9,427,050	8,266,376
Artwork	710,508	557,423	823,121	823,121	1,533,629	1,380,544
Buildings and Exhibits	78,557,710	71,467,841	158,268,476	163,378,979	236,826,186	234,846,820
Improvements	17,183,133	16,788,291	1,803,956	1,909,887	18,987,089	18,698,178
Equipment and Vehicles	5,199,028	4,308,788	4,821,307	5,694,046	10,020,335	10,002,834
Intangible - software	1,373,736	1,203,144	235,668	590,095	1,609,404	1,793,239
Office furniture/equip	876,252	941,956	411,234	421,057	1,287,486	1,363,013
Railroad equip/facilities	21,295	13,367	-	-	21,295	13,367
Construction in Progress	48,752,385	31,257,908	3,285,658	802,070	52,038,043	32,059,978
<b>Total</b>	<b>\$405,249,851</b>	<b>373,377,735</b>	<b>188,979,206</b>	<b>192,949,041</b>	<b>594,229,057</b>	<b>566,326,776</b>

## METRO

### Management's Discussion and Analysis, *continued* For the fiscal year ended June 30, 2014

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

- Metro acquired ownership of 218 acres of additional natural areas (net of easements and disposals) from willing sellers from the proceeds of the Natural Areas general obligation bonds, bringing the overall acreage held from this bond to 4,647 acres. The total capitalized cost for the property and easements acquired and stabilized in the current fiscal year under this program was \$16,081,960. A portion of the Orenco Woods property was sold during the year, the proceeds of which will be used for restoration on the site and site design for construction of the Orenco Woods Nature Park.
- The Oregon Zoo's construction for the Elephant Lands major capital project work under the Oregon Zoo Infrastructure and Animal Welfare Bond program was on-going during fiscal year 2014. The work on the railroad portion of the above project started earlier than planned, and construction of Forest Hall was also underway. The Condors of the Columbia exhibit was completed. These and other related projects are all funded by bond proceeds with total capitalized costs in fiscal year 2014 of \$23,041,983.
- The overall decline in business-type activities capital assets is primarily the result of depreciation expense in fiscal year 2014, which was greater than new additions to capital assets during the same period.

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

**Long-term debt.** At the end of the current fiscal year, Metro had total bonded debt outstanding of \$281,994,210 net of unamortized premiums and discounts. Of this amount, \$237,456,537 comprises debt backed by property tax assessments and the remainder of \$44,537,673 represents bonds secured by a broad pledge of Metro revenues, including property taxes used to support operations, and excise taxes levied on users of certain Metro services.

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

#### Metro's Outstanding Debt

	Governmental Activities		Business-type Activities		Total - Primary Government	
	2014	2013	2014	2013	2014	2013
Gen. obligation bonds	\$237,456,537	265,579,168	-	-	237,456,537	265,579,168
Full Faith & Credit/Revenue	34,180,000	36,285,000	10,357,673	11,079,730	44,537,673	47,364,730
Total	\$271,636,537	301,864,168	10,357,673	11,079,730	281,994,210	312,943,898

Metro's total debt decreased \$30,949,688 or 9.9 percent during the current fiscal year. The key factor for this decrease was the regular payment of principal on the outstanding bonds during fiscal year 2014.

Metro has \$28,105,000 in remaining voter approved general obligation bond authorization for acquisition of natural areas, parks and streams to protect open spaces and water quality, enhance the region's network of trails, and provide greater access to nature. Metro also has \$40,000,000 in remaining voter approved general obligation bond authorization for zoo infrastructure and animal welfare.

In October 2014, Standard & Poor's reaffirmed its AAA rating on Metro general obligation bonds, while Moody's Investor Services reaffirmed its Aaa rating. The rating agencies' reports emphasized the strong financial reserves of the agency, the low debt ratio, significantly broad tax base and the strength of its financial policies. In January 2013, Standard & Poor's awarded Metro a AAA rating for its Full Faith and Credit obligation issue, reaffirming Metro's strong financial practices.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for Metro is \$19,140,316,865, which is significantly in excess of Metro's outstanding general obligation debt.

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

## **SUBSEQUENT EVENTS**

On November 19, 2014, Metro issued \$57,955,000 of General Obligation Refunding Bonds Series 2014 to refund all callable outstanding 2007 Series Natural Areas General Obligation Bonds.

The Metro Council has approved a Development and Financing Agreement with Mortenson Development, Inc. (the Developer) to develop a convention center hotel adjacent to the OCC. Recent revisions to an intergovernmental agreement between Metro, the City and Multnomah County provide Metro the ability to issue revenue bonds up to \$60 million, the proceeds of which will be granted to the Developer to be used for the hotel development. Metro has also agreed to a conditional commitment to grant \$4 million to the Developer of the project. Metro's issuance of the revenue bonds is anticipated to take place in spring 2015, and the grant is anticipated to be executed at the same time. The project is anticipated to be completed in the fall of 2017.

Further details regarding both of these subsequent events can be found in Note IV.S in the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Metro's fiscal year 2015 budget reflects two major themes. First, Metro is beginning to see the impact of economic recovery both in its revenues and expenditures. Second, although the economy is recovering, maintaining Metro's services remains a challenge. Of importance to Metro's specific revenue sources, the economic forecasts show continued growth and strengthening in the Portland region. The visitor economy, especially, is showing recovery which relieves pressure on some of Metro's services. Since the start of the recovery, private sector employment was led by the leisure and recreation and business service sectors which have added 16,000 and 9,000 more jobs, respectively. The latest summer reading of year over year job growth shows a growth rate over 3 percent on an annualized basis.

Although it will likely continue to be slow, many of Metro's major revenue sources – from solid waste fees to excise taxes to user fees and property taxes – began to rise again as the economy recovered. Similarly, some of Metro's expenditures – such as fees for disposing the region's solid waste – are growing faster than in the past four fiscal years. The budget does not increase any new significant program areas because although the recovery has begun, it will be slow, and other financial issues will confront Metro in future years. These issues include uncertain federal transportation dollars, strategic operational issues, likely increases in PERS rates resuming in 2015, and other expenditure increases outpacing revenue growth.

In recognition of this economic environment, the Metro fiscal year 2015 budget presents a prudent approach to managing public resources in fiscal year 2015 and into the future by focusing on excellent services that residents can count on over time. By law, Metro must present a balanced budget; when accounting for all resources and requirements the budget totals \$483,840,993, down 1.4 percent from fiscal year 2014.

Program revenues that contribute to covering Metro's program costs reflect the following factors:

- Federal transportation funding is expected to increase modestly. Discretionary federal funding for general system planning, the Regional Transportation Plan and the Metropolitan Transportation Program, has not increased.

- Charges for services revenues in the General Fund are generated by the Oregon Zoo, and to a lesser extent, the parks programs. The zoo is expected to continue to experience record attendance despite on-site construction. Per capita spending will improve modestly and the zoo forecasts a small fee increase to be implemented in fiscal year 2015. Parks revenues will be mostly flat with the exception of the Glendoveer Golf Course where revenues are expected to increase slowly.
- In fiscal year 2015, Solid Waste rates will be \$93.33 per ton, a decrease of \$1.00 from fiscal year 2014. The Metro Council sets rates to fund the current expenditures of the Solid Waste Fund, balancing the public's interest in its facilities with the pocketbook issues of its ratepayers. Tonnage continues to increase from its 2011 lows and revenues are expected to increase 8 percent.
- The OCC projects a record number of conventions in fiscal year 2015, including ComicCon, the International Auto Show, and others. Portland's is scheduled to host 9.5 weeks of Broadway performances where attendance is expected to be strong and do very well. Resident companies and non-profit arts organizations are anticipated to have flat attendance. Expo has expanded commitment to many clients by developing three-year event agreements.

General revenues that cover the net expense of Metro's programs are expected to reflect positive outcomes:

- Property taxes are levied for both operations and debt service, and the rate of collection stood at 94.8 percent for the current year's levy. The operating levy has a permanent rate of \$0.0966 per \$1,000 of assessed value. The natural areas local option levy will have a rate of \$0.0960 per thousand and bring in an estimated \$10,200,000. The levy for general obligation debt is scheduled to bring in \$38,228,306 based upon debt schedules and cash flow requirements.
- Transient lodging taxes receipts are projected to return to 2008 levels and increase 8 percent.
- The excise tax yield is tied to CPI and for fiscal year 2015 decreases to \$11.76 per ton, a rate decrease of \$0.53 per ton. Excise tax on other Metro facilities and services remains at 7.5 percent. The tax is expected to generate \$17 million, an increase over fiscal year 2014.

On the expenditure side, increases are expected in salaries, wages and benefits while expenditures under various operations contracts will reflect the economic activity of the respective enterprise area. Significant economic factors related to personal services costs include:

- The number of authorized positions increases in fiscal year 2015 by a net 27.96 full-time equivalent (FTE), with 19.71 FTE spread across almost all operating areas and the recognition of 6.25 FTE of existing part-time positions which FTE were previously not included in the budget. Personal services costs reflect agreements in place with collective bargaining units and provide for cost of living adjustments.
- Significant capital project expenditures in fiscal year 2015 include: \$26 million for the elephant habitat and related infrastructure at the Oregon Zoo; \$20 million for land acquisition under the Natural Areas program; \$10 million for local share payments under the Natural Areas program; and \$7.4 million at the Oregon Zoo for non-bond funded capital projects.

Metro's financial policies are the backbone of Metro's financial accountability and transparency. The fiscal year 2015 budget is a chance to prepare both for the coming fiscal year and for the longer term. Preparing for the future is a core element of Metro's charter and organizational culture.

## REQUESTS FOR INFORMATION

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



# **Basic Financial Statements**



**METRO**

**Statement of Net Position  
June 30, 2014**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Oregon Zoo Foundation
<b>ASSETS</b>				
Equity in internal cash and investment pool	\$ 38,018,943	71,124,417	109,143,360	2,649,574
Investments	-	-	-	10,285,218
Receivables (net of allowance for uncollectibles):				
Property taxes	718,425	-	718,425	-
Trade	315,036	6,778,397	7,093,433	599,209
Other	2,590,338	8,279,457	10,869,795	188,589
Interest	55,368	83,524	138,892	-
Grants	2,166,232	192,873	2,359,105	-
Internal balances	3,593,099	(3,593,099)	-	-
Inventories	107,657	270,884	378,541	-
Prepaid items	66,591	102,497	169,088	-
Other assets	215,200	-	215,200	89,023
Restricted assets:				
Equity in internal cash and investment pool	41,553,163	3,734,868	45,288,031	-
Investments	104,988,773	-	104,988,773	-
Receivables (net of allowance for uncollectibles):				
Property taxes	2,404,432	-	2,404,432	-
Other	5,012	-	5,012	-
Interest	349,977	-	349,977	-
Grants	221,414	-	221,414	-
Assets held for resale	7,894,062	-	7,894,062	-
Prepaid items	2,500	-	2,500	-
Loans receivable	987,872	-	987,872	-
Capital assets:				
Land, intangibles, artwork and construction in progress	302,038,697	23,438,565	325,477,262	-
Other capital assets (net of accumulated depreciation)	103,211,154	165,540,641	268,751,795	36,087
Net pension asset	14,749,028	-	14,749,028	-
<b>Total assets</b>	<b>626,252,973</b>	<b>275,953,024</b>	<b>902,205,997</b>	<b>13,847,700</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding	1,493,175	448,366	1,941,541	-
<b>Total deferred outflows of resources</b>	<b>1,493,175</b>	<b>448,366</b>	<b>1,941,541</b>	<b>-</b>
<b>LIABILITIES</b>				
Accounts payable	11,396,285	7,418,300	18,814,585	276,628
Salaries, withholdings and payroll taxes payable	2,848,669	1,366,923	4,215,592	-
Contracts payable	1,244,638	68,620	1,313,258	694,708
Accrued interest payable	1,055,435	37,237	1,092,672	-
Accrued self-insurance claims	933,000	-	933,000	-
Unearned revenue	5,148,011	4,272,664	9,420,675	150,478
Deposits payable	133,054	2,221,620	2,354,674	-
Other liabilities	5,192	30,281	35,473	-
Payable from restricted assets:				
Contracts payable	-	-	-	67,375

(Continued)

**METRO**

Statement of Net Position, *continued*  
 June 30, 2014

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities		Oregon Zoo Foundation
<b>LIABILITIES, Continued</b>				
Non-current liabilities:				
Due within one year:				
Bonds payable	\$ 29,475,000	735,000	30,210,000	-
Loans payable	2,136	-	2,136	-
Post-closure costs payable	-	568,392	568,392	-
Compensated absences	2,394,161	1,079,782	3,473,943	-
Due in more than one year:				
Bonds payable (net of unamortized premium or discount)	242,161,537	9,622,673	251,784,210	-
Net other postemployment benefits obligation	1,195,623	916,699	2,112,322	-
Post-closure costs payable	-	7,272,884	7,272,884	-
Pollution remediation obligation	-	908,402	908,402	-
Compensated absences	180,293	84,998	265,291	-
<b>Total liabilities</b>	<b>298,173,034</b>	<b>36,604,475</b>	<b>334,777,509</b>	<b>1,189,189</b>
<b>NET POSITION</b>				
Net investment in capital assets	293,851,981	179,069,899	472,921,880	36,087
Restricted for:				
Parks and natural areas operations	5,341,212	-	5,341,212	-
Transit oriented development projects	19,688,739	-	19,688,739	-
Smith and Bybee Lakes management plan	3,446,278	-	3,446,278	-
Rehabilitation and enhancement	1,938,092	-	1,938,092	-
Debt service	2,159,622	-	2,159,622	-
Capital projects	27,550,302	3,734,868	31,285,170	-
Perpetual care: non-expendable	464,038	-	464,038	-
Zoo purposes:				
Expendable	-	-	-	139,465
Non-expendable	-	-	-	50,000
Unrestricted	(24,867,150)	56,992,148	32,124,998	12,432,959
<b>Total net position</b>	<b>\$ 329,573,114</b>	<b>239,796,915</b>	<b>569,370,029</b>	<b>12,658,511</b>

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



**METRO**  
**Statement of Activities**  
**For the fiscal year ended June 30, 2014**

	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>FUNCTIONS/PROGRAMS</b>				
<b>Primary Government:</b>				
Governmental activities:				
General government operations	\$ 17,216,935	1,615,075	173,342	-
Regional planning and development	11,609,788	1,422,619	10,046,525	-
Culture and recreation	19,969,697	6,121,579	1,279,981	1,087,627
Zoo	35,660,651	22,082,776	445,931	2,366,618
Interest on long-term debt	9,712,521	-	-	-
<b>Total governmental activities</b>	<b>94,169,592</b>	<b>31,242,049</b>	<b>11,945,779</b>	<b>3,454,245</b>
Business-type activities:				
Solid Waste	56,759,612	58,583,492	80,000	-
MERC	53,945,435	35,091,155	17,103,489	-
<b>Total business-type activities</b>	<b>110,705,047</b>	<b>93,674,647</b>	<b>17,183,489</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 204,874,639</b>	<b>124,916,696</b>	<b>29,129,268</b>	<b>3,454,245</b>
<b>Component Unit:</b>				
Oregon Zoo Foundation	\$ 6,428,494	4,495,181	1,458,859	-
General revenues:				
Property taxes				
Excise taxes				
Construction excise tax				
Cemetery revenue surcharge				
Unrestricted investment earnings				
Transfers				
<b>Total general revenues and transfers</b>				
Change in net position				
Net position - July 1, 2013				
<b>Net position - June 30, 2014</b>				

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

**Net (Expense) Revenue and Changes in Net Position**

<b>Primary Government</b>			<b>Component Unit</b>
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Oregon Zoo Foundation</b>
(15,428,518)	-	(15,428,518)	
(140,644)	-	(140,644)	
(11,480,510)	-	(11,480,510)	
(10,765,326)	-	(10,765,326)	
(9,712,521)	-	(9,712,521)	
<u>(47,527,519)</u>	<u>-</u>	<u>(47,527,519)</u>	
-	1,903,880	1,903,880	
-	(1,750,791)	(1,750,791)	
<u>-</u>	<u>153,089</u>	<u>153,089</u>	
<u>(47,527,519)</u>	<u>153,089</u>	<u>(47,374,430)</u>	
			<u>(474,454)</u>
59,506,228	-	59,506,228	-
15,999,908	-	15,999,908	-
2,537,894	-	2,537,894	-
49,581	-	49,581	-
1,202,458	416,652	1,619,110	1,201,984
(506,859)	506,859	-	-
<u>78,789,210</u>	<u>923,511</u>	<u>79,712,721</u>	<u>1,201,984</u>
31,261,691	1,076,600	32,338,291	727,530
<u>298,311,423</u>	<u>238,720,315</u>	<u>537,031,738</u>	<u>11,930,981</u>
<u>\$ 329,573,114</u>	<u>239,796,915</u>	<u>569,370,029</u>	<u>12,658,511</u>



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# Fund Financial Statements

## Governmental Funds

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### **Major Funds**

#### **General Fund**

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

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

#### **Special Revenue Fund**

##### *Parks and Natural Areas Local Option Levy Fund*

The fund was established to account for a special five-year tax levy to provide funds to operate and maintain regional parks and natural areas. Specifically, funds will be used to improve water quality and restore wildlife habitat, wetlands and floodplains. The principal source of revenue is property taxes.

#### **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, capital contributions and donations, investment income and sale of capital assets.

#### **Other Governmental Funds**

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

**METRO**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2014**

	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>
<b>ASSETS</b>			
Equity in internal cash and investment pool	\$ 49,193,036	5,753,418	905,069
Investments	-	-	-
Receivables:			
Property taxes	718,425	244,538	2,159,894
Trade	315,036	-	-
Other	2,592,508	-	-
Interest	55,980	7,145	3,978
Grants	2,166,232	221,414	-
Due from other funds	220,000	-	-
Inventories	107,657	-	-
Assets held for resale	7,894,062	-	-
Prepaid items	66,591	-	-
Other assets	215,200	-	-
Loans receivable	987,872	-	-
Advances to other funds	1,259,916	-	-
Restricted assets:			
Equity in internal cash and investment pool	5	-	-
<b>Total assets</b>	<b>\$ 65,792,520</b>	<b>6,226,515</b>	<b>3,068,941</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 5,232,007	741,011	-
Salaries, withholdings and payroll taxes payable	2,642,736	88,536	-
Contracts payable	8,797	19,830	-
Unearned revenue	5,148,011	-	-
Deposits payable	133,054	-	-
Other liabilities	7,328	-	-
<b>Total liabilities</b>	<b>13,171,933</b>	<b>849,377</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue-property taxes	651,719	206,099	1,960,988
Unavailable revenue-other	3,271	-	-
<b>Total deferred inflows of resources</b>	<b>654,990</b>	<b>206,099</b>	<b>1,960,988</b>
<b>FUND BALANCES</b>			
Nonspendable	1,434,164	-	-
Restricted	23,335,910	5,171,039	1,107,953
Committed	5,836,553	-	-
Assigned	-	-	-
Unassigned	21,358,970	-	-
<b>Total fund balances</b>	<b>51,965,597</b>	<b>5,171,039</b>	<b>1,107,953</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 65,792,520</b>	<b>6,226,515</b>	<b>3,068,941</b>

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

The net pension asset is not an available resource and therefore is not reported in the funds.

Other long-term assets are not available to pay for current period expenditures and therefore are reported as unavailable revenue in the funds.

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 position.

Long-term liabilities (including bonds payable) and related deferred outflows of resources, are not due and payable in the current period and therefore are not reported in the funds.

Net position of governmental activities

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

<b>Capital Projects</b>			
<b>Oregon Zoo Infrastructure and Animal Welfare</b>	<b>Natural Areas</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
9,474,938	4,201,225	6,477,059	76,004,745
43,011,673	61,977,100	-	104,988,773
-	-	-	3,122,857
-	-	-	315,036
-	444	4,568	2,597,520
96,056	229,968	8,018	401,145
-	-	-	2,387,646
-	-	-	220,000
-	-	-	107,657
-	-	-	7,894,062
-	2,500	-	69,091
-	-	-	215,200
-	-	-	987,872
-	-	-	1,259,916
-	-	-	5
<b>52,582,667</b>	<b>66,411,237</b>	<b>6,489,645</b>	<b>200,571,525</b>
4,693,703	477,855	105,597	11,250,173
31,414	85,983	-	2,848,669
1,123,737	92,274	-	1,244,638
-	-	-	5,148,011
-	-	-	133,054
-	-	-	7,328
<b>5,848,854</b>	<b>656,112</b>	<b>105,597</b>	<b>20,631,873</b>
-	-	-	2,818,806
-	-	-	3,271
-	-	-	2,822,077
-	2,500	433,702	1,870,366
46,733,813	65,752,625	5,920,010	148,021,350
-	-	-	5,836,553
-	-	30,336	30,336
-	-	-	21,358,970
<b>46,733,813</b>	<b>65,755,125</b>	<b>6,384,048</b>	<b>177,117,575</b>
<b>52,582,667</b>	<b>66,411,237</b>	<b>6,489,645</b>	
			405,249,851
			14,749,028
			2,822,077
			4,603,457
			(274,968,874)
			<b>\$ 329,573,114</b>

**METRO**

Statement of Revenues, Expenditures and Changes in Fund Balances  
 Governmental Funds  
 For the fiscal year ended June 30, 2014

	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>
<b>REVENUES</b>			
Property taxes	\$ 12,390,523	10,068,297	36,786,346
Excise taxes	16,002,790	-	-
Construction excise tax	2,537,894	-	-
Cemetery revenue surcharge	-	-	-
Investment income	278,132	26,162	37,155
Government fees	99,809	-	-
Culture and recreation fees	23,306,808	-	-
Solid waste fees	-	-	-
Other fees	3,466,094	-	-
Internal charges for services	3,223,107	-	-
Licenses and permits	369,855	-	-
Miscellaneous revenue	365,165	25	-
Grants	7,535,151	221,414	-
Local government shared revenues	621,111	-	-
Government contributions	2,975,000	-	-
Contributions and donations	293,104	-	-
Capital grants	-	-	-
Capital contributions and donations	2,404,618	-	-
<b>Total revenues</b>	<b>75,869,161</b>	<b>10,315,898</b>	<b>36,823,501</b>
<b>EXPENDITURES</b>			
Current:			
General government operations	15,189,343	-	-
Regional planning and development	11,598,462	-	-
Culture and recreation	9,828,324	4,188,523	-
Zoo	31,186,712	88,116	-
Debt service:			
Principal	2,105,000	-	25,215,000
Interest	1,295,742	-	11,132,675
Capital outlay	3,825,348	868,220	-
<b>Total expenditures</b>	<b>75,028,931</b>	<b>5,144,859</b>	<b>36,347,675</b>
Revenues over (under) expenditures	840,230	5,171,039	475,826
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of capital assets	59,762	-	-
Transfers in	281,742	-	-
Transfers out	(506,859)	-	-
<b>Total other financing sources (uses)</b>	<b>(165,355)</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>674,875</b>	<b>5,171,039</b>	<b>475,826</b>
Fund balances - July 1, 2013	51,290,722	-	632,127
Fund balances - June 30, 2014	\$ 51,965,597	5,171,039	1,107,953

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

<b>Capital Projects</b>			
<b>Oregon Zoo Infrastructure and Animal Welfare</b>	<b>Natural Areas</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
-	-	-	59,245,166
-	-	-	16,002,790
-	-	-	2,537,894
-	-	49,581	49,581
247,003	551,005	41,333	1,180,790
-	-	-	99,809
-	-	-	23,306,808
-	-	317,949	317,949
-	4,732	-	3,470,826
-	-	-	3,223,107
-	-	-	369,855
-	44	-	365,234
-	300,000	-	8,056,565
-	-	-	621,111
-	-	-	2,975,000
-	-	-	293,104
-	842,564	-	842,564
-	207,063	-	2,611,681
<b>247,003</b>	<b>1,905,408</b>	<b>408,863</b>	<b>125,569,834</b>
-	-	-	15,189,343
-	-	-	11,598,462
-	4,321,045	528,879	18,866,771
-	-	-	31,274,828
-	-	-	27,320,000
-	-	-	12,428,417
<b>23,041,983</b>	<b>11,760,915</b>	<b>151,484</b>	<b>39,647,950</b>
<b>23,041,983</b>	<b>16,081,960</b>	<b>680,363</b>	<b>156,325,771</b>
<b>(22,794,980)</b>	<b>(14,176,552)</b>	<b>(271,500)</b>	<b>(30,755,937)</b>
-	1,684,225	-	1,743,987
-	-	-	281,742
-	-	-	(506,859)
-	1,684,225	-	1,518,870
<b>(22,794,980)</b>	<b>(12,492,327)</b>	<b>(271,500)</b>	<b>(29,237,067)</b>
<b>69,528,793</b>	<b>78,247,452</b>	<b>6,655,548</b>	<b>206,354,642</b>
<b>46,733,813</b>	<b>65,755,125</b>	<b>6,384,048</b>	<b>177,117,575</b>

**METRO**

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

For the fiscal year ended June 30, 2014

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

Net change in fund balances-total governmental funds	\$	(29,237,067)
<p>Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlays exceeded depreciation expense in the current period.</p>		
Expenditures for capital assets	39,744,898	
Less current year depreciation	<u>(5,982,982)</u>	33,761,916
<p>In the statement of activities, only the gain or 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 position differs from the change in fund balance by the book values of the assets disposed.</p>		
		(1,889,800)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue-property taxes	261,061	
Change in unavailable revenue-other	<u>(2,882)</u>	258,179
<p>An internal service fund is used by management to charge the costs of insurance and risk management to individual funds. The net revenue of certain activities of the internal service fund is included in governmental activities in the statement of activities.</p>		
		(446,467)
<p>The issuance of long-term debt provides current financial resources to governmental funds, but issuance of debt increases long-term liabilities in the statement of net position. 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 position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas premiums and discounts are deferred and amortized in the statement of activities. These are the effects of these differences in the treatment of long-term debt and related items.</p>		
Principal payments on bonds	27,320,000	
Amortization of unamortized premium or discount	<u>2,907,631</u>	30,227,631
<p>Expenses in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the funds.</p>		
Other postemployment benefits	(125,818)	
Compensated absences	(35,337)	
Amortization of deferred charge on refunding	(326,298)	
Amortization of net pension asset	(1,059,810)	
Accrued interest on long-term debt	<u>134,562</u>	(1,412,701)
Change in net position of governmental activities	\$	<u><u>31,261,691</u></u>

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

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# Fund Financial Statements

## Proprietary Funds

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### 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 Portland's. The principal sources of revenue are charges for services and local government shared revenue. Expenses consist primarily of management, marketing and operation costs. This fund consists of two budgetary funds (MERC Fund and General Revenue Bond Fund-Expo) that are combined as one Enterprise Fund to be in accordance with accounting principles generally accepted in the United States of America.

### Internal Service Fund

#### *Risk Management Fund*

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

**METRO**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2014**

	<u>Business-type Activities-</u> <u>Enterprise Funds</u>			<u>Governmental</u> <u>Activities-</u> <u>Internal</u> <u>Service Fund</u>
	<u>Solid Waste</u>	<u>MERC</u>	<u>Total</u>	<u>Risk</u> <u>Management</u>
<b>ASSETS</b>				
Current assets:				
Equity in internal cash and investment pool	\$ 40,186,148	30,938,269	71,124,417	3,567,356
Receivables:				
Trade	5,359,536	1,418,861	6,778,397	-
Other	1,324,948	6,954,509	8,279,457	(2,170)
Interest	48,565	34,959	83,524	4,200
Grants	-	192,873	192,873	-
Inventories	270,884	-	270,884	-
Prepaid items	99,185	3,312	102,497	-
<b>Total current assets</b>	<b>47,289,266</b>	<b>39,542,783</b>	<b>86,832,049</b>	<b>3,569,386</b>
Noncurrent assets:				
Restricted equity in internal cash and investment pool	-	3,734,868	3,734,868	-
Capital assets, net	28,536,564	160,442,642	188,979,206	-
<b>Total noncurrent assets</b>	<b>28,536,564</b>	<b>164,177,510</b>	<b>192,714,074</b>	<b>-</b>
<b>Total assets</b>	<b>75,825,830</b>	<b>203,720,293</b>	<b>279,546,123</b>	<b>3,569,386</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding	-	448,366	448,366	-
<b>Total deferred outflows of resources</b>	<b>-</b>	<b>448,366</b>	<b>448,366</b>	<b>-</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	3,578,862	3,839,438	7,418,300	146,112
Salaries, withholdings and payroll taxes payable	581,783	785,140	1,366,923	-
Contracts payable	-	68,620	68,620	-
Accrued interest payable	-	37,237	37,237	-
Accrued self-insurance claims	-	-	-	933,000
Unearned revenue	440	4,272,224	4,272,664	-
Deposits payable	-	2,221,620	2,221,620	-
Other liabilities	-	30,281	30,281	-
Due to other funds	-	220,000	220,000	-
Bonds payable-current	-	735,000	735,000	-
Post-closure costs payable-current	568,392	-	568,392	-
Compensated absences-current	508,004	571,778	1,079,782	-
<b>Total current liabilities</b>	<b>5,237,481</b>	<b>12,781,338</b>	<b>18,018,819</b>	<b>1,079,112</b>

METRO  
Statement of Net Position  
Proprietary Funds, *continued*  
June 30, 2014

	<u>Business-type Activities- Enterprise Funds</u>		<u>Total</u>	<u>Governmental Activities- Internal Service Fund</u>
	<u>Solid Waste</u>	<u>MERC</u>		<u>Risk Management</u>
<b>LIABILITIES, <i>Continued</i></b>				
Noncurrent liabilities:				
Bonds payable (net of unamortized premium or discount)	\$ -	9,622,673	9,622,673	-
Advances from other funds	-	1,259,916	1,259,916	-
Net other postemployment benefits obligation	355,638	561,061	916,699	-
Post-closure costs payable	7,272,884	-	7,272,884	-
Pollution remediation obligation	830,402	78,000	908,402	-
Compensated absences	-	84,998	84,998	-
Total non-current liabilities	8,458,924	11,606,648	20,065,572	-
Total liabilities	13,696,405	24,387,986	38,084,391	1,079,112
<b>NET POSITION</b>				
Net investment in capital assets	28,536,564	150,533,335	179,069,899	-
Restricted for:				
Capital projects	-	3,734,868	3,734,868	-
Unrestricted	33,592,861	25,512,470	59,105,331	2,490,274
Total net position	\$ 62,129,425	179,780,673	241,910,098	2,490,274
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(2,113,183)	
Net position of business-type activities			\$ 239,796,915	

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

**METRO**

Statement of Revenues, Expenses and Changes in Net Position  
 Proprietary Funds  
 For the fiscal year ended June 30, 2014

	Business-type Activities- Enterprise Funds		Total	Governmental Activities- Internal Service Fund Risk Management
	Solid Waste	MERC		
<b>OPERATING REVENUES</b>				
Charges for services	\$ 58,507,988	35,091,156	93,599,144	219,496
Internal charges for services	75,504	-	75,504	1,477,314
<b>Total operating revenues</b>	<b>58,583,492</b>	<b>35,091,156</b>	<b>93,674,648</b>	<b>1,696,810</b>
<b>OPERATING EXPENSES</b>				
Payroll and fringe benefits	9,612,052	16,353,016	25,965,068	-
Depreciation and amortization	2,229,936	5,792,450	8,022,386	-
Administration	4,604,751	3,315,935	7,920,686	-
Facility operations	14,333,349	10,469,878	24,803,227	-
Marketing	-	3,414,742	3,414,742	-
Food and beverage	-	12,249,938	12,249,938	-
Disposal fees	9,149,544	-	9,149,544	-
Waste transport	10,195,754	-	10,195,754	-
Special waste disposal fees	804,224	-	804,224	-
Landfill post-closure (reduction)	(785,185)	-	(785,185)	-
Consulting services	2,135,111	821,132	2,956,243	-
Charges for services	1,863,929	142,347	2,006,276	-
Insurance	-	-	-	694,196
Claims	-	-	-	992,898
Actuarial claims (reduction)	-	-	-	502,073
Other materials and services	674,658	-	674,658	32,541
<b>Total operating expenses</b>	<b>54,818,123</b>	<b>52,559,438</b>	<b>107,377,561</b>	<b>2,221,708</b>
<b>Operating income (loss)</b>	<b>3,765,369</b>	<b>(17,468,282)</b>	<b>(13,702,913)</b>	<b>(524,898)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Investment income	243,299	173,353	416,652	21,668
Grants	80,000	454,755	534,755	93,434
Local government shared revenue	-	15,748,940	15,748,940	-
Government contributions	-	814,794	814,794	-
Contributions and donations	-	85,000	85,000	-
Contributions to other governments	-	(643,700)	(643,700)	-
Gain (loss) on disposal of capital assets	(277,526)	5,190	(272,336)	-
Waste reduction grants	(1,657,060)	-	(1,657,060)	-
Interest expense	-	(509,320)	(509,320)	-
<b>Total non-operating revenues (expenses)</b>	<b>(1,611,287)</b>	<b>16,129,012</b>	<b>14,517,725</b>	<b>115,102</b>
<b>Income (loss) before transfers</b>	<b>2,154,082</b>	<b>(1,339,270)</b>	<b>814,812</b>	<b>(409,796)</b>
Transfers in	88,226	418,633	506,859	-
Transfers out	-	-	-	(281,742)
<b>Change in net position</b>	<b>2,242,308</b>	<b>(920,637)</b>	<b>1,321,671</b>	<b>(691,538)</b>
<b>Total net position - July 1, 2013</b>	<b>59,887,117</b>	<b>180,701,310</b>		<b>3,181,812</b>
<b>Total net position - June 30, 2014</b>	<b>\$ 62,129,425</b>	<b>179,780,673</b>		<b>2,490,274</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(245,071)	
Change in net position of business-type activities			\$ 1,076,600	

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

**METRO**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the fiscal year ended June 30, 2014**

	<b>Business-type Activities- Enterprise Funds</b>			<b>Governmental Activities- Internal Service Fund Risk Management</b>
	<b>Solid Waste</b>	<b>MERC</b>	<b>Total</b>	
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ 57,980,228	35,939,263	93,919,491	419,536
Receipts from interfund services provided	-	-	-	1,057,778
Other operating receipts	-	-	-	219,496
Payments to suppliers for goods and services	(40,162,197)	(23,570,795)	(63,732,992)	(734,105)
Payments for claims	-	-	-	(992,898)
Payments to employees for services	(9,364,257)	(16,331,014)	(25,695,271)	-
Payments for interfund services used	(4,604,751)	(3,315,935)	(7,920,686)	-
<b>Net cash provided by (used in) operating activities</b>	<b>3,849,023</b>	<b>(7,278,481)</b>	<b>(3,429,458)</b>	<b>(30,193)</b>
<b>Cash flows from noncapital financing activities:</b>				
Grants received	80,000	261,882	341,882	158,992
Local government shared revenues	-	15,603,340	15,603,340	-
Government contributions	-	814,794	814,794	-
Contributions and donations	-	85,000	85,000	-
Contributions to other governments	-	(643,700)	(643,700)	-
Grants to others	(1,657,060)	-	(1,657,060)	-
Interfund loan proceeds received	-	1,919,916	1,919,916	-
Principal payments on interfund loans	-	(440,000)	(440,000)	-
Interest payments on interfund loans	-	(2,064)	(2,064)	-
Transfers from other funds	88,226	418,633	506,859	-
Transfers to other funds	-	-	-	(281,742)
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>(1,488,834)</b>	<b>18,017,801</b>	<b>16,528,967</b>	<b>(122,750)</b>
<b>Cash flows from capital and related financing activities:</b>				
Principal payment on bonds	-	(705,000)	(705,000)	-
Interest payments	-	(483,650)	(483,650)	-
Acquisition and construction of capital assets	(358,416)	(4,022,799)	(4,381,215)	-
Proceeds from sale of capital assets	51,138	5,190	56,328	-
<b>Net cash used in capital and related financing activities</b>	<b>(307,278)</b>	<b>(5,206,259)</b>	<b>(5,513,537)</b>	<b>-</b>
<b>Cash flows from investing activities:</b>				
Investment income	272,034	189,286	461,320	24,917
<b>Net cash provided by investing activities</b>	<b>272,034</b>	<b>189,286</b>	<b>461,320</b>	<b>24,917</b>
<b>Net increase (decrease) in cash including restricted amounts</b>	<b>2,324,945</b>	<b>5,722,347</b>	<b>8,047,292</b>	<b>(128,026)</b>
Cash at beginning of year including restricted amounts	37,861,203	28,950,790	66,811,993	3,695,382
<b>Cash at end of year including restricted amounts</b>	<b>\$ 40,186,148</b>	<b>34,673,137</b>	<b>74,859,285</b>	<b>3,567,356</b>

(Continued)

METRO  
Statement of Cash Flows  
Proprietary Funds, *continued*  
For the fiscal year ended June 30, 2014

	<b>Business-type Activities- Enterprise Funds</b>			<b>Governmental Activities- Internal Service Fund</b>
	<b>Solid Waste</b>	<b>MERC</b>	<b>Total</b>	<b>Risk Management</b>
Equity in internal cash and investment pool	\$ 40,186,148	30,938,269	71,124,417	3,567,356
Restricted equity in internal cash and investment pool	-	3,734,868	3,734,868	-
<b>Total</b>	<b>\$ 40,186,148</b>	<b>34,673,137</b>	<b>74,859,285</b>	<b>3,567,356</b>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 3,765,369	(17,468,282)	(13,702,913)	(524,898)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	2,229,936	5,792,450	8,022,386	-
Change in assets and liabilities:				
Trade/other accounts receivable	(603,263)	848,108	244,845	-
Inventories	2,343	-	2,343	-
Prepaid items	(97,929)	(3,242)	(101,171)	-
Accounts payable	(252,915)	1,482,080	1,229,165	(7,368)
Salaries, withholdings and payroll taxes payable/compensated absences	247,795	22,002	269,797	-
Contracts payable	-	68,620	68,620	-
Accrued self-insurance claims	-	-	-	502,073
Unearned revenue	-	2,867,811	2,867,811	-
Deposits payable	(1)	(243,186)	(243,187)	-
Other liabilities	-	(644,842)	(644,842)	-
Post-closure costs payable	(1,339,714)	-	(1,339,714)	-
Pollution remediation obligation	(102,598)	-	(102,598)	-
<b>Total adjustments</b>	<b>83,654</b>	<b>10,189,801</b>	<b>10,273,455</b>	<b>494,705</b>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 3,849,023</b>	<b>(7,278,481)</b>	<b>(3,429,458)</b>	<b>(30,193)</b>
<b>Noncash investing, capital, and financing activities:</b>				
Increase (decrease) in the fair value of investments	\$ 1,134	(9,396)	(8,262)	679

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

**I. HISTORICAL INTRODUCTION**

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

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

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

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

**II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**A. THE REPORTING ENTITY****1. Primary Government**

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

## 2. Discretely Presented Component Unit

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

## B. BASIC FINANCIAL STATEMENTS

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

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

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

## C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using *an economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. All transactions affecting increases (revenues) and decreases (expenses) in total net position 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*. Governmental funds’ operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) of net current position 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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 plus deferred outflows of resources, or liabilities plus deferred inflows of resources (excluding extraordinary items) are at least 10 percent of corresponding totals for all governmental or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds for the same item. Additional funds may be reported as a major fund if Metro's officials believe that fund is particularly important to financial statement users. Metro reports the following major governmental funds:

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

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

*Parks and Natural Areas Local Option Levy Fund* – This fund was established to account for a special five-year tax levy to provide funds to operate and maintain regional parks and natural areas. Specifically, funds will be used to improve water quality and restore wildlife habitat, wetlands and floodplains.

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

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

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

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

Metro reports the following major proprietary funds:

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

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

*MERC Fund* – This fund accounts for revenues and expenses related to the management and operation of facilities managed by MERC, including the Metro owned Oregon Convention Center (OCC) and the Portland Expo 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’s Centers for the Arts (Portland’s). 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

#### Capital Projects Fund

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

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

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

## **D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCES**

### **1. Cash and Investments**

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

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

As authorized by State statutes, policies recommended by Metro's Investment Advisory Board and adopted by the Metro Council authorize Metro to invest in obligations of U.S. government agencies, U.S. Government Sponsored Enterprises (USGSE), the U.S. Treasury, certificates of deposit, repurchase agreements, money market investments, bankers' acceptances, commercial paper, certain corporate promissory notes, State of Oregon and local government securities, debt obligations of the States of California, Idaho and Washington and their political subdivisions, and the State Treasurer's Local Government Investment Pool (LGIP).

### **2. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at fiscal year-end are referred to as "due to/from other funds" (short-term) and "advances to/from other funds" (long-term) in the fund financial statements. The residual balances outstanding between governmental activities and business-type activities, along with the other interfund balances described above, 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 unavailable 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 2014 allocated indirect costs to grants at a rate of approximately 31 percent of the related direct personnel costs.

### **3. Inventories and Prepaid Items**

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

#### 4. Animal Collections

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

#### 5. Transit-Oriented Development (TOD) Program Easements

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

#### 6. Restricted Assets

Resources for future payment of bonds and certain long-term liabilities or activities have been classified as restricted assets on the statement of net position because their use is limited by certain applicable agreements or state laws. Assets of the Parks and Natural Areas Local Option Levy Fund are restricted by Measure 26-152, a voter-approved five-year local option property tax levy. Assets of the Debt Service, Oregon Zoo Infrastructure and Animal Welfare, Natural Areas, and Open Spaces Funds are restricted by state law controlling the use of bond proceeds. Assets of the Smith and Bybee Lakes Fund and a portion of the General Fund related to the TOD program are restricted by contractual agreements with third parties. Assets of the Rehabilitation and Enhancement and the Cemetery Perpetual Care Funds are restricted by state law and/or Metro Code.

#### 7. Capital Assets

Capital assets, which include land, intangible easements, artwork, construction in progress, buildings and exhibits, improvements, equipment and vehicles, intangible software, office furniture and equipment, and railroad equipment and facilities, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined as assets with an initial cost of \$10,000 or more, 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. Replacements exceeding \$10,000 that improve or extend the lives of property are capitalized.

Capital assets are recorded as capital outlay expenditures in the governmental funds statements when purchased. Capital assets in the enterprise and internal service funds are capitalized when purchased. Interest expense (net of interest earned on the invested proceeds over the period of construction) incurred during construction of capital assets of business-type activities is capitalized as part of the cost of the constructed asset. No interest was capitalized in fiscal year 2014.

## METRO

### Notes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2014

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

<u>Asset</u>	<u>Years</u>
Buildings and exhibits	20-50
Improvements	10-65
Equipment and vehicles	8-20
Intangible-software	5-20
Office furniture and equipment	5-20
Railroad equipment and facilities	10

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

#### **8. Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position reports a separate section for *deferred outflows of resources*, which represents a consumption of net position that applies to future periods and so will *not* be recognized as an outflow of resources (expense/expenditure) until that time. Metro has one such item, the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position reports a separate section for *deferred inflows of resources*, which represents an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. Metro has one type of this item, *unavailable revenue*, which arises only under a modified accrual basis of accounting and so is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and fines and forfeits revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

#### **9. Long-term Obligations**

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

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.

#### **10. 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. The amount due within one year is estimated on a historical average of leave taken during a fiscal year. Accumulated sick leave does not vest and is, therefore, recorded in all funds when leave is taken.

## 11. Fund Balances and Net Position

Fund balance is classified in the governmental fund financial statements in five components to give users information necessary to understand any constraints imposed upon the resources and how those constraints may be modified or eliminated. Fund balance is classified as *nonspendable* when amounts cannot be spent because they are either in nonspendable form, such as prepaid expenditures, long-term receivables, or inventory, or are legally required to remain intact, such as the corpus of a permanent fund. Amounts classified as *restricted* fund balance are amounts with constraints imposed externally by creditors, grantors, contributors, or the laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The Metro Council is the highest level of decision-making authority for Metro that can, by adopting an ordinance, place constraints on resources that are reported as *committed* fund balance. These commitments can be modified or rescinded only by Council adoption of subsequent ordinances. *Assigned* fund balances are amounts intended to be used for specific purposes but do not meet the criteria to be classified as committed. Metro Council has, by resolution, authorized the Chief Operating Officer to assign fund balance. *Unassigned* fund balance is available for other uses and only the general fund may report a positive unassigned fund balance amount. It is Metro's policy to use restricted resources first, then unrestricted resources as needed when both restricted and unrestricted resources are available for use. Within unrestricted amounts, committed amounts are considered to have been spent first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

In the government-wide statement of net position and the statement of net position for proprietary funds, limitations on how the net position 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.

### III. 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 Position

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

	<b>Capital assets</b>	<b>Other long-term assets</b>	<b>Long-term liabilities/deferred outflows</b>
Capital assets	\$ 486,024,045	-	-
Accumulated depreciation	(80,774,194)	-	-
Unavailable property tax/other revenue	-	2,822,077	-
Accrued interest payable	-	-	(1,055,435)
Bonds payable (net of unamortized premium/discount)	-	-	(271,636,537)
Net other postemployment benefits obligation	-	-	(1,195,623)
Compensated absences	-	-	(2,574,454)
Deferred charge on refunding	-	-	1,493,175
Net adjustment to fund balance-total governmental funds to arrive at net position-governmental activities	\$ 405,249,851	2,822,077	(274,968,874)

### IV. DETAILED NOTES ON ALL FUNDS

#### A. CASH AND INVESTMENTS

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

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

**METRO**

Notes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2014

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 Position includes the internal pool reported below. The OZF component unit does not participate in the internal investment pool of Metro. As of June 30, 2014, Metro had the following investments and maturities:

Investment Type	Held by		Fair Value	Investment Maturities (in months)		
	Individual funds	Internal pool		Less than 3	3-17	18-59
Bankers' Acceptances	\$ 8,348,366	-	8,348,366	7,776,478	571,888	-
U.S. Government securities - USGSE	87,154,227	75,804,591	162,958,818	32,206,574	130,752,244	-
Corporate Debt	-	9,419,375	9,419,375	-	9,419,375	-
State Treasurer's investment pool	9,486,180	36,155,885	45,642,065	45,642,065	-	-
Total Investments	104,988,773	121,379,851	226,368,624	85,625,117	140,743,507	-
Cash deposits	-	33,051,540				
Total cash and investments	104,988,773	154,431,391				
Per statement of net position:						
Unrestricted	-	109,143,360				
Restricted	104,988,773	45,288,031				
Total	\$ 104,988,773	154,431,391				

**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** – Metro's investment policy seeks to minimize credit risk through measures such as diversification, pre-qualification, and active monitoring of the portfolio. Neither Oregon Revised Statutes nor Metro investment policy limits investments as to credit rating for securities purchased from U.S. Government Agencies or from USGSE. Metro's Investments in USGSE were rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service (Moody's). 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 the Federal Reserve System, and issued by a qualified financial institution whose short-term letter of credit rating is rated in the highest category by one or more nationally recognized statistical rating organizations.

**METRO**

Notes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2014

**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 Metro investment policy which specifies the requirements of Oregon statutes. Oregon Revised Statutes Chapter 295 governs the collateralization of Oregon public funds and provides the statutory requirements for the Public Funds Collateralization Program, a collateral pool administered by the Oregon State Treasurer. Bank depositories are required to pledge collateral against any public funds deposits in excess of federal deposit insurance amounts. The Oregon Treasury monitors each depository bank and ensures compliance with collateralization requirements for all Oregon public fund deposits. Banks are able to pledge a reduced amount if they are well capitalized; and in turn, the banks are required to share in the liability of a failed institution, should it ever occur. Public entities are required to verify that deposit accounts in excess of federal deposit insurance limits are maintained only at financial institutions included on the list of qualified depositories found on the Treasurer’s web site. It is the responsibility of the public official to ensure compliance with these requirements in order to eliminate personal liability in the event of a bank loss. Metro also monitors its depository institutions for indications of financial health. At June 30, 2014, all of Metro’s deposits were insured as described above.

For investments, custodial credit risk is the risk that, in the event of failure of the counterparty, Metro will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Metro’s investment policy requires that all trades are executed by delivery vs. payment to ensure that securities are deposited for safekeeping in an eligible financial institution prior to the release of funds. As of June 30, 2014, Metro had no investments that were held by either counterparty or the counterparty’s trust department agent. Therefore, Metro has no outstanding investments that were exposed to custodial credit risk.

**Concentration of Credit Risk** – To avoid incurring unreasonable risks inherent in over-investing in specific instruments or in individual financial institutions, Metro’s investment policy sets maximum limits on the percentage of the portfolio that can be invested in any one type of security. In addition, Oregon Revised Statutes require no more than 25 percent of the moneys of a local government to be invested in bankers’ acceptances of any qualified financial institution. At June 30, 2014 Metro was in compliance with all percentage restrictions. More than 5 percent of Metro’s total investments are in securities by the following issuers:

Issuer	Percentage of Total Investments (Total Entity Concentration)	Policy Allowed Maximum	Fund Concentrations Exceeding Total Entity Concentration	
			Oregon Zoo Infrastructure Fund	Natural Areas Fund
Federal Farm Credit Bank (FFCB)	17.4%	40.0%	27.9%	-
Federal Home Loan Bank (FHLB)	16.9%	40.0%	-	29.7%
Federal Home Loan Mortgage Corp (FHLMC)	6.3%	40.0%	17.0%	-
Federal Agricultural Mortgage Corp (FAMC)	9.1%	40.0%	-	13.0%
Federal National Mortgage Association (FNMA)	17.9%	40.0%	-	40.3%
State Treasurer’s Investment Pool	20.2%	100.0%	-	-

**B. ASSETS HELD FOR RESALE**

Acquisition and improvements to real property that is purchased with the intent to sell to private-sector purchasers meeting certain criteria under Metro's TOD program are reported in governmental activities in the statement of net position 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:

<b>Property Name</b>	<b>Address</b>	<b>Amount</b>
Westgate	3950 SW Cedar Hills Boulevard, Beaverton, OR	\$ 2,000,000
Milwaukie Town Center	10700 SE McLoughlin Boulevard, Milwaukie, OR	409,186
Gresham Civic	NW Civic Drive & NW 15th, Gresham, OR	5,129,026
The Crossings	Section 4, Township 1, South Range 3 East (Parcel 2), Gresham, OR	355,850
		<u>\$ 7,894,062</u>

**C. LOANS RECEIVABLE**

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

<b>Maximum Term</b>	<b>Interest Rate</b>	<b>Loan Receivable</b>	<b>First Annual Payment</b>	<b>Last Annual Payment</b>
50 years	0 to 1%	\$ 600,980	March 15, 2026	March 15, 2056
50 years	0 to 1%	386,892	March 1, 2028	March 1, 2058
	Total	<u>\$ 987,872</u>		

Loans receivable are not discounted in accordance with guidance in GASB Statement No. 62.

**METRO**

Notes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2014

**D. CAPITAL ASSETS**

Capital asset balances and activity for fiscal year 2014 were as follows:

	Balance July 1, 2013	Increases	Decreases	Transfers	Balance June 30, 2014
<b>Governmental activities:</b>					
Capital assets, non-depreciable:					
Land	\$ 238,572,641	4,983,069	(370,327)	(36,629)	243,148,754
Intangible-easements	8,266,376	1,333,254	(4,076)	(168,504)	9,427,050
Artwork	557,423	76,243	-	76,842	710,508
Construction in progress	31,257,908	29,492,641	(160,146)	(11,838,018)	48,752,385
Total non-depreciable	278,654,348	35,885,207	(534,549)	(11,966,309)	302,038,697
Capital assets, depreciable:					
Buildings and exhibits	120,805,612	1,997,146	(2,878,794)	9,522,789	129,446,753
Improvements	32,477,027	210,873	(768,505)	1,597,442	33,516,837
Equipment and vehicles	10,113,091	1,071,274	(416,314)	606,011	11,374,062
Intangible-software	4,317,370	353,598	-	207,365	4,878,333
Office furniture and equipment	2,581,588	159,053	(14,281)	32,702	2,759,062
Railroad equipment and facilities	2,010,113	67,747	(67,559)	-	2,010,301
Total depreciable	172,304,801	3,859,691	(4,145,453)	11,966,309	183,985,348
Accumulated depreciation:					
Buildings and exhibits	(49,337,771)	(3,103,891)	1,552,619	-	(50,889,043)
Improvements	(15,688,736)	(1,413,244)	768,276	-	(16,333,704)
Equipment and vehicles	(5,804,303)	(758,741)	388,010	-	(6,175,034)
Intangible-software	(3,114,226)	(390,371)	-	-	(3,504,597)
Office furniture and equipment	(1,639,632)	(256,915)	13,737	-	(1,882,810)
Railroad equipment and facilities	(1,996,746)	(59,820)	67,560	-	(1,989,006)
Total accumulated depreciation	(77,581,414)	(5,982,982)	2,790,202	-	(80,774,194)
Total capital assets, depreciable, net	94,723,387	(2,123,291)	(1,355,251)	11,966,309	103,211,154
Governmental activities					
capital assets, net	\$ 373,377,735	33,761,916	(1,889,800)	-	405,249,851

**METRO**

Notes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2014

	Balance July 1, 2013	Increases	Decreases	Transfers	Balance June 30, 2014
<b>Business-type activities:</b>					
Capital assets, non-depreciable:					
Land	\$ 19,329,786	-	-	-	19,329,786
Artwork	823,121	-	-	-	823,121
Construction in progress	802,070	2,841,954	-	(358,366)	3,285,658
<b>Total non-depreciable</b>	<b>20,954,977</b>	<b>2,841,954</b>	<b>-</b>	<b>(358,366)</b>	<b>23,438,565</b>
Capital assets, depreciable:					
Buildings and exhibits	278,930,791	868,965	-	67,947	279,867,703
Improvements	17,512,974	49,700	-	-	17,562,674
Equipment and vehicles	19,073,147	333,637	(1,781,679)	290,419	17,915,524
Intangible-software	1,441,647	187,033	-	-	1,628,680
Office furniture and equipment	788,241	99,926	-	-	888,167
<b>Total depreciable</b>	<b>317,746,800</b>	<b>1,539,261</b>	<b>(1,781,679)</b>	<b>358,366</b>	<b>317,862,748</b>
Accumulated depreciation:					
Buildings and exhibits	(115,551,812)	(6,047,415)	-	-	(121,599,227)
Improvements	(15,603,087)	(155,631)	-	-	(15,758,718)
Equipment and vehicles	(13,379,101)	(1,168,131)	1,453,015	-	(13,094,217)
Intangible-software	(851,552)	(541,460)	-	-	(1,393,012)
Office furniture and equipment	(367,184)	(109,749)	-	-	(476,933)
<b>Total accumulated depreciation</b>	<b>(145,752,736)</b>	<b>(8,022,386)</b>	<b>1,453,015</b>	<b>-</b>	<b>(152,322,107)</b>
<b>Total capital assets, depreciable, net</b>	<b>171,994,064</b>	<b>(6,483,125)</b>	<b>(328,664)</b>	<b>358,366</b>	<b>165,540,641</b>
Business-type activities					
capital assets, net	\$ 192,949,041	(3,641,171)	(328,664)	-	188,979,206

An agreement between the City of Portland and Metro regarding the real property at the Zoo provides that the property must be used for zoo or zoo related purposes and, if such property ceases to be used for such purposes or is used for other purposes, title reverts to the City. Metro was in compliance with this agreement for the fiscal year ended June 30, 2014.

Capital assets for MERC are those of Metro-owned facilities. Capital assets used in operating the Portland's are not included in the statement of net position 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.

**METRO**Notes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2014

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government operations	\$ 881,155
Culture and recreation	1,967,337
Zoo	3,134,490
<u>Total depreciation expense - governmental activities</u>	<u>\$ 5,982,982</u>
Business-type activities:	
Solid Waste	\$ 2,229,936
MERC	5,792,450
<u>Total depreciation expense - business-type activities</u>	<u>\$ 8,022,386</u>

**E. UNEARNED REVENUE**

Unearned revenue is reported for resources that have been received, but not yet earned. The details of these amounts at June 30, 2014 were:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Advance ticket sales/registrations	\$ 1,607,476	3,853,313
Advance lease revenue	-	212,441
Unredeemed gift certificates	27,426	206,910
Grant and contract drawdowns prior to meeting all eligibility requirements	3,513,109	-
<u>Total</u>	<u>\$ 5,148,011</u>	<u>4,272,664</u>

**F. DEFERRED COMPENSATION PLAN**

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

**G. PENSION PLAN****1. Defined Benefit Plan Description**

Metro employees hired after August 28, 2003, participate in the Oregon Public Service Retirement Plan (OPSRP), which is part of the Public Employees Retirement System (PERS). Employees hired on or before this date are PERS members. Substantially all full time employees, and other employees who meet certain eligibility requirements, are participants in one of these plans, which are both cost-sharing multiple employer defined benefit pension plans. Benefits 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.

## METRO

### Notes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2014

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

## 2. Funding Policy

Employer contributions to both the OPSRP and PERS plans are required by state statute and are made at actuarially determined rates as adopted by the OPERB. Actuarial valuations are performed at least every two years. Metro participates in the PERS state and local government rate pool as created by the Legislature. Under the provisions of state statutes, all covered employees, except elected officials, are required to contribute 6.0 percent of their gross earnings to OPSRP/PERS. The required employee contribution is paid by Metro for some employees in conformance with personnel policies and labor agreements. Metro's current required employer contribution rates, based on the 2011 valuation, and adjusted by the Legislature via Senate Bill 822, are 7.03 percent of covered employees' salaries for the OPSRP plan, and 8.94 percent for the PERS plan.

## 3. Annual Pension Cost/Pension Asset

For fiscal year 2014, Metro's annual pension cost was \$5,296,547. This amount consisted of Metro's actual required contributions of \$1,688,185 to the OPSRP plan and \$2,548,552 for the PERS plan, as well as \$1,059,810 in amortization of pension assets of the PERS plan. In addition, Metro paid \$2,375,449 for the 6.0 percent employee contribution as described above. The pension asset is the result of issuance in prior years of limited tax pension obligation bonds to finance Metro's unfunded actuarial accrued liability. Metro's pension asset equaled \$14,749,028 at June 30, 2014. Metro's required employer contribution was determined as part of an actuarial valuation at December 31, 2011, as amended by Senate Bill 822.

Three-year historical trend information:

Fiscal year ended June 30:	OPSRP Plan		PERS Plan	
	Annual Pension Cost (APC)	Percentage of APC Contributed	Annual Pension Cost (APC)	Percentage of APC Contributed
2012	1,387,930	100%	3,881,097	100%
2013	1,402,830	100%	3,685,227	100%
2014	1,688,185	100%	3,608,362	100%

## H. OTHER POSTEMPLOYMENT BENEFITS

### 1. Plan Description

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

**METRO**Notes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2014

**2. Funding Policy**

Metro has not established a trust fund for future net OPEB obligations. At June 30, 2014, 26 retirees and spouses were paying premiums through Metro for health insurance coverage. Metro's required contribution is based on projected pay-as-you-go financing requirements. The Metro Council is the authority for setting and modifying the funding policy. Metro contributed an estimated \$199,093 of implicit subsidies in postemployment health care in fiscal year 2014.

**3. Annual OPEB Cost/Net OPEB Obligation**

Metro's annual OPEB cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the guidance of GASB Statement No. 45. The ARC is equal to the normal cost plus an amount to amortize the unfunded actuarial accrued liability (UAAL) as a level dollar amount over 15 years. A schedule of Metro's annual OPEB Obligation for the fiscal year ended June 30, 2014 is:

Annual Required Contribution (ARC)	\$ 508,205
Interest on prior year Net OPEB Obligation	66,562
Adjustment to ARC	(165,121)
Annual OPEB cost	409,646
Estimated benefits payments	(199,093)
Increase in Net OPEB Obligation	210,553
Net OPEB Obligation – beginning of year	1,901,769
Net OPEB Obligation – end of year	\$ 2,112,322
Percentage of annual OPEB cost contributed	49%

Additional information for fiscal year 2014 and the two preceding years is:

<b>Fiscal year ended June 30:</b>	<b>Annual OPEB Cost</b>	<b>Percentage of OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2012	\$ 401,430	33%	\$ 1,635,466
2013	416,036	36%	1,901,769
2014	409,646	49%	2,112,322

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

**4. Funding Status/Funding Progress**

As of July 1, 2013, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$3,348,685, and the actuarial value of assets was zero, resulting in an UAAL of \$3,348,685. The covered payroll was \$52,521,307 for fiscal year 2014, and the UAAL as a percentage of covered payroll was 6.4 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required

contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

## 5. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the July 1, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. This method attempts to track the actual economic pattern of benefit accrual over an employee's working lifetime. Significant actuarial assumptions used in the valuation include an inflation rate of 2.75 percent, a discount rate of 3.5 percent, and health care cost trend rate that varies from an initial rate of 8.0 percent to a low of 5.25 percent in 2064 and thereafter for the major medical component, which is representative of the entire plan. Metro's UAAL is being amortized using the level-dollar method with an open 15 year amortization methodology. The remaining amortization period at June 30, 2014, is 15 years.

## I. COMMITMENTS

### 1. Columbia Ridge Landfill

Metro has a waste disposal services contract with the owner and operator of Columbia Ridge Landfill in Gilliam County, Oregon for disposal of solid waste from the transfer stations owned by Metro. This contract expires December 31, 2019. The contract specifies a per ton unit price schedule that is adjusted annually on July 1 in an amount equivalent to 90 percent of the CPI, minus one-half of a percentage point. For fiscal year 2014, this resulted in a contracted per ton unit price of \$25.84 for the first 550,000 tons and a declining incremental price scale for each ton of waste in excess of 550,000 tons.

### 2. Waste Transport

Solid waste transport from Metro facilities to Columbia Ridge Landfill and other disposal sites is privately contracted through December 31, 2019. The contract specifies a per load unit price that is adjusted annually on July 1 in an amount equivalent to 75 percent of the CPI. In addition, the contract calls for Metro to reimburse the contractor for the cost of shuttle fuel used at the transfer stations. The fuel price is highly variable and tied to a weekly index, but historically has added \$10 to \$15 to the cost of each load. For fiscal year 2014, the unit load price equated to a rate of \$629.31 (equivalent to about \$18.40 per ton). Metro has a separate contract with a fuel provider for over-the-road diesel fuel. This contract sets a price per gallon that is tied to a national weekly fuel index. The current fuel contract expires on September 30, 2015.

The contract includes supplemental payments to the contractor and rebates to Metro based on annual waste volumes delivered to Columbia Ridge Landfill. The contractor receives a supplemental payment equal to 3.5 percent of the contract amount paid during the previous calendar year if landfilled tonnage was 450,000 tons or less during the same calendar year. Metro receives a 3.5 percent rebate on those payments if tonnage was greater than 500,000 tons. Total supplemental payments and bonuses are both capped at \$1,500,000 over the life of the contract. Metro made a supplemental payment of \$247,808 in fiscal year 2014.

### 3. Metro South Station

The operation of Metro South, a solid waste transfer station and materials recovery facility, is privately contracted through March 31, 2017. For fiscal year 2014, the agreement sets an annual fixed payment of \$987,512, a price of \$5.08 per ton of putrescible waste, a price of \$11.55 per ton of non-putrescible waste, and prices for other, smaller waste streams such as yard debris and wood. The contractor also receives incentives for materials recovered from the waste stream and not sent to Columbia Ridge Landfill. The contract addresses compensation and obligations for handling source-separated food waste mixed with yard debris (“residential organics”) generated by households in the City of Portland. For fiscal year 2014 Metro paid \$51.73 per ton for the first 40,000 tons of residential organics, and a declining rate for greater quantities. This figure includes the cost of transfer, transport and processing at a remote composting site. The contractor provides transfer services and arranges for transport and processing. All contract rates are adjusted annually on July 1 in an amount equivalent to 85 percent of the CPI.

### 4. Metro Central Station

The operation of Metro Central, a solid waste transfer station and materials recovery facility, is privately contracted through March 31, 2017. For fiscal year 2014, the agreement sets an annual fixed payment of \$2,176,892, a price of \$3.34 per ton of putrescible waste, a price of \$15.10 per ton of non-putrescible waste, and prices for other, smaller waste streams such as yard debris and wood. The contractor also receives incentives for materials recovered from the waste stream and not sent to Columbia Ridge Landfill. The contract addresses compensation and obligations for handling source-separated food waste mixed with yard debris (“residential organics”) generated by households in the City of Portland. For fiscal year 2014 Metro paid \$55.11 per ton for the first 10,000 tons of residential organics, and a declining rate for greater quantities. This figure includes the cost of transfer, transport and processing at remote composting sites. The contractor provides transfer services and arranges for transport and processing. All payments are adjusted annually on July 1 in an amount equivalent to 87 percent of the CPI.

The following table presents approximate annual commitments based on forecasted refuse tons and a 2.2 percent annual inflation factor rising by 0.1 percentage points per year for all of the previously described contracts under their current terms of expiration:

<b>Fiscal year ending June 30:</b>	<b>Columbia Ridge Landfill</b>	<b>Waste Transport</b>	<b>Metro South</b>	<b>Metro Central</b>
2015	\$ 8,766,973	7,871,295	5,335,932	7,009,277
2016	9,153,031	8,469,991	5,560,512	7,294,426
2017	9,394,392	8,893,175	4,304,103	5,622,362
2018	9,616,704	9,017,916	-	-
2019	9,771,759	9,102,791	-	-
Thereafter	4,972,890	4,637,544	-	-
<b>Total</b>	<b>\$ 51,675,749</b>	<b>47,992,712</b>	<b>15,200,547</b>	<b>19,926,065</b>

### 5. Construction Projects

Metro is committed under a number of contracts for construction services. The amount of major uncompleted contracts is approximately \$26 million at June 30, 2014.

**J. LEASE OBLIGATIONS****1. Operating Lease**

The Portland's Centers for the 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 and \$14,024 beginning November 1, 2014. \$134,814 was paid on the lease in fiscal year 2014.

The future minimum lease payments are as follows:

<u>Fiscal year ending June 30:</u>		<u>Fiscal year ending June 30:</u>		<u>Fiscal year ending June 30:</u>	
2015	\$ 157,130	2025-29	\$ 841,440	2055-59	\$ 841,440
2016	168,288	2030-34	841,440	2060-64	841,440
2017	168,288	2035-39	841,440	2065-69	841,440
2018	168,288	2040-44	841,440	2070-74	841,440
2019	168,288	2045-49	841,440	2075-79	841,440
2020-24	841,440	2050-54	841,440	2080-84	729,248
				Total	<u>\$11,656,810</u>

**K. BONDS PAYABLE***Governmental Activities***1. 2005 Series General Obligation Refunding Bonds**

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

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

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

<u>Fiscal year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 1,995,000	292,900
2016	2,095,000	193,150
2017	2,210,000	88,400
	6,300,000	<u>574,450</u>
Unamortized premium	267,965	
<u>Per statement of net position</u>	<u>\$6,567,965</u>	

METRO

Notes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2014

**2. 2007 and 2012A Series Natural Areas General Obligation Bonds**

In prior years, Metro issued \$124,295,000 of 2007 Series Natural Areas General Obligation Bonds. The 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. Subsequently, Metro issued an additional \$75,000,000 of bonds, the 2012A Series. The remaining portion of bonds under the authorization is anticipated to be issued in 2015.

The bonds are to be repaid with proceeds of Metro’s *ad valorem* property tax levied each year. Interest rates on individual bonds range from 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:	2007 Series		2012A Series	
	Principal	Interest	Principal	Interest
2015	\$ 4,620,000	3,519,750	5,350,000	3,219,950
2016	4,850,000	3,288,750	2,230,000	2,952,450
2017	5,095,000	3,046,250	2,790,000	2,840,950
2018	5,350,000	2,791,500	3,350,000	2,701,450
2019	5,615,000	2,524,000	3,960,000	2,533,950
2020-24	32,540,000	8,151,625	30,485,000	9,016,250
2025-26	15,245,000	1,036,575	18,145,000	1,193,900
	73,315,000	24,358,450	66,310,000	24,458,900
Unamortized premium	3,968,790		12,781,386	
Per statement of net position	\$77,283,790		\$79,091,386	

**3. 2012A Series Oregon Zoo Infrastructure and Animal Welfare General Obligation Bonds**

In prior years, the region’s voters granted authority for a total of \$125 million in general obligation bonds to fund Oregon Zoo capital projects to protect animal health and safety, conserve and recycle water and to improve access to conservation education. The first and second series of this bond, issued as taxable Build America Bonds (BABs), for \$5,000,000 and \$15,000,000 were issued and paid off in prior fiscal years. Subsequently, Metro issued an additional \$65,000,000 of bonds, the 2012A Series. The remaining portion of bonds under the authorization is anticipated to be issued in 2015.

The balance of the bonds is to be repaid with proceeds of Metro’s *ad valorem* property tax levied each year. Interest rates on individual bonds range from 3.0 percent to 5.0 percent.

**METRO**Notes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2014

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

<u>Fiscal year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 5,670,000	2,551,825
2016	2,000,000	2,268,325
2017	2,260,000	2,168,325
2018	2,510,000	2,055,325
2019	2,770,000	1,929,825
2020-24	18,425,000	7,277,625
2025-28	21,365,000	2,109,075
	55,000,000	20,360,325
Unamortized premium	9,311,519	
<u>Per statement of net position</u>	<u>\$64,311,519</u>	

**4. 2012B Series General Obligation Refunding Bonds**

In prior years, Metro issued \$27,575,000 of General Obligation Refunding Bonds, 2012B Series to refund the portion of the General Obligation Refunding Bonds, 2002 Series callable without premium. The defeased bonds have been called and paid and the escrow account for the defeasance is closed.

The bonds are to be repaid with proceeds of Metro's *ad valorem* property tax levied each year. The individual bonds have an interest rate of 5.0 percent.

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

<u>Fiscal year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 9,535,000	476,750
Unamortized premium	666,877	
<u>Per statement of net position</u>	<u>\$10,201,877</u>	

**5. Full Faith and Credit Refunding Bonds 2003 and 2013 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. Later, Metro issued \$12,600,000 of Full Faith and Credit Refunding Bonds, 2013 Series to refund the portion of the Full Faith and Credit Refunding Bonds, 2003 Series callable without premium. The net proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent. The defeased bonds were called and paid on August 1, 2013 and the escrow account for the defeasance was closed.

The bonds are payable from all legally available taxes and other revenues of Metro. Interest rates on individual bonds range from 1.0 percent to 2.2 percent.

**METRO**Notes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2014

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

<b>Fiscal year ending June 30:</b>	<b>Principal</b>	<b>Interest</b>
2015	\$ 1,595,000	170,393
2016	1,610,000	154,367
2017	1,410,000	139,268
2018	1,270,000	125,867
2019	1,280,000	111,197
2020-23	5,330,000	222,769
Per statement of net position	\$12,495,000	923,861

**6. 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 4.859 percent to 5.004 percent.

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

<b>Fiscal year ending June 30:</b>	<b>Principal</b>	<b>Interest</b>
2015	\$ 710,000	1,076,381
2016	820,000	1,041,882
2017	930,000	1,002,038
2018	1,055,000	956,850
2019	1,185,000	905,587
2020-24	8,280,000	3,504,632
2025-28	8,705,000	1,034,327
Per statement of net position	\$21,685,000	9,521,697

*Business-type Activities***7. Full Faith and Credit Oregon Local Governments 2006 Series**

In prior years, Metro sold \$14,700,000 of Full Faith and Credit Oregon Local Governments 2006 Series Bonds to refund the outstanding Oregon Economic and Community Development Department's (OECD) Special Public Works Fund loan that in fiscal year 2000 funded the construction of a new building to replace the existing Hall D at the Expo Center. The defeased loan has been paid and the escrow account for the defeasance is closed.

The bonds are payable from all legally available taxes and other revenues of Metro. Interest rates on individual bonds range from 4.25 percent to 5.0 percent.

**METRO**

Notes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2014

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

<b>Fiscal year ending June 30:</b>	<b>Principal</b>	<b>Interest</b>
2015	\$ 735,000	453,050
2016	765,000	421,175
2017	795,000	387,528
2018	830,000	349,387
2019	870,000	306,888
2020-24	5,035,000	849,869
2025	1,150,000	24,437
	10,180,000	2,792,334
Unamortized premium	177,673	
Per statement of net position	\$10,357,673	

**L. CHANGES IN LONG-TERM LIABILITIES**

The following changes occurred during fiscal year 2014 in long-term liabilities:

	<b>Balance July 1, 2013</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2014</b>	<b>Due Within One Year</b>
<b>Governmental activities:</b>					
Bonds payable:					
General obligation bonds	\$ 235,675,000	-	(25,215,000)	210,460,000	27,170,000
Full faith and credit bonds	13,985,000	-	(1,490,000)	12,495,000	1,595,000
Pension obligation bonds	22,300,000	-	(615,000)	21,685,000	710,000
Less unamortized amounts:					
For premium or discount	29,904,168	-	(2,907,631)	26,996,537	-
Total bonds payable	301,864,168	-	(30,227,631)	271,636,537	29,475,000
Loans payable	-	25,639	(23,503)	2,136	2,136
Net other postemployment benefits	1,069,805	247,579	(121,761)	1,195,623	-
Compensated absences	2,539,116	2,574,454	(2,539,116)	2,574,454	2,394,161
Governmental activity Long-term liabilities	\$ 305,473,089	2,847,672	(32,912,011)	275,408,750	31,871,297
<b>Business-type activities:</b>					
Bonds payable:					
Full faith and credit bonds	\$ 10,885,000	-	(705,000)	10,180,000	735,000
Less unamortized amounts:					
For premium or discount	194,730	-	(17,057)	177,673	-
Total bonds payable	11,079,730	-	(722,057)	10,357,673	735,000
Post-closure costs payable	9,180,989	-	(1,339,713)	7,841,276	568,392
Pollution remediation obligation	1,011,000	24,239	(126,837)	908,402	-
Net other postemployment benefits	831,964	162,067	(77,332)	916,699	-
Compensated absences	1,053,607	1,164,780	(1,053,607)	1,164,780	1,079,782
Business-type activity Long-term liabilities	\$ 23,157,290	1,351,086	(3,319,546)	21,188,830	2,383,174

The internal service fund predominantly serves the governmental funds. Accordingly, long-term liabilities for it are included as part of the above totals for governmental activities. For governmental activities, compensated absences are generally liquidated by the General Fund and the Natural Areas Fund, and net other postemployment benefits are charged to the General Fund.

## **M. 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, 2014, there were 12 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, 2014 is estimated to be \$50,430,257 under current Federal and state regulations, a decrease of \$785,185 in the current year in the estimated total liability. Actual cost may vary due to inflation or deflation, changes in technology, or changes in regulations. During the fiscal year, Metro paid \$554,528 in closure costs as the closure process continued (\$42,588,981 cumulative to date); reducing the remaining estimated liability to \$7,841,276 at June 30, 2014.

Metro is required by state and federal laws and regulations to provide financial assurance for the coverage of these overall post-closure care estimated costs. Metro is currently providing this financial assurance through an Alternative Financial Assurance Mechanism which has been approved by the Oregon Department of Environmental Quality (DEQ) and consists of its Solid Waste Fund, a post-closure funding guarantee of future revenues to cover these costs and a Landfill Post-Closure Account. Metro is required to submit annual re-certifications of this mechanism. DEQ approved the March 24, 2014 annual recertification.

## **N. POLLUTION REMEDIATION OBLIGATION**

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

Two Metro properties have pollution remediation obligations where obligating events have occurred and amounts are estimable using the expected cash flows technique. At the St. Johns Landfill, work associated with pollution remediation for sediment located adjacent to the landfill levees and potentially shallow groundwater includes: completion of a remedial investigation (RI)/feasibility study (FS) and remedial design; remedial action implementation; and remedial action performance monitoring. The work associated with the RI has been completed and the final RI report has been accepted by the DEQ. The work associated with the FS component was completed during fiscal year 2013. DEQ signed and issued a Record of Decision on July 9, 2014, which includes DEQ's selected remedial action. Work going forward will include design and implementation of a final DEQ-approved remedial action work plan. Metro's estimated obligation reflects this progress. Metro paid \$126,837 in remediation costs (\$658,773 cumulative to date) reducing the estimated liability to \$830,402 at June 30, 2014. Actual cost may vary due to inflation or deflation, changes in technology, or changes in regulations. The second Metro property with estimable pollution remediation obligations is the Expo Center. Current information on this site, which is adjacent to a designated Superfund site, is limited. Therefore, the cost associated with work beyond the initial preliminary study is not yet estimable. The pollution remediation obligation estimate for the preliminary assessment which is recorded in the MERC Fund is \$78,000.

**METRO**

Notes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2014

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, 2014.

**O. FUND BALANCE CLASSIFICATIONS**

Fund balance classifications as presented on the governmental funds balance sheet are further detailed below:

	General Fund	Special Revenue Fund	Debt Service Fund	Major Capital Project Funds			Total
				Oregon ZIAW Fund	Natural Areas Fund	Other Funds	
<b>Fund balances:</b>							
Nonspendable:							
Not in spendable form	\$ 1,434,164	-	-	-	2,500	-	1,436,664
Corpus of permanent fund	-	-	-	-	-	433,702	433,702
<b>Total nonspendable</b>	<b>1,434,164</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,500</b>	<b>433,702</b>	<b>1,870,366</b>
Restricted for:							
TOD projects	19,688,739	-	-	-	-	-	19,688,739
Parks and Natural Areas	-	5,171,039	-	-	-	-	5,171,039
Debt service on GO bonds	-	-	1,107,953	-	-	-	1,107,953
Smith & Bybee Lakes management plan	-	-	-	-	-	1,938,092	1,938,092
Rehabilitation/Enhancement	-	-	-	-	-	3,446,278	3,446,278
Capital projects:							
OZF donations	3,622,733	-	-	-	-	-	3,622,733
Glendoveer operations	24,438	-	-	-	-	-	24,438
Bond funded programs	-	-	-	46,733,813	65,752,625	535,640	113,022,078
<b>Total restricted</b>	<b>23,335,910</b>	<b>5,171,039</b>	<b>1,107,953</b>	<b>46,733,813</b>	<b>65,752,625</b>	<b>5,920,010</b>	<b>148,021,350</b>
Committed to:							
Construction excise tax for development planning	5,836,553	-	-	-	-	-	5,836,553
Assigned to:							
Permanent fund programs	-	-	-	-	-	30,336	30,336
Unassigned	21,358,970	-	-	-	-	-	21,358,970
<b>Total fund balances</b>	<b>\$ 51,965,597</b>	<b>5,171,039</b>	<b>1,107,953</b>	<b>46,733,813</b>	<b>65,755,125</b>	<b>6,384,048</b>	<b>177,117,575</b>

**METRO**Notes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2014

**P. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances totaling \$3,593,099 at June 30, 2014 is as follows:

*Due to/from other funds:*

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	MERC	<u>\$220,000</u>

The outstanding balance is the portion of an interfund loan expected to be repaid in the subsequent year.

*Advances to/from other funds:*

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	MERC	<u>\$1,259,916</u>

The outstanding balance is the portion of an interfund loan not scheduled to be repaid in the subsequent year.

*Internal balance to reflect the consolidation of internal service fund activities for the government-wide statements:*

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Governmental activities	Business-type activities	<u>\$2,113,183</u>

Interfund transfers for the fiscal year by fund were:

<u>Transfers out</u>	<u>Transfers in</u>			<u>Total</u>
	<u>General</u>	<u>Solid Waste</u>	<u>MERC</u>	
General	\$ -	88,226	418,633	506,859
Risk Management	281,742	-	-	281,742
Total	<u>\$ 281,742</u>	<u>88,226</u>	<u>418,633</u>	<u>788,601</u>

The transfers detailed above are transfers of resources from one fund to another that are not based upon a cost allocation plan or any expectation of a payment for services provided, but rather to provide resources for other uses. These include General Fund support to Solid Waste for the Sustainability program, and Tourism Opportunity and Competiveness Account funding provided to MERC; and transfers from Risk Management to General Fund for personnel services to manage the risk program.

**Q. INSURED RISKS**

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

## METRO

### Notes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2014

- General liability, bodily injury to or property damage of third parties resulting from the negligence of Metro or its employees and errors and omissions risks: these risks are fully covered by the Risk Management Fund. Metro is protected by ORS Chapter 30, the Oregon Tort Claims Act, which contains statutory claim limits of \$633,300 for a single claimant and \$1,333,700 per multiple claimants. These statutory limits are indexed and change every year on July 1. Metro carries an excess liability policy of \$7 million, with a \$1 million deductible, which is intended to insure possible liability outside the Oregon Tort Claims Act.
- Property damage to Metro owned facilities: this risk is covered with a commercial property insurance policy. The property policy insures \$701,543,000 of property values with a \$500,000,000 limit 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, 2014. 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 \$933,000 reported as accrued self-insurance claims in the Risk Management Fund at June 30, 2014 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 0.5 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:

	<b>Beginning of Fiscal Year Liability</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>End of Fiscal Year Liability</b>
2012-2013	\$ 525,840	966,371	1,061,284	430,927
2013-2014	430,927	1,494,971	992,898	933,000

## R. CONTINGENT LIABILITIES

### 1. Reviews by Grantor Agencies

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

## 2. Legal Matters

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

## S. SUBSEQUENT EVENTS

### General Obligation Refunding Bonds, Series 2014

On November 19, 2014, Metro issued \$57,955,000 of General Obligation Refunding Bonds, Series 2014 to refund all callable outstanding 2007 Series Natural Areas General Obligation Bonds. The net proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent until the bonds' optional redemption date of June 1, 2017. \$58,750,000 of the refunded bonds are outstanding.

The refunding resulted in a reduction of debt service of \$12,862,733 over 12 years and a net present value savings of \$9,656,437. The remaining non-callable bonds will be paid as originally scheduled.

The Series 2014 Refunding Bonds are to be repaid with proceeds of Metro's *ad valorem* property tax levied each year. Interest is payable semiannually on June 1 and December 1. The individual bonds have interest rates ranging from 2.0 percent to 5.0 percent.

Bond principal and interest payments are due as follows:

Fiscal year ending June 30:	Principal	Interest
2015	\$ 190,000	1,202,267
2016	10,565,000	2,250,450
2017	4,810,000	2,039,150
2018	13,160,000	1,846,750
2019	14,115,000	1,320,350
2020	15,115,000	755,750
	\$57,955,000	9,414,717

### Headquarters Hotel Project

Metro Council has approved a Development and Financing Agreement with Mortenson Development, Inc. (the Developer) to develop a convention center hotel adjacent to the OCC. Recent revisions to an intergovernmental agreement between Metro, the City and Multnomah County provide Metro the ability to issue revenue bonds up to \$60 million, the proceeds of which will be granted to the Developer to be used for the hotel development. Metro has also agreed to a conditional commitment to grant \$4 million to the Developer of the project. Metro will receive up to \$10 million of Lottery Funds from the State of Oregon to be used for capital funding of the project. Developer contribution, estimated to be \$135 million, and a \$4 million Portland Development Commission loan will also fund the project. A Project Funding Agreement will address the disbursement of all of the funds for the project. It is anticipated that Hyatt Hotels will purchase the Project from the Developer and will manage and operate the hotel subject to related agreements.

Metro's issuance of the revenue bonds is anticipated to take place in the spring of 2015, and the grant is anticipated to be executed at the same time. The project is anticipated to be completed in the fall of 2017.



# Supplementary Information



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# Required Supplementary Information

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

**General Fund**

**Special Revenue Fund**

*Parks and Natural Areas Local Option Levy Fund*

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## Schedule of Funding Progress

**Other Postemployment Benefits**

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## Notes to Required Supplementary Information

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**METRO**

## General Fund

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

For the fiscal year ended June 30, 2014

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with final budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Program revenues:				
Charges for services:				
Government fees	\$ 273,620	273,620	99,809	(173,811)
Culture and recreation fees	24,324,501	24,324,501	23,306,808	(1,017,693)
Other fees	2,610,617	2,610,617	3,466,094	855,477
Licenses and permits	380,000	380,000	369,855	(10,145)
Miscellaneous revenue	288,075	288,075	295,230	7,155
Operating grants and contributions:				
Grants	9,894,409	9,894,409	7,483,604	(2,410,805)
Local government shared revenue	546,634	546,634	621,111	74,477
Government contributions	2,930,204	2,930,204	2,975,000	44,796
Contributions and donations	527,801	527,801	293,104	(234,697)
Capital grants and contributions:				
Capital contributions and donations	-	-	38,000	38,000
General revenues:				
Taxes:				
Property taxes	12,159,773	12,159,773	12,390,523	230,750
Excise taxes	15,344,116	15,344,116	16,002,790	658,674
Construction excise tax	2,003,750	2,003,750	2,537,894	534,144
Investment income	65,000	65,000	219,942	154,942
<b>Total revenues</b>	<b>71,348,500</b>	<b>71,348,500</b>	<b>70,099,764</b>	<b>(1,248,736)</b>
<b>EXPENDITURES</b>				
Communications	2,701,648	2,701,648	2,557,643	144,005
Council office	3,938,637	3,938,637	3,452,019	486,618
Finance and regulatory services	4,628,354	4,628,354	4,089,880	538,474
Human resources	2,219,337	2,219,337	2,204,921	14,416
Information services	3,915,095	4,018,220	3,740,877	277,343
Metro auditor	725,382	725,382	666,447	58,935
Office of Metro attorney	2,061,480	2,061,480	1,908,695	152,785
Oregon Zoo	31,585,451	31,585,451	30,316,706	1,268,745
Parks and environmental services	8,818,344	8,863,282	8,442,012	421,270
Planning and development	14,216,023	14,216,023	8,074,889	6,141,134
Research center	3,644,374	3,644,374	3,180,306	464,068
Sustainability center	3,916,131	3,916,131	2,900,193	1,015,938

(Continued)

**METRO**

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances-  
Budget and Actual (Non-GAAP Basis of Budgeting), *continued*  
For the fiscal year ended June 30, 2014

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with final budget</b>
	<b>Original</b>	<b>Final</b>		
Expenditures, continued:				
Special appropriations	\$ 5,350,265	5,350,265	3,791,102	1,559,163
Non-departmental:				
Debt service	1,720,071	1,720,071	1,720,071	-
Contingency	4,290,572	3,903,557	-	3,903,557
Total expenditures	93,731,164	93,492,212	77,045,761	16,446,451
Revenues under expenditures	(22,382,664)	(22,143,712)	(6,945,997)	15,197,715
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	-	-	59,762	59,762
Transfers in	14,392,008	14,392,008	12,718,847	(1,673,161)
Transfers out	(7,146,409)	(7,385,361)	(6,833,068)	552,293
Total other financing sources (uses)	7,245,599	7,006,647	5,945,541	(1,061,106)
Revenues and other sources under expenditures and other uses	(15,137,065)	(15,137,065)	(1,000,456)	14,136,609
Beginning fund balance available for appropriation - July 1, 2013	31,083,766	31,083,766	33,583,482	2,499,716
Unappropriated ending fund balance - June 30, 2014	\$ 15,946,701	15,946,701	32,583,026	16,636,325
Reconciliation to Governmental GAAP basis:				
Excess of revenues and other financing sources over (under) expenditures and other financing uses on the basis of budgeting:				
General Fund, as presented above			\$ (1,000,456)	
General Revenue Bond Fund-General, from page 117			8	
General Asset Management Fund, from page 118			437,967	
Budget resources not qualifying as revenues under Governmental GAAP:				
Receipt of interfund loan repayments (transfers)			(440,000)	
Additional revenues required by Governmental GAAP:				
Accrual of interest receivable on TOD loans			67,871	
Budget requirements not qualifying as expenses under Governmental GAAP:				
Issuance of interfund loan (transfers)			1,919,916	
Additional expenses required by Governmental GAAP:				
Write-down of value of assets held for resale			(310,431)	
General Fund net change in fund balance as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds			\$ 674,875	

**METRO**

Parks and Natural Areas Local Option Levy Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual (Non-GAAP Basis of Budgeting)  
 For the fiscal year ended June 30, 2014

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with final budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Program revenues:				
Charges for services:				
Miscellaneous revenue	\$ -	-	25	25
Operating grants and contributions:				
Grants	-	-	221,414	221,414
General revenues:				
Taxes:				
Property taxes	10,216,770	10,216,770	10,068,297	(148,473)
Investment income	-	-	26,162	26,162
<b>Total revenues</b>	<b>10,216,770</b>	<b>10,216,770</b>	<b>10,315,898</b>	<b>99,128</b>
<b>EXPENDITURES</b>				
Oregon Zoo	297,413	297,413	107,204	190,209
Parks and environmental services	2,296,544	2,296,544	1,217,890	1,078,654
Sustainability center	5,227,100	5,227,100	2,889,812	2,337,288
Special appropriations	750,000	750,000	-	750,000
Contingency	715,760	715,760	-	715,760
<b>Total expenditures</b>	<b>9,286,817</b>	<b>9,286,817</b>	<b>4,214,906</b>	<b>5,071,911</b>
Revenues over expenditures	929,953	929,953	6,100,992	5,171,039
<b>OTHER FINANCING USES</b>				
Transfers out	(929,953)	(929,953)	(929,953)	-
Revenues over expenditures and other uses	-	-	5,171,039	5,171,039
Beginning fund balance available for appropriation - July 1, 2013	-	-	-	-
Unappropriated ending fund balance - June 30, 2014	\$ -	-	5,171,039	5,171,039

METRO  
 Schedule of Funding Progress  
 Other Postemployment Benefits  
 June 30, 2014

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Percentage</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
July 1, 2009	\$ -	\$ 3,007,784	\$ 3,007,784	0%	\$ 49,864,609	6%
July 1, 2011	-	2,907,891	2,907,891	0%	52,255,709	6%
July 1, 2013	-	3,348,685	3,348,685	0%	52,521,307	6%

**BUDGETARY INFORMATION****1. BUDGETS**

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

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

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

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

Metro adopted five budget amendments during the fiscal year ended June 30, 2014. Three of the five amendments were "consolidated" amendments with multiple actions in each ordinance. Only one of the actions included in the consolidated amendments would be considered significant. In April 2014, the Council acknowledged additional tonnage in the Solid Waste Revenue Fund and provided additional associated expenditure appropriation of about \$2.4 million as a result of the increased revenue.

**2. RECONCILIATION OF BASIS OF BUDGETING TO GAAP BASIS**

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



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# Other Supplementary Information

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Combining Statements

Nonmajor Governmental Funds

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Budgetary Comparison Schedules

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# Combining Statements

## Nonmajor Governmental Funds

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### **Special Revenue Funds**

#### *Smith and Bybee Lakes Fund*

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

#### *Rehabilitation and Enhancement Fund*

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

### **Capital Projects Fund**

#### *Open Spaces Fund*

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

### **Permanent Fund**

#### *Cemetery Perpetual Care Fund*

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

METRO  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2014

	Special Revenue			Capital	Permanent	Total
	Smith	Rehabilitation		Projects	Cemetery	Nonmajor
	and	and	Total	Open	Perpetual	Governmental
	Bybee Lakes	Enhancement		Spaces	Care	Funds
<b>ASSETS</b>						
Equity in internal cash and investment pool	\$ 3,443,013	2,035,644	5,478,657	534,911	463,491	6,477,059
Receivables:						
Other	-	4,568	4,568	-	-	4,568
Interest	4,247	2,495	6,742	729	547	8,018
<b>Total assets</b>	<b>3,447,260</b>	<b>2,042,707</b>	<b>5,489,967</b>	<b>535,640</b>	<b>464,038</b>	<b>6,489,645</b>
<b>LIABILITIES</b>						
Liabilities:						
Accounts payable	982	104,615	105,597	-	-	105,597
<b>Total liabilities</b>	<b>982</b>	<b>104,615</b>	<b>105,597</b>	<b>-</b>	<b>-</b>	<b>105,597</b>
<b>FUND BALANCES</b>						
Nonspendable	-	-	-	-	433,702	433,702
Restricted	3,446,278	1,938,092	5,384,370	535,640	-	5,920,010
Assigned	-	-	-	-	30,336	30,336
<b>Total fund balances</b>	<b>3,446,278</b>	<b>1,938,092</b>	<b>5,384,370</b>	<b>535,640</b>	<b>464,038</b>	<b>6,384,048</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,447,260</b>	<b>2,042,707</b>	<b>5,489,967</b>	<b>535,640</b>	<b>464,038</b>	<b>6,489,645</b>

**METRO**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For the fiscal year ended June 30, 2014

	Special Revenue			Capital	Permanent	Total Nonmajor Governmental Funds
	Smith and Bybee Lakes	Rehabilitation and Enhancement	Total	Projects Open Spaces	Cemetery Perpetual Care	
<b>REVENUES</b>						
Cemetery revenue surcharge	\$ -	-	-	-	49,581	49,581
Investment income	21,980	12,555	34,535	4,133	2,665	41,333
Solid waste fees	-	317,949	317,949	-	-	317,949
<b>Total revenues</b>	<b>21,980</b>	<b>330,504</b>	<b>352,484</b>	<b>4,133</b>	<b>52,246</b>	<b>408,863</b>
<b>EXPENDITURES</b>						
Current:						
Culture and recreation	166,592	362,287	528,879	-	-	528,879
Capital outlay	-	-	-	151,484	-	151,484
<b>Total expenditures</b>	<b>166,592</b>	<b>362,287</b>	<b>528,879</b>	<b>151,484</b>	<b>-</b>	<b>680,363</b>
Net change in fund balances	(144,612)	(31,783)	(176,395)	(147,351)	52,246	(271,500)
Fund balances - July 1, 2013	3,590,890	1,969,875	5,560,765	682,991	411,792	6,655,548
Fund balances - June 30, 2014	\$ 3,446,278	1,938,092	5,384,370	535,640	464,038	6,384,048

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# Budgetary Comparison Schedules

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

In accordance with GASB Statement No. 34, Metro's General Fund and major special revenue fund, the Parks and Natural Areas Local Option Levy Fund are presented as required supplementary information. Budgetary comparisons for all other funds are displayed in the following pages.



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# Other Major Governmental Funds

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

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### **Debt Service Fund**

*General Obligation Bond Debt Service Fund*

### **Capital Projects Funds**

*Oregon Zoo Infrastructure and Animal Welfare Fund*

*Natural Areas Fund*

**METRO**

General Obligation Bond Debt Service Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual (Non-GAAP Basis of Budgeting)

For the fiscal year ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
General revenues:				
Taxes:				
Property taxes	\$ 36,307,125	36,307,125	36,786,346	479,221
Investment income	10,000	10,000	37,155	27,155
Total revenues	<u>36,317,125</u>	<u>36,317,125</u>	<u>36,823,501</u>	<u>506,376</u>
<b>EXPENDITURES</b>				
Debt service:				
Principal	25,215,000	25,215,000	25,215,000	-
Interest	11,132,675	11,132,675	11,132,675	-
Total expenditures	<u>36,347,675</u>	<u>36,347,675</u>	<u>36,347,675</u>	<u>-</u>
Revenues over (under) expenditures	(30,550)	(30,550)	475,826	506,376
Beginning fund balance available for appropriation - July 1, 2013	<u>177,000</u>	<u>177,000</u>	<u>632,127</u>	<u>455,127</u>
Unappropriated ending fund balance - June 30, 2014	<u>\$ 146,450</u>	<u>146,450</u>	<u>1,107,953</u>	<u>961,503</u>

**METRO**

Oregon Zoo Infrastructure and Animal Welfare Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual (Non-GAAP Basis of Budgeting)  
 For the fiscal year ended June 30, 2014

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with final budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
General revenues:				
Investment income	\$ 225,000	225,000	247,003	22,003
Total revenues	225,000	225,000	247,003	22,003
<b>EXPENDITURES</b>				
Oregon Zoo	25,765,168	25,821,068	22,799,830	3,021,238
Contingency	5,200,000	5,144,100	-	5,144,100
Total expenditures	30,965,168	30,965,168	22,799,830	8,165,338
Revenues under expenditures	(30,740,168)	(30,740,168)	(22,552,827)	8,187,341
<b>OTHER FINANCING USES</b>				
Transfers out	(242,153)	(242,153)	(242,153)	-
Revenues under expenditures and other uses	(30,982,321)	(30,982,321)	(22,794,980)	8,187,341
Beginning fund balance available for appropriation - July 1, 2013	66,353,439	66,353,439	69,528,793	3,175,354
Unappropriated ending fund balance - June 30, 2014	\$ 35,371,118	35,371,118	46,733,813	11,362,695

**METRO**

Natural Areas Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual (Non-GAAP Basis of Budgeting)

For the fiscal year ended June 30, 2014

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with final budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Program revenues:				
Charges for services:				
Other fees	\$ -	-	4,732	4,732
Miscellaneous revenue	-	-	44	44
Operating grants and contributions:				
Grants	-	-	300,000	300,000
Contributions and donations	866,000	866,000	-	(866,000)
Capital grants and contributions:				
Capital contributions and donations	-	-	1,049,627	1,049,627
General revenues:				
Investment income	163,086	163,086	551,005	387,919
<b>Total revenues</b>	<b>1,029,086</b>	<b>1,029,086</b>	<b>1,905,408</b>	<b>876,322</b>
<b>EXPENDITURES</b>				
Sustainability center	35,247,915	35,247,915	14,509,489	20,738,426
Contingency	20,000,000	20,000,000	-	20,000,000
<b>Total expenditures</b>	<b>55,247,915</b>	<b>55,247,915</b>	<b>14,509,489</b>	<b>40,738,426</b>
Revenues under expenditures	(54,218,829)	(54,218,829)	(12,604,081)	41,614,748
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	-	-	1,684,225	1,684,225
Transfers out	(1,885,809)	(1,885,809)	(1,572,471)	313,338
<b>Total other financing sources (uses)</b>	<b>(1,885,809)</b>	<b>(1,885,809)</b>	<b>111,754</b>	<b>1,997,563</b>
Revenues and other sources under expenditures and other uses	(56,104,638)	(56,104,638)	(12,492,327)	43,612,311
Beginning fund balance available for appropriation - July 1, 2013	65,234,269	65,234,269	78,247,452	13,013,183
Unappropriated ending fund balance - June 30, 2014	\$ 9,129,631	9,129,631	65,755,125	56,625,494

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# Nonmajor Governmental Funds

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

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### **Special Revenue Funds**

*Smith and Bybee Lakes Fund*

*Rehabilitation and Enhancement Fund*

### **Capital Projects Funds**

*Open Spaces Fund*

### **Permanent Fund**

*Cemetery Perpetual Care Fund*

**METRO**

## Smith and Bybee Lakes Fund

## Schedule of Revenues, Expenditures and Changes in Fund Balances -

## Budget and Actual (Non-GAAP Basis of Budgeting)

For the fiscal year ended June 30, 2014

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with final budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
General revenues:				
Investment income	\$ 17,914	17,914	21,980	4,066
Total revenues	17,914	17,914	21,980	4,066
<b>EXPENDITURES</b>				
Parks and environmental services	65,000	65,000	61,777	3,223
Contingency	200,000	200,000	-	200,000
Total expenditures	265,000	265,000	61,777	203,223
Revenues under expenditures	(247,086)	(247,086)	(39,797)	207,289
<b>OTHER FINANCING USES</b>				
Transfers out	(110,102)	(110,102)	(104,815)	5,287
Revenues under expenditures and other uses	(357,188)	(357,188)	(144,612)	212,576
Beginning fund balance available for appropriation - July 1, 2013	3,582,655	3,582,655	3,590,890	8,235
Unappropriated ending fund balance - June 30, 2014	\$ 3,225,467	3,225,467	3,446,278	220,811

**METRO**

## Rehabilitation and Enhancement Fund

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

For the fiscal year ended June 30, 2014

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with final budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Program revenues:				
Charges for services:				
Solid waste fees	\$ 348,600	348,600	317,949	(30,651)
General revenues:				
Investment income	4,804	4,804	12,555	7,751
<b>Total revenues</b>	<b>353,404</b>	<b>353,404</b>	<b>330,504</b>	<b>(22,900)</b>
<b>EXPENDITURES</b>				
Sustainability center	330,990	390,990	286,783	104,207
Contingency	280,000	220,000	-	220,000
<b>Total expenditures</b>	<b>610,990</b>	<b>610,990</b>	<b>286,783</b>	<b>324,207</b>
Revenues over (under) expenditures	(257,586)	(257,586)	43,721	301,307
<b>OTHER FINANCING USES</b>				
Transfers out	(114,602)	(114,602)	(75,504)	39,098
Revenues under expenditures and other uses	(372,188)	(372,188)	(31,783)	340,405
Beginning fund balance available for appropriation - July 1, 2013	1,921,523	1,921,523	1,969,875	48,352
Unappropriated ending fund balance - June 30, 2014	\$ 1,549,335	1,549,335	1,938,092	388,757

**METRO**

## Open Spaces Fund

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

For the fiscal year ended June 30, 2014

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with final budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
General revenues:				
Investment income	\$ 3,200	3,200	4,133	933
Total revenues	3,200	3,200	4,133	933
<b>EXPENDITURES</b>				
Sustainability center	643,064	643,064	151,484	491,580
Total expenditures	643,064	643,064	151,484	491,580
Revenues under expenditures	(639,864)	(639,864)	(147,351)	492,513
Beginning fund balance available for appropriation - July 1, 2013	639,864	639,864	682,991	43,127
Unappropriated ending fund balance - June 30, 2014	\$ -	-	535,640	535,640

**METRO****Cemetery Perpetual Care Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual (Non-GAAP Basis of Budgeting)**

For the fiscal year ended June 30, 2014

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with final budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
General revenues:				
Taxes:				
Cemetery revenue surcharge	\$ 30,000	30,000	49,581	19,581
Investment income	2,065	2,065	2,665	600
Total revenues	32,065	32,065	52,246	20,181
Beginning fund balance available for appropriation - July 1, 2013	413,002	413,002	411,792	(1,210)
Unappropriated ending fund balance - June 30, 2014	\$ 445,067	445,067	464,038	18,971



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# Proprietary Funds

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

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### **Enterprise Funds**

*Solid Waste Revenue Fund*

*MERC Fund*

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

### **Internal Service Fund**

*Risk Management Fund*

**METRO**

Solid Waste Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances-

Budget and Actual (Non-GAAP Basis of Budgeting)

For the fiscal year ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with final budget
	Original	Final		
<b>REVENUES</b>				
Program revenues:				
Charges for services:				
Government fees	\$ 990,700	990,700	1,258,608	267,908
Culture and recreation fees	-	-	26,105	26,105
Solid waste fees	54,347,850	54,347,850	57,200,661	2,852,811
Other fees	25,200	25,200	1,303	(23,897)
Miscellaneous revenue	27,000	27,000	29,703	2,703
Operating grants and contributions:				
Grants	-	-	80,000	80,000
General revenues:				
Investment income	93,323	93,323	243,299	149,976
<b>Total revenues</b>	<b>55,484,073</b>	<b>55,484,073</b>	<b>58,839,679</b>	<b>3,355,606</b>
<b>EXPENDITURES</b>				
Finance and regulatory services	2,179,938	2,179,938	1,967,495	212,443
Sustainability center	5,842,884	5,842,884	5,148,138	694,746
Parks and environmental services	45,107,091	47,468,091	42,346,517	5,121,574
Contingency	15,293,514	12,932,514	-	12,932,514
<b>Total expenditures</b>	<b>68,423,427</b>	<b>68,423,427</b>	<b>49,462,150</b>	<b>18,961,277</b>
Revenues over (under) expenditures	(12,939,354)	(12,939,354)	9,377,529	22,316,883
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	-	-	51,138	51,138
Transfers in	242,285	242,285	163,730	(78,555)
Transfers out	(7,766,403)	(7,766,403)	(6,444,441)	1,321,962
<b>Total other financing sources (uses)</b>	<b>(7,524,118)</b>	<b>(7,524,118)</b>	<b>(6,229,573)</b>	<b>1,294,545</b>
Revenues and other sources over (under) expenditures and other uses	(20,463,472)	(20,463,472)	3,147,956	23,611,428
Beginning fund balance available for appropriation - July 1, 2013	37,939,125	37,939,125	39,971,367	2,032,242
Unappropriated ending fund balance - June 30, 2014	\$ 17,475,653	17,475,653	43,119,323	25,643,670

**METRO**  
**MERC Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances-**  
**Budget and Actual (Non-GAAP Basis of Budgeting)**  
**For the fiscal year ended June 30, 2014**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with final budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Program revenues:				
Charges for services:				
Culture and recreation fees	\$ 27,740,194	29,178,804	31,685,543	2,506,739
Other fees	3,110,293	3,257,923	3,240,966	(16,957)
Miscellaneous revenue	81,805	81,805	106,187	24,382
Operating grants and contributions:				
Grants	364,003	494,003	454,755	(39,248)
Local government shared revenue	13,701,495	13,701,495	15,748,940	2,047,445
Government contributions	816,020	816,020	814,794	(1,226)
Contributions and donations	75,000	75,000	85,000	10,000
General revenues:				
Investment income	76,142	76,142	173,347	97,205
<b>Total revenues</b>	<b>45,964,952</b>	<b>47,681,192</b>	<b>52,309,532</b>	<b>4,628,340</b>
<b>EXPENDITURES</b>				
MERC	47,913,967	50,711,628	47,918,680	2,792,948
Contingency	10,979,029	8,311,368	-	8,311,368
<b>Total expenditures</b>	<b>58,892,996</b>	<b>59,022,996</b>	<b>47,918,680</b>	<b>11,104,316</b>
Revenues over (under) expenditures	(12,928,044)	(11,341,804)	4,390,852	15,732,656
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	-	-	5,190	5,190
Transfers in	2,618,633	2,618,633	2,338,549	(280,084)
Transfers out	(5,131,804)	(5,131,804)	(5,088,997)	42,807
<b>Total other financing sources (uses)</b>	<b>(2,513,171)</b>	<b>(2,513,171)</b>	<b>(2,745,258)</b>	<b>(232,087)</b>
Revenues and other sources over (under) expenditures and other uses	(15,441,215)	(13,854,975)	1,645,594	15,500,569
Beginning fund balance available for appropriation - July 1, 2013	24,211,557	24,211,557	30,414,365	6,202,808
Unappropriated ending fund balance - June 30, 2014	\$ 8,770,342	10,356,582	32,059,959	21,703,377

**METRO**
**Reconciliation of Enterprise Fund Revenues and Expenditures (Basis of Budgeting) to Statement  
of Revenues, Expenses and Changes in Net Position-Proprietary Funds (GAAP Basis)  
For the fiscal year ended June 30, 2014**

	<b>Solid Waste</b>	<b>MERC</b>	<b>Total</b>
Excess of revenues and other financing sources over expenditures and other financing uses on the basis of budgeting:			
Solid Waste Revenue Fund	\$ 3,147,956	-	3,147,956
MERC Fund	-	1,645,594	1,645,594
General Revenue Bond Fund-Expo	-	7	7
Budget resources not qualifying as revenues under GAAP:			
Revenue deferred	(8,392)	-	(8,392)
Interfund loan proceeds		(1,919,916)	(1,919,916)
Sale of capital assets	(51,138)	(5,190)	(56,328)
Additional revenues required by GAAP:			
Deferred revenue recognized	-	58,460	58,460
Gain on disposal of capital assets	-	5,190	5,190
Budget requirements not qualifying as expenses under GAAP:			
Payment of post-closure costs payable	554,528	-	554,528
Payment of pollution remediation obligation	126,837	-	126,837
Capital assets additions	358,416	4,022,799	4,381,215
Principal and interest payments on bonds	-	744,617	744,617
Principal payments on interfund loans	-	440,000	440,000
Decrease to (additional) expenses required by GAAP:			
Decrease in post-closure costs payable estimate	785,185	-	785,185
Increase in pollution remediation obligation estimate	(24,239)	-	(24,239)
Depreciation and amortization	(2,229,936)	(5,792,450)	(8,022,386)
Loss on disposal of capital assets	(277,526)	-	(277,526)
Amortization of bond discount and deferred charge on refunding	-	(25,986)	(25,986)
Other postemployment benefits	(48,972)	(35,763)	(84,735)
Vacation benefits	(90,411)	(20,762)	(111,173)
Accrued interest on bonds	-	(37,237)	(37,237)
Change in net position presented in the statement of revenues, expenses and changes in net position for proprietary funds	<u>\$ 2,242,308</u>	<u>(920,637)</u>	<u>1,321,671</u>

**METRO**

Risk Management Fund

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

For the fiscal year ended June 30, 2014

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with final budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Program revenues:				
Charges for services:				
Other fees	\$ -	-	10,770	10,770
Internal charges for services	419,535	419,535	419,536	1
Miscellaneous revenue	5,000	5,000	208,726	203,726
Operating grants and contributions:				
Grants	50,000	50,000	93,434	43,434
General revenues:				
Investment income	10,000	10,000	21,668	11,668
<b>Total revenues</b>	<b>484,535</b>	<b>484,535</b>	<b>754,134</b>	<b>269,599</b>
<b>EXPENDITURES</b>				
Finance and regulatory services	2,616,951	2,616,951	2,221,708	395,243
Contingency	500,000	500,000	-	500,000
<b>Total expenditures</b>	<b>3,116,951</b>	<b>3,116,951</b>	<b>2,221,708</b>	<b>895,243</b>
Revenues under expenditures	(2,632,416)	(2,632,416)	(1,467,574)	1,164,842
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,057,852	1,057,852	1,057,778	(74)
Transfers out	(301,961)	(301,961)	(281,742)	20,219
<b>Total other financing sources (uses)</b>	<b>755,891</b>	<b>755,891</b>	<b>776,036</b>	<b>20,145</b>
Revenues and other sources under expenditures and other uses	(1,876,525)	(1,876,525)	(691,538)	1,184,987
Beginning fund balance available for appropriation - July 1, 2013	2,926,851	2,926,851	3,181,812	254,961
Unappropriated ending fund balance - June 30, 2014	\$ 1,050,326	1,050,326	2,490,274	1,439,948



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# Other Budgetary Funds

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

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### *General Revenue Bond Fund*

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

### *General Asset Management Fund*

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

**METRO**

## General Revenue Bond Fund

## Schedule of Revenues, Expenditures and Changes in Fund Balances-

## Budget and Actual (Non-GAAP Basis of Budgeting)

For the fiscal year ended June 30, 2014

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with final budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
General revenues:				
Investment income	\$ 27	27	14	(13)
Total revenues	27	27	14	(13)
<b>EXPENDITURES</b>				
Debt service	2,869,322	2,869,322	2,869,321	1
Total expenditures	2,869,322	2,869,322	2,869,321	1
Revenues under expenditures	(2,869,295)	(2,869,295)	(2,869,307)	(12)
<b>OTHER FINANCING SOURCES</b>				
Transfers in	2,869,321	2,869,321	2,869,322	1
Revenues and other sources over expenditures	26	26	15	(11)
Beginning fund balance available for appropriation - July 1, 2013	5,367	5,367	6,456	1,089
Unappropriated ending fund balance - June 30, 2014	\$ 5,393	5,393	6,471	1,078

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

**METRO**

## General Revenue Bond Fund

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

For the fiscal year ended June 30, 2014

	Allocated to:		Total
	General	MERC	
<b>REVENUES</b>			
General revenues:			
Investment income	\$ 8	6	14
Total revenues	8	6	14
<b>EXPENDITURES</b>			
Debt service	1,680,671	1,188,650	2,869,321
Total expenditures	1,680,671	1,188,650	2,869,321
Revenues under expenditures	(1,680,663)	(1,188,644)	(2,869,307)
<b>OTHER FINANCING SOURCES</b>			
Transfers in	1,680,671	1,188,651	2,869,322
Revenues and other sources over expenditures	8	7	15
Beginning fund balance available for appropriation - July 1, 2013	6,095	361	6,456
Unappropriated ending fund balance - June 30, 2014	\$ 6,103	368	6,471

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

**METRO**

## General Asset Management Fund

## Schedule of Revenues, Expenditures and Changes in Fund Balances-

## Budget and Actual (Non-GAAP Basis of Budgeting)

For the fiscal year ended June 30, 2014

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with final budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Program revenues:				
Operating grants and contributions:				
Grants	\$ 73,250	73,250	51,547	(21,703)
Capital grants and contributions:				
Capital contributions and donations	2,245,000	2,245,000	2,366,618	121,618
General revenues:				
Investment income	29,000	29,000	58,182	29,182
<b>Total revenues</b>	<b>2,347,250</b>	<b>2,347,250</b>	<b>2,476,347</b>	<b>129,097</b>
<b>EXPENDITURES</b>				
Asset Management Program	10,018,546	10,332,498	4,463,298	5,869,200
Contingency	2,785,481	2,710,481	-	2,710,481
<b>Total expenditures</b>	<b>12,804,027</b>	<b>13,042,979</b>	<b>4,463,298</b>	<b>8,579,681</b>
Revenues under expenditures	(10,456,777)	(10,695,729)	(1,986,951)	8,708,778
<b>OTHER FINANCING SOURCES</b>				
Transfers in	2,449,097	2,688,049	2,424,918	(263,131)
Revenues and other sources over (under) expenditures	(8,007,680)	(8,007,680)	437,967	8,445,647
Beginning fund balance available for appropriation - July 1, 2013	8,693,992	8,693,992	8,576,652	(117,340)
Unappropriated ending fund balance - June 30, 2014	\$ 686,312	686,312	9,014,619	8,328,307

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# Other Financial Schedules

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**METRO**

**Schedule of Property Tax Transactions and Outstanding Receivable  
For the fiscal year ended June 30, 2014**

<b>Fiscal Year</b>	<b>Original levy or balance of receivable July 1, 2013</b>	<b>Add (deduct)</b>			<b>Property taxes receivable June 30, 2014</b>	
		<b>Discounts</b>	<b>Adjustments</b>	<b>Interest</b>		
2013-14	\$ 61,068,522	(1,573,529)	(147,725)	5,900	(57,913,674)	1,439,494
2012-13	1,357,519	-	(35,553)	12,917	(638,519)	696,364
2011-12	597,359	-	(442)	8,729	(192,976)	412,670
2010-11	499,372	-	4,072	14,686	(215,550)	302,580
2009-10	318,620	-	(6,249)	6,740	(98,027)	221,084
2008-09	31,916	-	(4,286)	1,262	(9,524)	19,368
2007-08 & prior	41,656	-	(3,358)	1,426	(8,427)	31,297
<b>Total</b>	<b>\$ 63,914,964</b>	<b>(1,573,529)</b>	<b>(193,541)</b>	<b>51,660</b>	<b>(59,076,697)</b>	<b>3,122,857</b>

Reconciliation to property tax revenue presented in the Statement of Activities:		<u>Governmental Activities</u>
Cash collections July 1, 2013 to June 30, 2014	\$	59,076,697
Accrual of receivables:		
July 1, 2013 to August 31, 2013		(288,698)
July 1, 2014 to August 31, 2014		304,052
Timing difference between county tax collector and county treasurer		(20,478)
Payments in lieu of property taxes		173,594
Taxes earned but not available:		
June 30, 2013		(2,557,744)
June 30, 2014		2,818,805
<b>Property tax revenue per Statement of Activities</b>	<b>\$</b>	<b>59,506,228</b>

**METRO**  
**Schedule of Future Bonded Debt Service Requirements**  
**General Obligation Bonds**  
**June 30, 2014**

Year of maturity	2005 Series General Obligation Refunding Bonds		2007 Series Natural Areas General Obligation Bonds		2012A Series Natural Areas General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
	2014-15	\$ 1,995,000	292,900	4,620,000	3,519,750	5,350,000
2015-16	2,095,000	193,150	4,850,000	3,288,750	2,230,000	2,952,450
2016-17	2,210,000	88,400	5,095,000	3,046,250	2,790,000	2,840,950
2017-18	-	-	5,350,000	2,791,500	3,350,000	2,701,450
2018-19	-	-	5,615,000	2,524,000	3,960,000	2,533,950
2019-20	-	-	5,895,000	2,243,250	4,610,000	2,335,950
2020-21	-	-	6,190,000	1,948,500	5,300,000	2,105,450
2021-22	-	-	6,500,000	1,639,000	6,045,000	1,840,450
2022-23	-	-	6,825,000	1,314,000	6,840,000	1,538,200
2023-24	-	-	7,130,000	1,006,875	7,690,000	1,196,200
2024-25	-	-	7,455,000	686,025	8,590,000	811,700
2025-26	-	-	7,790,000	350,550	9,555,000	382,200
2026-27	-	-	-	-	-	-
2027-28	-	-	-	-	-	-
<b>Total</b>	<b>\$ 6,300,000</b>	<b>574,450</b>	<b>73,315,000</b>	<b>24,358,450</b>	<b>66,310,000</b>	<b>24,458,900</b>

(1) The principal amount of the bonds is reported net of unamortized premium or discount in governmental activities on the statement of net position.

<b>2012A Series</b>		<b>2012B Series</b>		<b>Total</b>	
<b>Oregon Zoo Infrastructure and Animal Welfare General Obligation Bonds</b>		<b>General Obligation Refunding Bonds</b>			
<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal (1)</b>	<b>Interest</b>
5,670,000	2,551,825	9,535,000	476,750	27,170,000	10,061,175
2,000,000	2,268,325	-	-	11,175,000	8,702,675
2,260,000	2,168,325	-	-	12,355,000	8,143,925
2,510,000	2,055,325	-	-	11,210,000	7,548,275
2,770,000	1,929,825	-	-	12,345,000	6,987,775
3,050,000	1,791,325	-	-	13,555,000	6,370,525
3,350,000	1,638,825	-	-	14,840,000	5,692,775
3,665,000	1,471,325	-	-	16,210,000	4,950,775
4,000,000	1,288,075	-	-	17,665,000	4,140,275
4,360,000	1,088,075	-	-	19,180,000	3,291,150
4,740,000	870,075	-	-	20,785,000	2,367,800
5,145,000	633,075	-	-	22,490,000	1,365,825
5,525,000	427,275	-	-	5,525,000	427,275
5,955,000	178,650	-	-	5,955,000	178,650
<b>55,000,000</b>	<b>20,360,325</b>	<b>9,535,000</b>	<b>476,750</b>	<b>210,460,000</b>	<b>70,228,875</b>

**METRO**

Schedule of Future Bonded Debt Service Requirements

Full Faith and Credit and Pension Obligation Bonds

June 30, 2014

Year of maturity	Full Faith and Credit Bonds				Pension Obligation Bonds	
	Refunding Bonds		Oregon Local Governments		Metro Limited Tax Pension Obligation Bonds Series 2005	
	2013 Series		2006 Series			
	Principal (2)	Interest	Principal (1)	Interest	Principal (2)	Interest
2014-15	\$ 1,595,000	170,393	735,000	453,050	710,000	1,076,381
2015-16	1,610,000	154,367	765,000	421,175	820,000	1,041,882
2016-17	1,410,000	139,268	795,000	387,528	930,000	1,002,039
2017-18	1,270,000	125,867	830,000	349,387	1,055,000	956,850
2018-19	1,280,000	111,198	870,000	306,887	1,185,000	905,587
2019-20	1,295,000	92,841	915,000	262,262	1,325,000	848,008
2020-21	1,320,000	70,595	960,000	215,388	1,480,000	783,626
2021-22	1,345,000	44,262	1,010,000	169,925	1,645,000	709,567
2022-23	1,370,000	15,070	1,055,000	126,044	1,820,000	627,251
2023-24	-	-	1,095,000	76,250	2,010,000	536,179
2024-25	-	-	1,150,000	24,438	2,210,000	435,598
2025-26	-	-	-	-	2,430,000	325,010
2026-27	-	-	-	-	2,660,000	203,413
2027-28	-	-	-	-	1,405,000	70,306
<b>Total</b>	<b>\$ 12,495,000</b>	<b>923,861</b>	<b>10,180,000</b>	<b>2,792,334</b>	<b>21,685,000</b>	<b>9,521,697</b>

(1) The principal amount of the bonds is reported net of unamortized premium or discount in governmental activities on the statement of net position.

(2) The principal amount of the bonds is reported in governmental activities on the statement of net position.

**METRO**  
Schedule of Long-term Bonded Debt Transactions  
General Obligation Bonds  
For the fiscal year ended June 30, 2014

	Principal			Outstanding June 30, 2014	Interest Expenditure
	Outstanding July 1, 2013	Issued During Year	Matured and Paid During Year		
<b>DEBT SERVICE FUND</b>					
2005 Series					
General Obligation Refunding Bonds with interest rates from 4.0 to 5.0%, final maturity 1/15/17	8,190,000	-	1,890,000	6,300,000	387,400
2007 Series Natural Areas					
General Obligation Bonds with interest rates from 4.5 to 5.0%, final maturity 6/1/26	77,715,000	-	4,400,000	73,315,000	3,739,750
2012A Series Natural Areas					
General Obligation Bonds with interest rates from 4.0 to 5.0%, final maturity 6/1/26	70,920,000	-	4,610,000	66,310,000	3,404,350
2012A Series Oregon Zoo Infrastructure and Animal Welfare					
General Obligation Bonds with interest rates from 3.0 to 5.0%, final maturity 6/1/28	60,165,000	-	5,165,000	55,000,000	2,758,425
2012B Series B					
General Obligation Refunding Bonds with interest rate of 5.0%, final maturity 6/1/15	18,685,000	-	9,150,000	9,535,000	842,750
<b>Total</b>	<b>\$ 235,675,000</b>	<b>-</b>	<b>25,215,000</b>	<b>210,460,000</b>	<b>11,132,675</b>

**METRO**

Schedule of Long-term Bonded Debt Transactions  
 Full Faith and Credit and Pension Obligation Bonds  
 For the fiscal year ended June 30, 2014

	Principal			Outstanding June 30, 2014	Interest Expenditure
	Outstanding July 1, 2013	Issued During Year	Matured and Paid During Year		
<b>GENERAL FUND</b>					
<u>Full Faith and Credit</u>					
Refunding Bonds 2003 Series,					
with callable portion refunded					
by Series 2013 on 2/26/13.					
Remaining bonds with interest rate of 3.3%,					
final maturity 8/1/13	\$ 1,385,000	-	1,385,000	-	24,238
Refunding Bonds 2013 Series					
with interest rates from 1.0 to 2.2%,					
final maturity 8/1/22	\$ 12,600,000	-	105,000	12,495,000	166,433
<u>Pension Obligation</u>					
Metro Limited Tax Series 2005					
with interest rates from 4.859 to 5.004%,					
final maturity 6/1/28	22,300,000	-	615,000	21,685,000	1,105,071
<b>Total</b>	<b>\$ 36,285,000</b>	<b>-</b>	<b>2,105,000</b>	<b>34,180,000</b>	<b>1,295,742</b>
<b>ENTERPRISE FUNDS</b>					
MERC FUND:					
<u>Full Faith and Credit</u>					
Oregon Local Governments 2006 Series					
with interest rates from 4.25 to 5.0%,					
final maturity 12/1/24	\$ 10,885,000	-	705,000	10,180,000	483,650

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# Statistical Section

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

	<u>Page</u>
<b>Financial Trends Information</b> These schedules contain trend information to help the reader understand how Metro’s financial performance and well-being have changed over time.	128-140
<b>Revenue Capacity Information</b> These schedules contain information to help the reader assess the factors affecting Metro’s ability to generate its most significant own-source revenue, solid waste fees.	141-143
<b>Debt Capacity Information</b> These schedules present information to help the reader assess the affordability of Metro’s current levels of outstanding debt and Metro’s ability to issue additional debt in the future.	144-152
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which Metro’s financial activities take place.	153-154
<b>Operating Information</b> These schedules contain information about Metro’s operations and resources to help the reader understand how Metro’s financial information relates to the services Metro provides and the activities it performs.	155-162
<b>Additional Information</b> These schedules present information to meet Metro’s continuing disclosure requirements under The Securities and Exchange Commission’s Rule 15c2-12 pertaining to governmental debt issuers.	163-166

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**METRO**  
**Net Position by Component**  
**Last Ten Fiscal Years (1)**  
**(accrual basis of accounting), Unaudited**

	<b>Fiscal Year</b>		
	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>GOVERNMENTAL ACTIVITIES</b>			
Net investment in capital assets (2) (3)	\$ 4,684,793	72,055,226	70,472,572
Restricted	16,795,028	21,244,741	24,458,851
Unrestricted	16,612,577	35,400,215	57,456,789
<b>Total governmental activities net position</b>	<b>38,092,398</b>	<b>128,700,182</b>	<b>152,388,212</b>
<b>BUSINESS-TYPE ACTIVITIES</b>			
Net investment in capital assets (3)	264,571,719	204,536,894	199,184,754
Restricted	11,651,127	12,415,936	12,688,488
Unrestricted	48,598,316	39,548,688	43,989,254
<b>Total business-type activities net position</b>	<b>324,821,162</b>	<b>256,501,518</b>	<b>255,862,496</b>
<b>PRIMARY GOVERNMENT</b>			
Net investment in capital assets (2)	269,256,512	276,592,120	269,657,326
Restricted	28,446,155	33,660,677	37,147,339
Unrestricted	65,210,893	74,948,903	101,446,043
<b>Total primary government net position</b>	<b>\$ 362,913,560</b>	<b>385,201,700</b>	<b>408,250,708</b>

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

(2) Through fiscal year 2012, these balances include the result of Metro financing capital assets for the business-type activities through the issuance of general obligation bonds. The amount of long-term debt outstanding on these bonds is reflected as a liability of the governmental activities in which repayment of the bonds occurs, whereas the associated capital assets financed by this debt are reflected with the business-type activities. The primary government totals have been adjusted to match the debt against the assets; the bonds were paid off in fiscal year 2013. These balances increase over time as a result of increases in capital assets, decreases in related long-term debt outstanding, and reductions in the amount of related unspent bond proceeds.

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

<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012 Restated</b>	<b>2013</b>	<b>2014</b>
101,632,452	142,681,077	161,033,641	219,717,752	237,849,839	271,978,616	293,851,981
27,246,181	41,383,007	47,868,259	47,802,264	49,673,790	43,460,675	60,588,283
59,035,445	38,868,189	39,949,912	(4,511,250)	(13,149,913)	(17,127,868)	(24,867,150)
<b>187,914,078</b>	<b>222,932,273</b>	<b>248,851,812</b>	<b>263,008,766</b>	<b>274,373,716</b>	<b>298,311,423</b>	<b>329,573,114</b>
198,109,226	197,896,445	193,123,523	189,929,698	186,405,139	182,360,721	179,069,899
16,295,656	14,548,959	2,652,250	1,591,637	2,130,034	2,496,996	3,734,868
45,547,649	41,293,389	41,363,765	46,842,210	47,918,522	53,862,598	56,992,148
<b>259,952,531</b>	<b>253,738,793</b>	<b>237,139,538</b>	<b>238,363,545</b>	<b>236,453,695</b>	<b>238,720,315</b>	<b>239,796,915</b>
299,741,678	320,942,522	339,047,164	399,322,450	418,964,978	454,339,337	472,921,880
43,541,837	55,931,966	50,520,509	49,393,901	50,437,907	45,957,671	64,323,151
104,583,094	99,796,578	96,423,677	52,655,960	40,058,609	36,734,730	32,124,998
<b>447,866,609</b>	<b>476,671,066</b>	<b>485,991,350</b>	<b>501,372,311</b>	<b>509,461,494</b>	<b>537,031,738</b>	<b>569,370,029</b>

**METRO**  
**Changes in Net Position**  
**Last Ten Fiscal Years (1)**  
**(accrual basis of accounting), Unaudited**

	<b>Fiscal Year</b>		
	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>EXPENSES</b>			
Governmental activities:			
General government operations (2)	\$ 3,158,675	10,128,233	11,724,680
Regional planning and development	11,367,579	10,580,855	11,633,709
Culture and recreation	8,582,520	6,515,693	6,906,903
Zoo (2)	-	23,159,685	25,165,745
Interest on long-term debt	7,679,504	8,421,370	9,626,880
<b>Total governmental activities expenses</b>	<b>30,788,278</b>	<b>58,805,836</b>	<b>65,057,917</b>
Business-type activities:			
Solid Waste (3)	47,697,124	50,565,165	52,805,117
Zoo (2)	24,158,065	-	-
MERC	41,363,806	42,799,786	45,069,117
<b>Total business-type activities expenses</b>	<b>113,218,995</b>	<b>93,364,951</b>	<b>97,874,234</b>
<b>Total primary government expenses</b>	<b>\$ 144,007,273</b>	<b>152,170,787</b>	<b>162,932,151</b>
<b>PROGRAM REVENUES</b>			
Governmental activities:			
Charges for services:			
General government operations (2)	\$ 2,593	1,377,281	1,359,684
Regional planning and development	1,215,077	1,547,604	1,024,612
Culture and recreation	2,699,983	2,568,418	2,519,340
Zoo (2)	-	14,417,730	15,699,595
Operating grants and contributions	8,552,429	12,015,598	9,674,387
Capital grants and contributions (2)	-	959,676	1,378,075
<b>Total governmental activities program revenues</b>	<b>12,470,082</b>	<b>32,886,307</b>	<b>31,655,693</b>
Business-type activities:			
Charges for services:			
Solid Waste	51,574,923	53,814,957	54,108,083
Zoo (2)	13,184,305	-	-
MERC	27,268,341	26,296,316	29,064,019
Operating grants and contributions (2)	3,774,815	984,284	692,146
Capital grants and contributions (2)	786,534	-	-
<b>Total business-type activities program revenues</b>	<b>96,588,918</b>	<b>81,095,557</b>	<b>83,864,248</b>
<b>Total primary government program revenues</b>	<b>\$ 109,059,000</b>	<b>113,981,864</b>	<b>115,519,941</b>

<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
14,464,735	14,198,441	12,779,417	14,456,222	16,417,342	14,704,292	17,216,935
15,998,524	13,023,497	14,978,447	14,816,800	13,908,730	11,234,615	11,609,788
12,040,343	13,350,232	17,316,051	20,351,578	22,695,565	20,788,176	19,969,697
27,268,768	29,426,286	28,311,531	27,400,337	30,064,611	33,662,272	35,660,651
13,228,648	12,121,270	10,888,841	9,538,172	8,159,660	10,927,415	9,712,521
<b>83,001,018</b>	<b>82,119,726</b>	<b>84,274,287</b>	<b>86,563,109</b>	<b>91,245,908</b>	<b>91,316,770</b>	<b>94,169,592</b>
53,514,858	52,014,903	64,228,318	51,721,806	51,020,053	55,266,458	56,759,612
-	-	-	-	-	-	-
44,148,046	46,239,579	46,229,249	48,048,265	49,389,612	51,344,928	53,945,435
97,662,904	98,254,482	110,457,567	99,770,071	100,409,665	106,611,386	110,705,047
<b>180,663,922</b>	<b>180,374,208</b>	<b>194,731,854</b>	<b>186,333,180</b>	<b>191,655,573</b>	<b>197,928,156</b>	<b>204,874,639</b>
1,440,462	1,394,695	1,741,850	2,120,491	1,875,695	1,871,628	1,615,075
1,271,625	1,682,136	1,214,423	1,364,601	925,904	1,112,779	1,422,619
2,824,138	2,648,864	3,696,310	3,985,483	4,175,114	5,095,656	6,121,579
15,991,730	18,040,150	17,606,196	18,150,234	19,745,074	22,538,536	22,082,776
14,963,194	13,889,920	14,446,031	10,973,394	15,551,926	13,553,316	11,945,779
2,163,915	8,457,258	2,725,497	1,866,808	1,105,751	2,264,327	3,454,245
<b>38,655,064</b>	<b>46,113,023</b>	<b>41,430,307</b>	<b>38,461,011</b>	<b>43,379,464</b>	<b>46,436,242</b>	<b>46,642,073</b>
53,238,401	50,478,290	50,904,000	50,782,440	52,989,049	55,661,225	58,583,492
-	-	-	-	-	-	-
30,451,878	30,007,172	29,650,854	31,597,534	33,231,703	36,670,638	35,091,155
861,851	830,902	1,378,076	1,144,867	1,620,989	1,382,789	17,183,489
-	265,740	2,000,000	584,808	123,574	-	-
<b>84,552,130</b>	<b>81,582,104</b>	<b>83,932,930</b>	<b>84,109,649</b>	<b>87,965,315</b>	<b>93,714,652</b>	<b>110,858,136</b>
<b>123,207,194</b>	<b>127,695,127</b>	<b>125,363,237</b>	<b>122,570,660</b>	<b>131,344,779</b>	<b>140,150,894</b>	<b>157,500,209</b>

(Continued)

**METRO**

Changes in Net Position, *continued*  
 Last Ten Fiscal Years (1)  
 (accrual basis of accounting), Unaudited

	Fiscal Year		
	2005	2006	2007
<b>NET (EXPENSE)/REVENUE</b>			
Governmental activities	\$ (18,318,196)	(25,919,529)	(33,402,224)
Business-type activities	(16,630,077)	(12,269,394)	(14,009,986)
<b>Total primary government net expense</b>	<b>\$ (34,948,273)</b>	<b>(38,188,923)</b>	<b>(47,412,210)</b>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION</b>			
Governmental activities:			
Property taxes (2)	\$ 17,545,652	27,804,374	28,686,523
Excise taxes	13,577,891	14,243,252	14,834,721
Construction excise tax	-	-	1,806,012
Cemetery revenue surcharge	25,270	21,395	33,000
Unrestricted local government shared revenues	540,690	547,512	519,463
Unrestricted investment earnings	839,350	2,315,910	4,945,208
Special items	-	357,921	-
Transfers	306,009	533,324	(289,417)
<b>Total governmental activities</b>	<b>32,834,862</b>	<b>45,823,688</b>	<b>50,535,510</b>
Business-type activities:			
Property taxes (2)	8,941,517	-	-
Unrestricted local government shared revenues	7,683,769	8,852,246	9,976,554
Unrestricted investment earnings	1,196,367	2,078,669	3,104,993
Special items	-	(357,921)	-
Transfers	(306,009)	(533,324)	289,417
<b>Total business-type activities</b>	<b>17,515,644</b>	<b>10,039,670</b>	<b>13,370,964</b>
<b>Total primary government</b>	<b>\$ 50,350,506</b>	<b>55,863,358</b>	<b>63,906,474</b>
<b>CHANGE IN NET POSITION</b>			
Governmental activities	\$ 14,516,666	19,904,159	17,133,286
Business-type activities	885,567	(2,229,724)	(639,022)
<b>Total primary government</b>	<b>\$ 15,402,233</b>	<b>17,674,435</b>	<b>16,494,264</b>
Prior period adjustment/cumulative change in accounting principle	\$ 1,976,193	4,613,707	6,554,744

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

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

(3) Changes in Solid Waste business-type activities expenses between fiscal years 2009 and 2010 is due primarily to the recording of a change in estimate for landfill post-closure costs of \$13,634,086 in fiscal year 2010.

<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
(44,345,954)	(36,006,703)	(42,843,980)	(48,102,098)	(47,866,444)	(44,880,528)	(47,527,519)
(13,110,774)	(16,672,378)	(26,524,637)	(15,660,422)	(12,444,350)	(12,896,734)	153,089
<u>(57,456,728)</u>	<u>(52,679,081)</u>	<u>(69,368,617)</u>	<u>(63,762,520)</u>	<u>(60,310,794)</u>	<u>(57,777,262)</u>	<u>(47,374,430)</u>
46,901,621	45,447,596	51,668,586	49,624,399	39,609,807	51,609,216	59,506,228
14,367,409	12,976,156	12,945,697	14,066,453	14,410,951	15,354,852	15,999,908
2,483,137	1,734,579	1,427,730	1,440,755	1,765,024	2,349,487	2,537,894
23,267	24,168	25,670	27,056	33,619	28,792	49,581
545,550	500,473	509,323	468,776	466,123	555,198	-
9,182,961	4,996,270	1,632,756	885,490	506,774	754,672	1,202,458
-	-	-	-	-	-	-
275,192	120,655	553,757	(4,913,239)	2,439,096	(596,564)	(506,859)
<u>73,779,137</u>	<u>65,799,897</u>	<u>68,763,519</u>	<u>61,599,690</u>	<u>59,231,394</u>	<u>70,055,653</u>	<u>78,789,210</u>
-	-	-	-	-	-	-
11,156,012	10,702,508	9,941,144	11,558,961	12,581,998	14,463,987	-
2,828,289	1,714,787	537,995	412,229	391,598	231,302	416,652
-	-	-	-	-	-	-
(275,192)	(120,655)	(553,757)	4,913,239	(2,439,096)	596,564	506,859
<u>13,709,109</u>	<u>12,296,640</u>	<u>9,925,382</u>	<u>16,884,429</u>	<u>10,534,500</u>	<u>15,291,853</u>	<u>923,511</u>
<u>87,488,246</u>	<u>78,096,537</u>	<u>78,688,901</u>	<u>78,484,119</u>	<u>69,765,894</u>	<u>85,347,506</u>	<u>79,712,721</u>
29,433,183	29,793,194	25,919,539	13,497,592	11,364,950	25,175,125	31,261,691
598,335	(4,375,738)	(16,599,255)	1,224,007	(1,909,850)	2,395,119	1,076,600
<u>30,031,518</u>	<u>25,417,456</u>	<u>9,320,284</u>	<u>14,721,599</u>	<u>9,455,100</u>	<u>27,570,244</u>	<u>32,338,291</u>
<u>9,584,383</u>	<u>-</u>	<u>-</u>	<u>659,362</u>	<u>(1,365,917)</u>	<u>-</u>	<u>-</u>

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

	<b>Fiscal Year</b>		
	<b>2005</b>	<b>2006</b>	<b>2007</b>
General Fund (1) (2)			
Nonspendable	\$ -	-	-
Restricted	-	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Reserved	-	7,333,324	8,518,324
Unreserved	4,443,897	25,630,402	34,564,077
<b>Total General Fund</b>	<b>4,443,897</b>	<b>32,963,726</b>	<b>43,082,401</b>
All other governmental funds (1) (2)			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Reserved	10,155,731	10,680,405	12,082,430
Unreserved, reported in:			
Special Revenue Funds	12,592,408	5,679,471	5,930,679
Capital Projects Funds	4,413,313	9,151,671	131,173,017
Permanent Funds	-	178,943	222,452
<b>Total all other governmental funds</b>	<b>\$ 27,161,452</b>	<b>25,690,490</b>	<b>149,408,578</b>

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

(2) Metro implemented GASB Statement No. 54 during fiscal year 2011, which changed required fund balance classifications for governmental funds.

<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
-	-	-	800,367	181,891	157,544	1,434,164
-	-	-	13,412,488	16,962,147	20,175,302	23,335,910
-	-	-	3,661,469	4,169,918	5,427,647	5,836,553
-	-	-	-	-	-	-
-	-	-	27,140,104	27,269,809	25,530,229	21,358,970
9,088,951	9,462,022	9,637,987	-	-	-	-
28,607,477	35,517,221	36,817,500	-	-	-	-
<b>37,696,428</b>	<b>44,979,243</b>	<b>46,455,487</b>	<b>45,014,428</b>	<b>48,583,765</b>	<b>51,290,722</b>	<b>51,965,597</b>
-	-	-	330,288	355,441	384,121	436,202
-	-	-	66,436,156	193,949,944	154,652,128	124,685,440
-	-	-	-	-	-	-
-	-	-	503,681	26,330	27,671	30,336
-	-	-	-	-	-	-
13,661,489	13,133,831	13,041,477	-	-	-	-
6,052,654	6,221,690	6,000,611	-	-	-	-
110,314,883	85,037,915	60,882,128	-	-	-	-
256,340	288,683	317,158	-	-	-	-
<b>130,285,366</b>	<b>104,682,119</b>	<b>80,241,374</b>	<b>67,270,125</b>	<b>194,331,715</b>	<b>155,063,920</b>	<b>125,151,978</b>

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

	<b>Fiscal Year</b>		
	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>REVENUES (1)</b>			
Property taxes	\$ 17,653,137	27,850,826	28,669,525
Excise taxes	13,577,891	14,243,252	14,834,721
Construction excise tax	-	-	1,806,012
Cemetery revenue surcharge	25,270	21,395	33,000
Investment income	625,190	2,068,326	4,536,529
Government fees	352,195	490,892	441,531
Culture and recreation fees	1,125,860	14,712,855	15,860,633
Solid waste fees	-	-	-
Other fees	1,438,929	3,237,906	3,012,834
Internal charges for services	790,222	514,885	661,007
Licenses and permits	-	402,300	409,332
Miscellaneous revenue	235,784	573,107	221,369
Grants	6,871,101	10,682,649	8,015,836
Local government shared revenues	540,690	547,512	519,463
Government contributions	46,865	-	342,540
Contributions and donations	1,634,463	1,332,949	1,316,011
Capital grants	-	-	-
Capital contributions and donations	-	959,676	1,378,075
<b>Total revenues</b>	<b>44,917,597</b>	<b>77,638,530</b>	<b>82,058,418</b>
<b>EXPENDITURES (1)</b>			
General government operations	3,541,419	8,853,776	9,634,211
Regional planning and development	11,624,509	10,553,489	11,896,946
Culture and recreation	9,085,680	6,349,345	7,737,303
Zoo	-	20,908,177	22,974,261
Debt service:			
Principal	10,640,155	12,478,037	12,703,945
Interest	7,534,732	8,304,109	8,469,032
Capital outlay	2,425,758	5,210,036	12,320,285
<b>Total expenditures</b>	<b>44,852,253</b>	<b>72,656,969</b>	<b>85,735,983</b>
<b>Excess of revenues over (under) expenditures</b>	<b>65,344</b>	<b>4,981,561</b>	<b>(3,677,565)</b>

<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
46,312,638	44,897,096	51,457,062	49,747,025	39,333,293	51,517,060	59,245,166
14,341,764	12,971,067	12,964,535	14,068,190	14,413,338	15,357,373	16,002,790
2,483,137	1,734,579	1,427,730	1,440,755	1,765,024	2,349,487	2,537,894
23,267	24,168	25,497	26,861	33,195	28,680	49,581
8,802,118	4,715,238	1,545,284	853,253	488,586	742,206	1,180,790
576,342	481,480	389,643	301,329	109,500	127,590	99,809
16,728,873	17,893,774	17,402,009	17,890,108	19,553,150	22,172,112	23,306,808
-	-	-	-	270,856	301,902	317,949
2,569,892	3,246,604	3,086,589	3,309,488	3,452,403	3,471,424	3,470,826
849,709	917,250	2,629,198	2,797,314	2,740,228	3,623,649	3,223,107
405,408	388,375	385,155	379,485	373,675	375,160	369,855
397,731	838,365	366,185	943,084	221,974	477,361	365,234
13,961,401	12,382,032	11,622,037	9,611,840	9,743,878	10,390,062	8,056,565
545,550	500,473	509,323	468,776	466,123	555,198	621,111
12,500	266,319	1,505,000	65,505	4,427,539	2,992,196	2,975,000
1,391,471	1,241,569	1,318,994	1,296,050	862,141	689,428	293,104
-	1,851,255	1,226,124	10,617	38,334	26,876	842,564
2,163,915	6,606,003	1,499,373	991,105	1,027,495	2,011,176	2,611,681
<b>111,565,716</b>	<b>110,955,647</b>	<b>109,359,738</b>	<b>104,200,785</b>	<b>99,320,732</b>	<b>117,208,940</b>	<b>125,569,834</b>
12,752,353	12,251,458	11,575,042	12,432,590	14,142,072	12,883,851	15,189,343
15,951,042	12,974,517	14,909,242	14,797,588	13,904,294	11,263,128	11,598,462
13,218,846	12,057,905	14,670,631	17,415,303	19,350,637	18,618,034	18,866,771
25,527,960	26,112,124	24,623,138	25,030,953	27,860,285	30,978,416	31,274,828
24,181,585	26,447,275	32,203,540	30,393,356	24,980,000	39,675,000	27,320,000
14,847,345	12,745,812	11,653,488	10,367,591	9,093,066	13,907,089	12,428,417
29,890,673	31,911,433	23,298,304	24,231,381	28,910,761	26,777,135	39,647,950
<b>136,369,804</b>	<b>134,500,524</b>	<b>132,933,385</b>	<b>134,668,762</b>	<b>138,241,115</b>	<b>154,102,653</b>	<b>156,325,771</b>
<b>(24,804,088)</b>	<b>(23,544,877)</b>	<b>(23,573,647)</b>	<b>(30,467,977)</b>	<b>(38,920,383)</b>	<b>(36,893,713)</b>	<b>(30,755,937)</b>

(Continued)

**METRO**

Changes in Fund Balances, Governmental Funds, *continued*

Last Ten Fiscal Years

(modified accrual basis of accounting), Unaudited

	Fiscal Year		
	2005	2006	2007
<b>OTHER FINANCING SOURCES (USES)</b>			
Bonds issued	-	24,290,000	124,295,000
Refunding bonds issued	18,085,000	-	-
Premium on bonds issued	1,230,005	23,286	6,383,369
Loan proceeds	-	-	592,500
Sale of capital assets	-	-	-
Transfers in	10,306,075	4,288,434	2,933,742
Payment to refunded bond escrow agent	(19,112,101)	-	-
Transfers out	(10,000,066)	(3,752,514)	(3,695,027)
<b>Total other financing sources (uses)</b>	<b>508,913</b>	<b>24,849,206</b>	<b>130,509,584</b>
Special item	-	(24,022,369)	-
<b>Net change in fund balances</b>	<b>574,257</b>	<b>5,808,398</b>	<b>126,832,019</b>
Prior period adjustment/cumulative change in accounting principle	\$ 1,976,193	4,613,707	7,004,744
 Debt service as a percentage of noncapital expenditures	 43.9%	 31.2%	 29.4%

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

<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
-	5,000,000	-	15,000,000	140,000,000	-	-
-	-	-	-	27,575,000	12,600,000	-
-	-	-	-	27,903,859	42,577	-
-	-	-	-	-	-	-
16,000	100,000	50,000	78,716	440,934	531,116	1,743,987
8,574,992	9,390,120	1,901,669	1,027,878	5,343,680	355,757	281,742
-	-	-	-	(29,679,329)	(12,515,811)	-
(8,296,089)	(9,265,675)	(1,342,523)	(710,287)	(2,032,834)	(680,764)	(506,859)
<u>294,903</u>	<u>5,224,445</u>	<u>609,146</u>	<u>15,396,307</u>	<u>169,551,310</u>	<u>332,875</u>	<u>1,518,870</u>
-	-	-	-	-	-	-
<u>(24,509,185)</u>	<u>(18,320,432)</u>	<u>(22,964,501)</u>	<u>(15,071,670)</u>	<u>130,630,927</u>	<u>(36,560,838)</u>	<u>(29,237,067)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>659,362</u>	<u>-</u>	<u>-</u>	<u>-</u>
37.4%	38.2%	40.0%	37.6%	31.2%	42.2%	34.1%



**METRO**

Solid Waste Tonnage by Waste Type and Destination (1)

Last Ten Fiscal Years

Unaudited

Fiscal year ended June 30,	Waste (2)				Organic (3)	ECU (4)	Regional Total All Waste Types
	Metro-Owned Facilities	Total Per Ton Rate	Privately-Owned Facilities	Total Per Ton Rate	Metro-Owned Facilities	Privately-Owned Facilities	
2005	572,611	\$ 70.96	713,051	\$ 23.67	8,902	309,636	1,604,200
2006	589,140	71.41	750,933	22.87	17,581	351,367	1,709,021
2007	610,853	69.86	783,314	21.92	21,639	183,291	1,599,097
2008	592,950	71.14	745,684	22.31	26,003	146,652	1,511,289
2009	514,710	75.75	675,518	25.01	27,832	151,488	1,369,548
2010	483,471	80.75	631,459	27.36	26,604	168,104	1,309,638
2011	453,790	85.85	617,902	27.66	23,143	142,515	1,237,350
2012	422,746	89.53	590,114	29.44	84,375	192,604	1,289,839
2013	398,139	93.84	638,070	30.75	101,386	233,527	1,371,122
2014	428,794	94.33	644,269	30.85	91,843	262,334	1,427,240

- (1) Waste generated in the Metro region and delivered to solid waste facilities for disposal. The figures represent tons of solid waste from which Metro derives revenue.
- (2) "Waste" is mixed solid waste on which Metro levies a Public Goods Charge that generates revenue for the Solid Waste Fund and pays for solid waste programs; and an Excise Tax that generates revenue for the General Fund. Waste delivered to Metro's own transfer stations also incur a user charge that is deposited in the Solid Waste Revenue Fund to pay for station operation, transport, and disposal. Waste that is delivered to Metro's own transfer stations (and one privately-owned facility, Forest Grove Transfer Station) incur a host fee that generates revenue for the Rehabilitation and Enhancement Fund.
- (3) "Organic" is source-separated wood waste, yard debris and compostable food wastes delivered to Metro's own transfer stations. Metro levies a user charge and host fee only on the food waste portion of this group of wastes.
- (4) "ECU" or "Environmental Clean-Up" material is soil and cleanup media contaminated by hazardous substances (though not itself a hazardous waste), including petroleum contaminated soils. Metro levies a reduced-rate Public Goods Charge and Excise Tax only on ECU. ECU is often generated by one or two large remediation projects in the region; therefore tonnage may vary considerably year to year.

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

**METRO**  
**Solid Waste Disposal Rates**  
**Last Ten Fiscal Years**  
**Unaudited**

	<b>Fiscal Year</b>									
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>METRO FACILITIES</b>										
Disposal fee	\$ 45.55	46.80	46.20	47.09	49.00	51.65	56.45	58.35	61.35	61.74
Regional system fee	15.09	14.54	13.57	14.08	16.04	17.53	16.72	17.64	18.56	18.56
Excise tax	8.58	8.33	8.35	8.23	8.97	9.83	10.94	11.80	12.19	12.29
Rehabilitation & enhancement and host fee	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
DEQ fees - orphan sites	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13
DEQ fees - promotion	1.11	1.11	1.11	1.11	1.11	1.11	1.11	1.11	1.11	1.11
<b>Total rate per ton (1)</b>	<b>\$ 70.96</b>	<b>71.41</b>	<b>69.86</b>	<b>71.14</b>	<b>75.75</b>	<b>80.75</b>	<b>85.85</b>	<b>89.53</b>	<b>93.84</b>	<b>94.33</b>
Transaction fee-scalehouse	\$ 7.50	7.50	8.50	8.50	8.50	10.00	11.00	12.00	12.00	12.00
Transaction fee-automated	\$ -	-	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
<b>PRIVATELY-OWNED FACILITIES</b>										
Regional system fee	\$ 15.09	14.54	13.57	14.08	16.04	17.53	16.72	17.64	18.56	18.56
Excise tax	8.58	8.33	8.35	8.23	8.97	9.83	10.94	11.80	12.19	12.29
<b>Total rate per ton</b>	<b>\$ 23.67</b>	<b>22.87</b>	<b>21.92</b>	<b>22.31</b>	<b>25.01</b>	<b>27.36</b>	<b>27.66</b>	<b>29.44</b>	<b>30.75</b>	<b>30.85</b>

(1) Rates are per ton of mixed waste disposal. For fiscal year 2014, minimum charge is \$28.00 for 340 pounds or less.

DEQ rates are set by the State of Oregon Department of Environmental Quality.

Source: Metro Parks and Environmental Services Department.

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

<b>Customer/Payer</b>	<b>2014</b>			<b>2005</b>		
	<b>Fees Paid (1)</b>	<b>Rank</b>	<b>Percentage of Total Solid Waste Fee Revenue</b>	<b>Fees Paid (1)</b>	<b>Rank</b>	<b>Percentage of Total Solid Waste Fee Revenue</b>
Waste Management of Oregon	\$ 12,431,087	1	23.49 %	\$ 8,585,178	1	17.40 %
Oregon City Garbage Company	2,772,612	2	5.24	2,133,079	4	4.32
AGG Recology Inc.	2,652,233	3	5.01	2,393,823	2	4.85
Portland Disposal & Recycling	2,471,035	4	4.67	2,169,245	3	4.40
Arrow Sanitary Services	2,235,553	5	4.22	-	-	-
Trashco Services Inc.	1,946,959	6	3.68	1,477,250	7	2.99
Heiberg Garbage Service	1,657,311	7	3.13	-	-	-
Keller Drop Box Inc.	1,232,035	8	2.33	1,551,611	5	3.15
Walker Garbage Services Inc.	1,015,438	9	1.92	772,973	9	1.57
Sunset Garbage Collection Inc.	789,789	10	1.49	-	-	-
Gresham Sanitary Service Inc.	-	-	-	1,537,771	6	3.12
Oak Grove Disposal Company Inc.	-	-	-	1,105,454	8	2.24
River City Disposal Company Inc.	-	-	-	757,654	10	1.54
<b>Total</b>	<b>\$ 29,204,052</b>		<b>55.18 %</b>	<b>\$ 22,484,038</b>		<b>45.58 %</b>

(1) Customers pay a per ton rate for solid waste disposal. The per ton rate includes various fee components which change each fiscal year.

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

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

Fiscal year ended June 30,	Governmental Activities			
	General Obligation Bonds	Full Faith and Credit Refunding Bonds	Pension Obligation Bonds	Loans Payable
2005	\$ 145,361,215	\$ 17,023,638	\$ -	\$ 82,550
2006	133,778,271	19,616,423 (2)	24,032,908	507,151
2007	252,287,497	18,652,639	24,044,639	1,072,239
2008	229,338,399	17,658,856	23,896,369	592,500
2009	209,351,110	16,640,072	23,688,100	-
2010	178,115,055	15,591,289	23,409,830	-
2011	163,799,185	14,502,505	23,061,561	-
2012	304,897,649	13,378,722	22,638,291	-
2013	265,579,168	13,985,000	22,300,000	-
2014	237,456,537	12,495,000	21,685,000	2,136

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

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

(3) See page 153 for personal income and population data.

\* Not available

**Business-type Activities**

	<b>Revenue Bonds</b>	<b>Full Faith and Credit Bonds</b>	<b>Loans Payable</b>	<b>Total Primary Government</b>	<b>Percentage of Personal Income (3)</b>	<b>Per Capita (3)</b>
\$	9,331,529	\$ 3,541,568	\$ 14,620,186	\$ 189,960,686	0.26 %	\$ 123.04
	7,461,729	14,030,822 (2)	164,470	199,591,774	0.25	127.20
	5,475,094	13,937,157	154,191	315,623,456	0.37	198.09
	4,417,547	13,418,493	143,911	289,466,075	0.33	179.30
	-	12,874,828	133,632	262,687,742	0.31	160.99
	-	12,311,164	-	229,427,338	0.26	139.51
	-	11,722,499	-	213,085,750	0.23	128.61
	-	11,108,835	-	352,023,497	0.36	210.42
	-	11,079,730	-	312,943,898	N/A *	184.78
	-	10,357,673	-	281,996,346	N/A *	164.16



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

Fiscal year ended June 30,	General Bonded Debt Outstanding			Real Market Value (1)	Percentage of Actual Real Market Value of Property	Per Capita (2)
	General Obligation Bonds	Less: Amounts Restricted to Repaying Principal	Net General Bonded Debt			
2005	\$ 145,361,215	\$ 10,004,443	\$ 135,356,772	\$ 146,360,729,671	0.09 %	\$ 87.67
2006	133,778,271	10,680,405	123,097,866	156,666,228,799	0.08	78.45
2007	252,287,497	12,082,430	240,205,067	181,787,247,525	0.13	150.75
2008	229,338,399	13,661,489	215,676,910	207,455,843,980	0.10	133.59
2009	209,351,110	13,133,831	196,217,279	218,478,090,509	0.09	120.26
2010	178,115,055	13,041,458	165,073,597	208,123,520,973	0.08	100.38
2011	163,799,185	14,086,438	149,712,747	196,930,643,603	0.08	90.36
2012	304,897,649	11,134,999	293,762,650	186,113,692,723	0.16	175.59
2013	265,579,168	632,127	264,947,041	182,115,877,804	0.15	156.44
2014	237,456,537	1,107,953	236,348,584	191,403,168,645	0.12	137.59

Sources:

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

(2) See page 153 for population data.

**METRO**

**Direct and Overlapping Governmental Activities Debt**

As of June 30, 2014

Unaudited

<b>Overlapping government</b>	<b>Net property tax backed debt</b>	<b>Percent within Metro</b>	<b>Share of Overlapping Debt</b>
Banks Fire District 13	\$ 625,000	0.07 %	\$ 412
City of Cornelius	2,025,000	94.48	1,913,281
City of Durham	875,000	100.00	875,000
City of Forest Grove	985,000	99.68	981,827
City of Gresham	30,048,998	100.00	30,048,998
City of Happy Valley	3,965,000	100.00	3,965,000
City of Hillsboro	35,595,000	98.64	35,109,449
City of Lake Oswego	28,741,913	100.00	28,741,913
City of Oregon City	1,095,000	99.93	1,094,209
City of Portland	130,695,000	100.00	130,694,477
City of Sherwood	3,425,000	99.83	3,419,205
City of Tigard	26,820,000	99.57	26,704,299
City of Troutdale	11,775,000	100.00	11,775,000
City of Tualatin	8,455,000	100.00	8,455,000
City of West Linn	18,045,000	100.00	18,045,000
Clackamas Community College	24,370,000	74.75	18,217,379
Clackamas County	103,805,000	74.84	77,686,520
Clackamas County RFPD 1	910,000	88.18	802,440
Clackamas County SD 115 (Gladstone)	48,373,647	100.00	48,373,647
Clackamas County SD 12 (N Clackamas)	327,271,595	98.77	323,232,082
Clackamas County SD 3J (West Linn-Wilsonville)	186,589,645	94.36	176,071,773
Clackamas County SD 46 (Oregon Trail)	109,595,487	6.78	7,434,081
Clackamas County SD 62 (Oregon City)	79,290,000	69.50	55,103,933
Clackamas County SD 7J (Lake Oswego)	99,037,049	100.00	99,037,049
Clackamas County SD 86 (Canby)	77,457,992	13.43	10,402,531
Columbia County SD 1J (Scappoose)	30,645,000	6.40	1,962,751
Lusted Water District	825,000	97.43	803,789
Mt. Hood Community College	25,100,000	88.57	21,728,995
Multnomah County	183,565,000	99.07	181,850,136
Multnomah County Drainage District 1	95,000	100.00	95,000
Multnomah County SD 10J (Gresham-Barlow)	86,599,811	94.86	82,147,109
Multnomah County SD 1J (Portland)	537,147,447	99.67	535,383,455
Multnomah County SD 28J (Centennial)	28,866,858	100.00	28,866,858
Multnomah County SD 3 (Parkrose)	60,265,000	100.00	60,265,000
Multnomah County SD 40 (David Douglas)	101,757,481	100.00	101,757,481
Multnomah County SD 51J (Riverdale)	25,228,313	100.00	25,228,313
Multnomah County SD 7 (Reynolds)	125,478,567	100.00	125,478,567
Pleasant Home Water District	1,790,000	57.16	1,023,141
Portland Community College	167,875,000	92.19	154,764,298
Tualatin Hills Park & Rec. District	96,683,112	99.96	96,643,955
Tualatin Valley Fire & Rescue District	42,600,000	97.06	41,348,497

(Continued)

**METRO**

Direct and Overlapping Governmental Activities Debt, *continued*

As of June 30, 2014

Unaudited

<b>Overlapping government</b>	<b>Net property tax backed debt</b>	<b>Percent within Metro</b>	<b>Share of Overlapping Debt</b>
Washington County	\$ 20,235,000	93.31 %	\$ 18,882,068
Washington County SD 13 (Banks)	16,757,495	0.06	9,501
Washington County SD 15 (Forest Grove)	113,719,023	77.56	88,195,585
Washington County SD 1J (Hillsboro)	279,611,712	85.10	237,947,610
Washington County SD 23J (Tigard-Tualatin)	110,945,868	99.32	110,190,327
Washington County SD 48J (Beaverton)	416,415,000	99.83	415,710,009
Washington County SD 88J (Sherwood)	109,238,213	82.11	89,694,185
Subtotal, overlapping debt	3,941,315,226		3,538,161,135
Metro direct debt (1)			244,642,136
Total direct and overlapping debt			\$ 3,782,803,271

(1) Gross bonds payable, not net of unamortized premium or discount for comparison to data reported by the state.

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

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

Source: The Municipal Debt Advisory Commission, State of Oregon.

**METRO**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**  
**Unaudited**

**Legal Debt Margin Calculation for Fiscal Year 2014**

True cash value		\$	191,403,168,645
Debt limit (10% of true cash value)			19,140,316,865
Debt applicable to limit:			
Gross bonded debt principal	\$	254,820,000	
Less legal deductions from debt limit:			
Full Faith and Credit Refunding Bonds 2013 Series		(12,495,000)	
Full Faith and Credit Oregon Local Governments Bonds 2006 Series		(10,180,000)	
Metro Limited Tax Pension Obligation Bonds Series 2005		(21,685,000)	
Total net debt applicable to limit			210,460,000
Legal debt margin		\$	18,929,856,865

	Fiscal Year		
	2005	2006	2007
Debt limit	\$ 14,636,072,967	15,666,622,880	18,178,724,753
Total net debt applicable to limit	143,000,238	131,647,201	244,378,256
Legal debt margin	\$ 14,493,072,729	15,534,975,679	17,934,346,497
Total net debt applicable to the limit as a percentage of the debt limit	0.98%	0.84%	1.34%

Note: ORS 268.520 sets a debt limit of 10% of the true cash value of all taxable property within the district.

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

<b>Fiscal Year</b>						
<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
20,745,584,398	21,847,809,051	20,812,352,097	19,693,064,360	18,611,369,272	18,211,587,780	19,140,316,865
221,976,671	202,536,896	171,848,356	158,080,000	273,485,000	235,675,000	210,460,000
<u>20,523,607,727</u>	<u>21,645,272,155</u>	<u>20,640,503,741</u>	<u>19,534,984,360</u>	<u>18,337,884,272</u>	<u>17,975,912,780</u>	<u>18,929,856,865</u>
1.07%	0.93%	0.83%	0.80%	1.47%	1.29%	1.10%

METRO  
Pledged Revenue Coverage  
Last Ten Fiscal Years  
Unaudited

Fiscal year ended June 30,	Solid Waste Revenue Bonds					
	Solid Waste operating revenue	Less: operating expenses	Net available revenue	Debt service (1)		Coverage
				Principal	Interest	
2005	\$ 51,935,277	\$ 44,695,266	\$ 7,240,011	\$ 830,493	\$ 1,501,060	3.11
2006	55,276,659	47,332,824	7,943,835	781,768	1,555,221	3.40
2007	56,198,701	49,919,528	6,279,173	640,903	1,600,400	2.80
2008	55,134,283	50,918,534	4,215,749	2,265,000	108,963	1.78
2009 (2)	-	-	-	-	-	-
2010	-	-	-	-	-	-
2011	-	-	-	-	-	-
2012	-	-	-	-	-	-
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-

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

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

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

**METRO**  
 Demographic and Economic Statistics  
 Last Ten Fiscal Years  
 Unaudited

<b>Fiscal year ended June 30,</b>	<b>Population (1)</b>	<b>Total Personal income (in thousands) (2)</b>	<b>Per capita personal income (2)</b>	<b>Portland metropolitan unemployment rate (2)</b>
2005	1,543,910	\$ 74,482,430	\$ 36,028	5.9 %
2006	1,569,170	80,390,703	38,224	5.0
2007	1,593,370	84,771,061	39,653	4.9
2008	1,614,465	88,406,798	40,687	6.0
2009	1,631,665	85,922,045	38,936	10.8
2010	1,644,535	87,549,911	39,212	10.6
2011	1,656,775	93,405,633	41,313	9.3
2012	1,672,970	98,698,029	43,103	8.2
2013	1,693,600	N/A *	N/A *	7.3
2014	1,717,765 (3)	N/A *	N/A *	N/A *

\* Not available

(1) For Clackamas, Multnomah and Washington counties.

(2) Portland-Vancouver-Hillsboro OR-WA MSA

(3) Preliminary estimate

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

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

<b>Employer</b>	<b>2014</b>			<b>2005</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total Metropolitan Area Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total Metropolitan Area Employment</b>
State of Oregon	23,500	1	2.31 %	20,800	1	2.15 %
US Government	17,600	2	1.73	18,400	2	1.90
Intel Corporation	17,500	3	1.72	15,500	3	1.60
Providence Health System	15,239	4	1.50	13,753	4	1.42
Oregon Health & Science University	14,616	5	1.44	11,400	5	1.18
Legacy Health System	10,436	6	1.03	7,907	6	0.82
Fred Meyer Stores	10,237	7	1.01	-	-	-
Kaiser Foundation Health Plan of the NW	9,896	8	0.97	7,433	7	0.77
Regence BlueCross BlueShield of Oregon	9,580	9	0.94	-	-	-
City of Portland	8,558	10	0.84	5,355	10	0.55
Portland Public Schools	-	-	-	6,700	8	0.69
Nike, Inc.	-	-	-	5,742	9	0.59
<b>Total</b>	<b>137,162</b>		<b>13.49 %</b>	<b>112,990</b>		<b>11.67 %</b>

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>FUNCTIONS/PROGRAMS</b>										
<b>Primary Government:</b>										
<i>Governmental activities:</i>										
General government operations	122.20	125.50	134.70	142.96	149.78	169.50	172.75	176.15	174.04	175.79
Regional planning and development	73.15	78.60	81.40	82.08	83.65	88.78	89.87	87.43	76.05	72.15
Culture and recreation	44.10	45.15	42.40	55.65	63.65	59.63	54.40	53.20	58.30	76.75
Zoo	-	149.13	149.13	151.96	155.98	157.98	155.98	159.31	168.20	174.85
<b>Total governmental activities</b>	<b>239.45</b>	<b>398.38</b>	<b>407.63</b>	<b>432.65</b>	<b>453.06</b>	<b>475.89</b>	<b>473.00</b>	<b>476.09</b>	<b>476.59</b>	<b>499.54</b>
<i>Business-type activities:</i>										
Solid Waste	106.20	106.20	106.75	106.75	109.00	92.95	93.60	93.55	91.05	90.75
Zoo	151.85	-	-	-	-	-	-	-	-	-
MERC	157.00	156.00	163.00	186.00	191.00	194.00	190.00	185.85	181.50	175.50
<b>Total business-type activities</b>	<b>415.05</b>	<b>262.20</b>	<b>269.75</b>	<b>292.75</b>	<b>300.00</b>	<b>286.95</b>	<b>283.60</b>	<b>279.40</b>	<b>272.55</b>	<b>266.25</b>
<b>Total primary government</b>	<b>654.50</b>	<b>660.58</b>	<b>677.38</b>	<b>725.40</b>	<b>753.06</b>	<b>762.84</b>	<b>756.60</b>	<b>755.49</b>	<b>749.14</b>	<b>765.79</b>
				(2)	(3)	(4)				

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

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

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

(4) In fiscal year 2010, Metro undertook the Sustainable Metro Initiative which reorganized the management structure by core competencies and functions to align programs with desired regional outcomes. This resulted in the shifting of staff and responsibilities between areas.

Source: Metro Adopted Budget documents.

**METRO**

Operating Indicators by Function/Program

Last Ten Fiscal Years

Unaudited

	Fiscal Year		
	2005	2006	2007
<b>FUNCTIONS/PROGRAMS</b>			
<b>Primary Government:</b>			
<i>Governmental activities:</i>			
General government operations:			
Business licenses issued	3,003	2,980	3,032
Live broadcast of Metro Council meetings (1)	40	38	36
Presentations to citizens, business, and other groups by Councilors and COO (1)	322	461	562
Percentage of public meetings and events that have materials posted on line (5)	-	-	-
General obligation bond rating:			
Moody's	Aa1	Aa1	Aaa
Standard and Poor's	AAA	AAA	AAA
Regional planning and development:			
Data Resource Center sales of maps and aerials	\$ 177,211	185,182	178,972
Culture and recreation:			
Visitors to Blue Lake Park, Oxbow Park and Chinook Landing	721,800	656,616	695,176
Volunteer visits (2)	1,421	1,100	1,687
Volunteer hours	30,519	22,570	14,642
Acres acquired in Open Spaces and Natural Areas land target areas	116	42	316
Zoo:			
Adult admission price	\$ 9.50	9.50	9.75
Annual attendance	1,336,287	1,365,459	1,508,564
Volunteer hours	143,500	151,533	156,839
Enterprise revenue as percentage of operating revenue	58.7%	61.1%	60.2%
Contributions and donations as percent of total revenue	5.3%	4.9%	4.6%
<i>Business-type activities:</i>			
Solid Waste:			
Recycling Information Center calls/hits on website	126,949	139,830	134,489
Students reached in elementary and secondary school presentations	44,314	43,692	43,420
Regional recovery rate (3)	57.0%	58.6%	55.4%
Hazardous waste net cost per pound	\$ 0.87	0.89	0.78
Gallons of recycled paint produced	137,075	102,196	92,982
Latex paint revenue	\$ 755,560	809,484	955,802
PaintCare revenue (4)	\$ -	-	-

2008	2009	2010	2011	2012	2013	2014
3,011	2,876	2,851	2,811	2,768	2,779	2,739
34	N/A	N/A	N/A	N/A	N/A	N/A
630	N/A	N/A	N/A	N/A	N/A	N/A
-	-	90.0%	90.0%	90.0%	92.0%	92.0%
Aaa						
AAA						
175,897	137,344	146,199	102,727	73,091	75,279	78,635
711,009	824,375	743,546	704,430	754,351	813,194	739,324
5,169	4,780	5,457	5,278	4,101	2,634	2,011
18,196	17,000	19,497	20,328	15,664	10,357	9,384
426	312	1,438	392	1,117	398	234
9.75	9.75	10.50	10.50	10.50	11.50	11.50
1,500,570	1,621,567	1,634,978	1,536,303	1,597,475	1,683,442	1,514,192
168,795	183,711	166,890	156,997	150,035	130,993	158,551
56.0%	61.8%	62.9%	64.0%	64.1%	62.4%	60.4%
5.0%	7.0%	6.0%	7.0%	4.0%	3.0%	2.4%
147,186	148,465	136,178	135,789	138,438	130,110	147,389
57,189	41,045	58,413	42,767	46,636	31,636	26,591
55.1%	56.8%	56.5%	57.9%	59.3%	62.2%	N/A*
0.82	0.87	0.95	0.77	0.93	0.93	0.89
119,536	99,253	121,207	134,548	157,957	158,421	199,192
1,009,012	1,159,152	1,037,583	948,328	997,290	1,147,907	1,258,303
-	-	-	1,097,559	1,382,882	1,303,797	1,131,360

(Continued)

**METRO**

Operating Indicators by Function/Program, *continued*

Last Ten Fiscal Years

Unaudited

	Fiscal Year		
	2005	2006	2007
MERC:			
Annual attendance			
Oregon Convention Center	700,360	633,575	608,673
Portland Expo Center	469,943	470,984	477,072
Portland's 5 Centers for the Arts (6)	797,752	953,863	862,897
Number of events/performances			
Oregon Convention Center	93	85	91
Portland Expo Center	100	102	98
Portland's 5 Centers for the Arts (6)	937	980	1,113
Capacity			
Occupancy rate (75% considered maximum)			
Oregon Convention Center	48%	39%	42%

\*Not available

(1) This indicator discontinued in 2009 and replaced by indicator in note 5.

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

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

(4) PaintCare revenues derived from a newly established pilot project for the management of post-consumer paint.

(5) New indicator established by Council to replace prior indicators discontinued as of 2009

(6) Was renamed from Portland Center for the Performing Arts in 2014.

Source: Various Metro departments.

<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
639,000	574,199	505,371	524,388	732,982	661,283	581,195
510,141	454,005	420,616	390,333	506,508	429,613	466,213
817,637	930,841	778,691	769,468	844,750	785,277	743,560
104	92	98	88	80	95	88
107	110	98	93	114	110	154
827	1,061	931	877	878	952	906
46%	41%	43%	46%	42%	46%	44%

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

	<b>Fiscal Year</b>		
	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>FUNCTIONS/PROGRAMS</b>			
<b>Primary Government:</b>			
<i>Governmental activities:</i>			
General government operations:			
Regional Center facilities	1	1	1
Square footage	110,000	110,000	110,000
Parking spaces - Regional Center garage	162	162	162
Parking spaces - Irving Street garage	485	485	485
Culture and recreation:			
Regional park facilities	5	5	5
Acres	1,572	1,572	1,572
Cemeteries	14	14	14
Acres	67	67	67
Golf facilities	1	1	1
Acres	232	232	232
18-hole courses	2	2	2
Marine facilities	3	3	3
Natural areas acquired from Multnomah County	7	7	7
Acres	2,422	2,422	2,422
Open Spaces land target areas	20	20	20
Acres	8,131	8,173	8,185
Natural areas acquired using bond proceeds	-	-	27
Acres	-	-	304
Zoo:			
Acres	65	65	65
Buildings and exhibits	63	65	70
Railways	1	1	1
<i>Business-type activities:</i>			
Solid Waste:			
Transfer stations (including hazardous waste facilities)	2	2	2
Latex paint facilities	1	1	1
Closed landfills maintained	1	1	1
MERC:			
Convention Centers	1	1	1
Square footage	907,000	907,000	907,000
Parking spaces	800	800	800
Exposition Centers	1	1	1
Square footage	330,000	330,000	330,000
Parking spaces	2,200	2,200	2,200

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

Source: Various Metro departments.

	2008	2009	2010	2011	2012	2013	2014
	1	1	1	1	1	1	1
	110,000	110,000	110,000	110,000	110,000	110,000	110,000
	162	162	162	162	162	162	162
	485	485	485	485	485	485	485
	5	6	7	7	8	8	8
	1,572	1,701	1,957	1,957	2,207	2,207	2,207
	14	14	14	14	14	14	14
	67	67	67	67	67	67	67
	1	1	1	1	1	1	1
	232	232	232	232	232	232	232
	2	2	2	2	2	2	2
	3	3	3	3	3	3	3
	7	7	7	7	7	7	7
	2,422	2,422	2,422	2,422	2,422	2,422	2,422
	20	20	20	20	20	20	20
	8,185	8,001	7,745	7,745	7,668	7,668	7,684
	27	27	27	27	27	27	27
	730	1,037	2,465	2,838	4,032	4,430	4,647
	65	65	65	65	65	65	65
	70	70	71	73	73	71	67
	1	1	1	1	1	1	1
	2	2	2	2	2	2	2
	1	1	1	1	1	1	1
	1	1	1	1	1	1	1
	907,000	907,000	907,000	907,000	907,000	907,000	907,000
	800	800	800	800	800	800	800
	1	1	1	1	1	1	1
	330,000	330,000	330,000	330,000	330,000	330,000	330,000
	2,200	2,200	2,200	2,200	2,200	2,256	2,256



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

<b>Fiscal year ended June 30,</b>	<b>Total tax levy for fiscal year</b>	<b>Collected within the fiscal year of the levy</b>		<b>Collections in subsequent fiscal years</b>	<b>Total collections to date</b>		<b>Total uncollected taxes for the fiscal year</b>
		<b>Tax collections</b>	<b>Percentage of levy</b>		<b>Tax collections</b>	<b>Percentage of levy</b>	
2005	\$ 27,379,364	\$ 25,852,468	94.4 %	\$ 637,317	26,489,785	96.8 %	\$ 1,170,866
2006	28,618,145	27,115,918	94.8	641,105	27,757,023	97.0	1,100,030
2007	29,415,279	27,895,188	94.8	696,526	28,591,714	97.2	1,140,509
2008	48,123,417	45,437,777	94.4	1,276,308	46,714,085	97.1	1,815,332
2009	46,756,581	43,824,192	93.7	1,530,395	45,354,587	97.0	2,427,570
2010	53,137,308	49,982,313	94.1	1,426,132	51,408,445	96.7	2,699,142
2011	51,113,288	48,209,584	94.3	1,065,383	49,274,967	96.4	2,524,787
2012	40,461,529	38,168,544	94.3	643,458	38,812,002	95.9	2,718,087
2013	53,097,952	50,317,145	94.8	638,519	50,955,664	96.0	2,846,442
2014	61,068,522	57,913,674	94.8	-	57,913,674	94.8	3,122,857

(1) Property tax levies provide operating revenue for the General Fund and the Parks and Natural Areas Local Option Levy Fund and debt service for Metro's general obligation bonds.

**METRO****Assessed and Real Market Value of Taxable Property  
Last Ten Fiscal Years  
Unaudited**

<b>Fiscal year ended June 30,</b>	<b>Real property</b>		<b>Personal property</b>	
	<b>Assessed value</b>	<b>Real market value</b>	<b>Assessed value</b>	<b>Real market value</b>
2005	\$ 87,594,182,912	\$ 137,358,990,439	\$ 4,844,569,951	\$ 4,933,679,306
2006	91,988,728,939	147,912,179,454	4,818,026,408	4,927,283,069
2007	96,689,252,140	172,711,048,668	4,957,074,851	5,044,779,069
2008	101,956,444,799	197,962,560,247	5,205,212,864	5,295,350,718
2009	106,884,314,269	208,683,033,872	5,461,575,352	5,562,877,902
2010	110,633,008,438	197,889,829,108	5,337,576,261	5,438,484,913
2011	114,498,699,986	186,840,459,956	5,068,544,598	5,184,960,128
2012	118,087,095,940	175,920,808,830	4,962,502,374	5,075,340,667
2013	121,033,991,441	171,744,962,351	5,051,262,562	5,156,461,065
2014	125,990,164,932	180,689,884,059	5,184,275,640	5,275,688,288

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

<b>Public utility property</b>		<b>Total</b>		<b>Ratio of total assessed to total real market value</b>
<b>Assessed value</b>	<b>Real market value</b>	<b>Assessed value</b>	<b>Real market value</b>	
\$ 4,047,402,277	\$ 4,068,059,926	\$ 96,486,155,140	\$ 146,360,729,671	65.9 %
3,796,815,443	3,826,766,276	100,603,570,790	156,666,228,799	64.2
3,968,232,130	4,031,419,788	105,614,559,121	181,787,247,525	58.1
4,053,406,742	4,197,933,015	111,215,064,405	207,455,843,980	53.6
4,168,433,884	4,232,178,735	116,514,323,505	218,478,090,509	53.3
4,696,890,236	4,795,206,952	120,667,474,935	208,123,520,973	58.0
4,787,221,228	4,905,223,519	124,354,465,812	196,930,643,603	63.1
4,863,683,259	5,117,543,226	127,913,281,573	186,113,692,723	68.7
4,750,118,205	5,214,454,388	130,835,372,208	182,115,877,804	71.8
4,930,093,963	5,437,596,298	136,104,534,535	191,403,168,645	71.1

**METRO**

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

June 30, 2014

Unaudited

<u>Taxpayer account</u>	<u>Type of business</u>	<u>Assessed valuation</u>	<u>Percent of total valuation</u>
<b>MULTNOMAH COUNTY</b>			
Port of Portland	Marine and aviation facilities	\$ 547,181	0.91 %
Portland General Electric Co.	Electric utility	424,516	0.71
Comcast Corporation	Telecommunications	382,095	0.64
Pacificorp (PP&L)	Electric utility	316,427	0.53
Weston Investment Co. LLC	Nonresidential construction	256,447	0.43
Evrax Inc. NA	Steel manufacturing	218,521	0.37
Alaska Airlines, Inc.	Air travel	181,860	0.30
Centurylink	Telecommunications	174,370	0.29
Boeing Company	Aircraft manufacturing	171,248	0.29
AT & T Inc.	Telecommunications	170,230	0.28
All other taxpayers	-	57,003,028	95.25
	<b>Total</b>	<b>\$ 59,845,923</b>	<b>100.00 %</b>
<b>WASHINGTON COUNTY</b>			
Intel Corporation	Computer electronics	\$ 1,264,615	2.66 %
Nike, Inc.	Athletic apparel	566,111	1.19
Portland General Electric Co.	Electric utility	329,037	0.69
Pacific Realty Associates	Real estate	308,313	0.65
Comcast Corporation	Telecommunications	256,227	0.54
Frontier Communications	Telecommunications	237,950	0.50
Northwest Natural Gas Co.	Natural gas utility	232,145	0.49
Fred Meyer Stores, Inc.	Retailer	149,478	0.31
Maxim Integrated Products, Inc.	Semiconductor manufacturing	142,394	0.30
PPR Washington Square LLC	Retail shopping mall	134,846	0.28
All other taxpayers	-	43,875,003	92.39
	<b>Total</b>	<b>\$ 47,496,119</b>	<b>100.00 %</b>
<b>CLACKAMAS COUNTY</b>			
Shorenstein Properties LLC	Real estate	\$ 245,779	0.85 %
Portland General Electric Co.	Electric utility	226,982	0.79
General Growth Properties, Inc.	Real estate	211,202	0.73
Comcast Corporation	Telecommunications	170,104	0.59
Clackamas Baking Plant (Fred Meyer, Inc.)	Retailer	154,110	0.54
Northwest Natural Gas Co.	Natural gas utility	117,289	0.41
PCC Structural, Inc.	Metal castings and machining	102,096	0.35
Xerox Corporation	Document management	75,949	0.26
Blount, Inc.	Equipment manufacturer	68,717	0.24
Mentor Graphics Corp.	Electronics	63,191	0.22
All other taxpayers	-	27,327,074	95.02
	<b>Total</b>	<b>\$ 28,762,493</b>	<b>100.00 %</b>

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

**AUDIT COMMENTS AND DISCLOSURES  
REQUIRED BY STATE AND FEDERAL REGULATIONS**

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

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

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



**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
 FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
 ACCORDANCE WITH OREGON MINIMUM AUDIT STANDARDS**

Metro Council and Metro Auditor  
 Portland, Oregon

We have audited the basic financial statements of Metro as of and for the year ended June 30, 2014 and have issued our report thereon dated November 18, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

**Compliance**

As part of obtaining reasonable assurance about whether Metro's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts:

OAR	Section	Instances of Non-Compliance Identified?
162-010-0000	Preface	None Noted
162-010-0010	Definitions	None Noted
162-010-0020	Introduction	None Noted
162-010-0030	General Requirements	None Noted
162-010-0050	Financial Statements	None Noted
162-010-0115	Required Supplementary Information (RSI)	None Noted
162-010-0120	Other Supplementary Information	None Noted
162-010-0130	Schedule of Revenues, Expenditures / Expenses, and Changes in Fund Balances, / Net Position, Budget and Actual (Each Fund)	None Noted
162-010-0140	Schedule of Accountability for Independently Elected Officials	Not applicable
162-010-0150	Schedule of Property Tax Transactions or Acreage Assessments	None Noted
162-010-0160	Schedule of Bonded or Long-Term Debt Transactions	None Noted
162-010-0170	Schedule of Future Requirements for Retirement of Bonded or Long-Term Debt	None Noted
162-010-0190	Other Financial or Statistical Information	None Noted
162-010-0200	Required Disclosures and Independent Auditors Comments	None Noted
162-010-0230	Accounting Records and Internal Control	None Noted
162-010-0240	Public Fund Deposits	None Noted
162-010-0250	Indebtedness	None Noted
162-010-0260	Budget	None Noted
162-010-0270	Insurance and Fidelity Bonds	None Noted
162-010-0280	Programs Funded from Outside Sources	None Noted
162-010-0295	Highway Funds	Not applicable
162-010-0300	Investments	None Noted
162-010-0310	Public Contracts and Purchasing	None Noted
162-010-0315	State School Fund	Not applicable
162-010-0316	Public Charter Schools	Not applicable
162-010-0320	Other Comments and Disclosures	None Noted
162-010-0330	Extensions of Time to Deliver Audit Reports	Not applicable

## MOSS ADAMS<sub>LLP</sub>

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

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Metro's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Metro's internal control. Accordingly, we do not express an opinion on the effectiveness of Metro's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State, in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



For Moss Adams LLP  
Eugene, Oregon  
November 18, 2014

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

Metro Council and Metro Auditor  
Portland, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Metro, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Metro's basic financial statements, and have issued our report thereon dated November 18, 2014. Our report includes a reference to other auditors who audited the financial statements of the Oregon Zoo Foundation, as described in our report on Metro's financial statements. The financial statements of the Oregon Zoo Foundation were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Oregon Zoo Foundation.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Metro's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Metro's internal control. Accordingly, we do not express an opinion on the effectiveness of Metro's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## MOSS ADAMS<sub>LLP</sub>

### Compliance and Other Matters

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

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Moss Adams, LLP*

Eugene, Oregon  
November 18, 2014

## REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Metro Council and Metro Auditor  
Portland, Oregon

### **Report on Compliance for the Major Federal Program**

We have audited Metro's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Metro's major federal program for the year ended June 30, 2014. Metro's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for Metro's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Metro's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Metro's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, Metro complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

## MOSS ADAMS<sub>LLP</sub>

### Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Moss Adams, LLP*

Eugene, Oregon  
November 18, 2014

**METRO**

Schedule of Expenditures of Federal Awards  
For the fiscal year ended June 30, 2014

<u>Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant/Pass Through Number</u>	<u>Federal Expenditures</u>
<b>U. S. DEPARTMENT OF AGRICULTURE</b>			
Forest Service-			
Direct Programs:			
UNO Program	10.XXX	09-CS-11062200-010 Mod #5	\$ 10,500
Total U. S. Department of Agriculture			10,500
<b>U.S. DEPARTMENT OF DEFENSE</b>			
Department of the Army, Office of the Chief of Engineers			
Passed through Washington Department of Fish & Wildlife:			
Planning Assistance to States - Water Resources Development Act	12.110	WDFW #13-1708	57,000
Total U.S. Department of Defense			57,000
<b>U. S. DEPARTMENT OF THE INTERIOR</b>			
Bureau of Land Management-			
Direct Program:			
Fish, Wildlife and Plant Conservation Resource Management; Federal Land Policy and Management Act (FLPMA)	15.231	L07AC20271 Task order-HAF079Q05	40,000
Fish and Wildlife Service-			
Passed through Oregon Department of Parks and Recreation:			
Cooperative Endangered Species Conservation Fund	15.615	FY13-E28TW5 OZ	20,528
Passed through Ducks Unlimited:			
North American Wetlands Conservation Fund	15.623	OR-208-1-SSA	63,200
North American Wetlands Conservation Fund	15.623	US-OR-191-1	300,000
Subtotal North American Wetlands Conservation Fund			363,200
Passed through Washington Department of Fish & Wildlife:			
State Wildlife Grants	15.634	WA-S-2013-002-0	8,598
Endangered Species Conservation-Recovery Implementation Funds	15.657	F13AP00612	25,000
Total U. S. Department of the Interior			457,326

**METRO**

**Schedule of Expenditures of Federal Awards  
For the fiscal year ended June 30, 2014**

**U. S. DEPARTMENT OF TRANSPORTATION**

Federal Highway Administration-

Highway Planning and Construction Cluster-

Passed through Oregon Department of Transportation:

Chimney Pier Park pedestrian/bike bridge	20.205	ODOT # 26482	1,091
Westside Trail Master Plan	20.205	ODOT # 27275	(2,547)
Blue Lake Trail - 40 Mile Loop	20.205	ODOT # 25858	842,564
2014 Planning Fund	20.205	ODOT # 29435-01	1,401,586
2012 Planning Fund Carryover funds	20.205	ODOT # 29435-01	118,990
2014 STP funds	20.205	ODOT # 29435-01	662,170
2012 STP Carryover funds	20.205	ODOT # 29435-01	104,665
2014 Powell Division STP funds	20.205	ODOT # 29435-01	133,307
2014 TSMO STP funds	20.205	ODOT # 29435-01	7,712
2014 Technical Studies (Sec 5303)	20.205	ODOT # 29435-01	359,233
Loaned Planner Assignment - D.Kaempff	20.205	ODOT # 28383	8,845
Drive Less Connect - Spanish Language Outreach	20.205	ODOT # 28609	42,055
RCTO - Multimodal Arterial Performance Mgmt	20.205	ODOT # 28088	2,546

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Total Highway Planning and Construction Cluster 3,682,217

Federal Transit Administration-

Capital Investment Grants-

Passed through Tri-County Metropolitan Transportation District of Oregon (TriMet)

Milwaukie Light Rail Final Design	20.500	GH120250TL	8,937
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Metropolitan Transportation Planning Grants-

Passed through Oregon Department of Transportation :

2013 Technical Studies (Sec 5303)	20.505	ODOT # 28815	166,500
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Federal Transit - Formula Grants (Federal Transit Cluster)-

Direct Programs:

Congestion Mitigation & Air Quality Improvement Program (CMAQ)			
Regional Travel Options	20.507	OR-95-X037	116,816
Surface Transportation Funds			
Regional Travel Options	20.507	OR-95-X051	1,145,805

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Subtotal Regional Travel Options Grants 1,262,621

Alternative Analysis-

Direct Programs:

Streetcar/Eastside/LO-PDX (Sec 5339)	20.522	OR-39-0002	119,665
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Total U.S. Department of Transportation 5,239,940

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**Total Expenditures of Federal Awards \$ 5,764,766**

The accompanying notes are an integral part of this schedule.

**METRO**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**NOTE 1 – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes all federal grant activity of Metro, under programs of the federal government for the year ended June 30, 2014. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because this Schedule presents only a selected portion of the operations of Metro, it is not intended to and does not present the financial position, changes in net position or cash flows of Metro.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in note II.C to Metro's basic financial statements. Such expenditures are recognized following the cost principals contained in OMB Circular A-87, *Cost Principals for State, Local and Indian Tribal Governments*, wherein certain types of expenses are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**NOTE 3 – SUBRECIPIENTS**

Included within the federal expenditures presented on the Schedule are federal awards subrecipients as follows:

SUBRECIPIENT	FEDERAL CFDA #	FEDERAL GRANT #	TOTAL EXPENDITURES
Bicycle Transportation Alliance (BTA)	20.507	FTA OR95-X051	\$ 43,569
City of Portland - # 931970	20.507	FTA OR95-X051	63,000
City of Portland - # 931983	20.507	FTA OR95-X051	50,063
City of Tigard	20.507	FTA OR95-X051	204
Clackamas County	20.507	FTA OR95-X051	2,594
Community Cycling Center	20.507	FTA OR95-X051	39,688
Drive Oregon	20.507	FTA OR95-X037	51,534
EnviroMedia	20.507	FTA OR95-X051	25,283
Gresham Area Chamber of Commerce	20.507	FTA OR95-X051	52,306
Home Forward	20.507	FTA OR95-X051	28,195
Lloyd District TMA	20.507	FTA OR95-X051	28,648
OPAL Environmental Justice Oregon	20.507	FTA OR95-X051	(11,751)
Ride Connection Inc	20.507	FTA OR95-X051	33,755
Swan Island Business Association	20.507	FTA OR95-X051	42,968
Tri Met	20.507	FTA OR95-X051	14,082
Verde	20.507	FTA OR95-X051	56,187
Westside Transportation Alliance Inc	20.507	FTA OR95-X051	66,985
<b>Total Subrecipient Federal Expenditures</b>			<b>\$ 587,310</b>

**METRO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

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**Section I - Summary of Auditor's Results**

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*Financial Statements*

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported
- Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported

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

**Identification of Major Federal Programs**

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor's Report Issued For Major Federal Programs</i>
20.205	Highway Planning and Construction Cluster	<i>Unmodified</i>

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

Auditee qualified as low-risk auditee?  Yes  No

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**Section II - Financial Statement Findings**

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None reported

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**Section III - Federal Award Findings and Questioned Costs**

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None reported

**Finding 2013-001 - Procurement, Suspension and Debarment**

**Federal Agency:** U.S. Department of the Interior, Fish and Wildlife Service; Passed through Oregon Department of Fish & Wildlife

**Federal Programs:** 15.605 Sport Fish Restoration Program

**Condition/Context:** During our testing of the procurement, suspension and debarment, we noted one contract tested did not comply with the competition requirement that procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition.

**Recommendation:** Moss Adams recommends that Metro enforce their procurement policies and procedures and monitor compliance.

**Current Status:** In July, 2014, Metro Procurement completed Phase 1 of a project to clarify and strengthen purchasing policies and procedures. Metro believes that these changes will help to prevent this type of non-compliance in the future. Additionally, this specific grant closed in the previous fiscal year and there were no additional expenditures during the current year.

