Metro

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2018

oregonmetro.gov

Metro

If you picnic at Blue Lake or take your kids to the Oregon Zoo, enjoy symphonies at the Schnitz or auto shows at the convention center, put out your trash or drive your car – we've already crossed paths.

So, hello. We're Metro – nice to meet you.

In a metropolitan area as big as Portland, we can do a lot of things better together. Join us to help the region prepare for a happy, healthy future.

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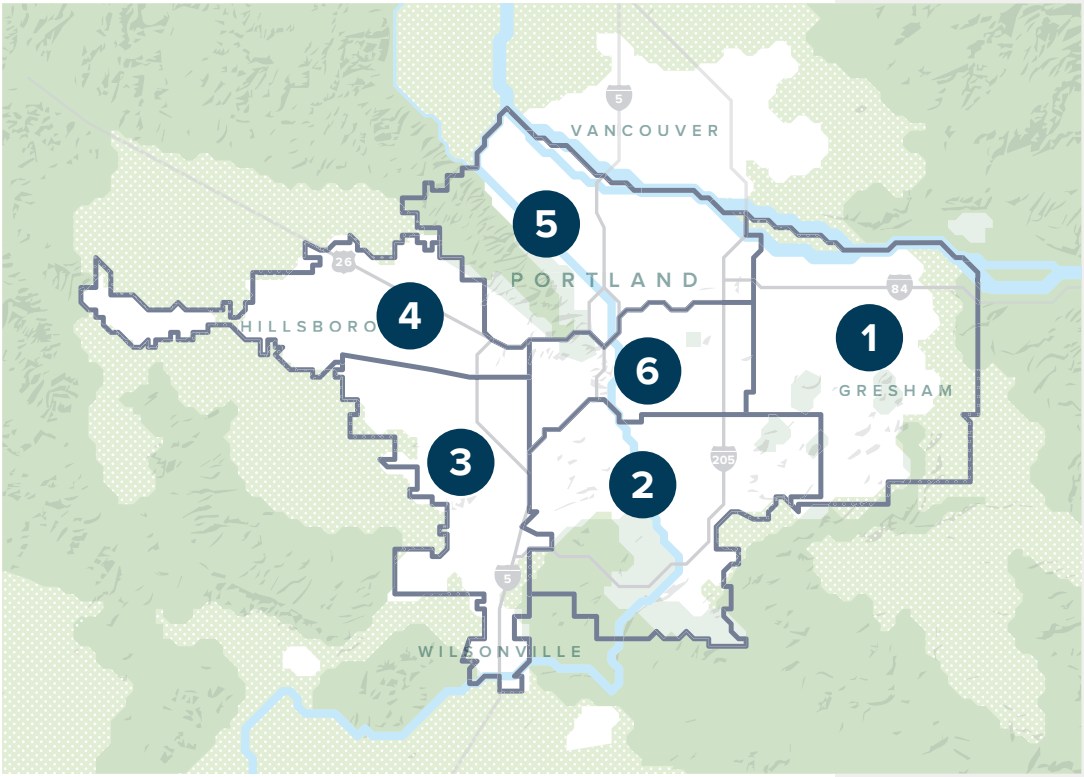

Metro Council President
Tom Hughes

Metro Councilors
Shirley Craddick, District 1
Betty Dominguez, District 2
Craig Dirksen, District 3
Kathryn Harrington, District 4
Sam Chase, District 5
Bob Stacey, District 6

Auditor
Brian Evans

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2018

Finance and Regulatory Services Department

Director
Timothy C. Collier, CPA, MBA

Assistant Director
W. Caleb Ford, CPFO

Prepared by
Accounting Services Division

Financial Reporting and Control Supervisor
Karla J. Lenox, CPA

Financial Reporting Supervisor
Christine A. Balcazar, CPA

600 NE Grand Ave., Portland, Oregon 97232

METRO

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2018

Table of Contents

Table of Contents i

INTRODUCTORY SECTION

Letter of Transmittal 1
Certificate of Achievement for Excellence in Financial Reporting 6
Elected and Appointed Officials 7
Organizational Structure 8

FINANCIAL SECTION

Letter from Metro Auditor 9
Report of Independent Auditors 10
Management's Discussion and Analysis 13

BASIC FINANCIAL STATEMENTS:

Government-Wide Financial Statements 23
Statement of Net Position 24
Statement of Activities 26

Fund Financial Statements

Governmental Funds: 29
Balance Sheet and Reconciliation to Statement of Net Position 30
Statement of Revenues, Expenditures and Changes in Fund Balances 32
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities 34

Proprietary Funds: 35
Statement of Net Position 36
Statement of Revenues, Expenses and Changes in Net Position 38
Statement of Cash Flows 39

Notes to the Financial Statements 41

SUPPLEMENTARY INFORMATION:

Required Supplementary Information 79
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Basis of Budgeting):
General Fund 80
Parks and Natural Areas Local Option Levy Fund 82
Schedule of District's Proportionate Share of Net Pension/OPEB Liability:
Oregon Public Employees' Retirement System, Pension Plan 83
Oregon Public Employees' Retirement System, Retirement Health Insurance Account 84
Schedule of District's Contributions:
Oregon Public Employees' Retirement System, Pension Plan 86
Oregon Public Employees' Retirement System, Retirement Health Insurance Account 88
Schedule of District's Changes in Total OPEB Liability:
Implicit Rate Subsidy Plan 89
Notes to Required Supplementary Information 91

Other Supplementary Information 93
Combining Statements: 94
Nonmajor Governmental Funds:
Combining Balance Sheet 95
Combining Statement of Revenues, Expenditures and Changes in Fund Balances 96
Budgetary Comparison Schedules: 97
Other Major Governmental Funds: 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
Nonmajor Governmental Funds: 103
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Basis of Budgeting):
Smith and Bybee Wetlands Fund 104
Community Enhancement Fund 105
Open Spaces Fund 106
Cemetery Perpetual Care Fund 107
Proprietary Funds: 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
Oregon Zoo Operating Fund 111
MERC Fund 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
Reconciliation of Enterprise Fund Revenues and Expenditures (Basis of Budgeting) to Statement of Revenues, Expenses and Changes in Net Position (GAAP Basis) 114
Other Budgetary Funds: 115
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Basis of Budgeting):
General Revenue Bond Fund 116
General Asset Management Fund 117
Oregon Zoo Asset Management Fund 118
Schedule of Revenues, Expenditures and Changes in Fund Balance - (Non-GAAP Basis of Budgeting):
General Revenue Bond Fund 119

Other Financial Schedules: 121
Schedule of Property Tax Transactions and Outstanding Receivable 123
Schedule of Future Bonded Debt Service Requirements:
General Obligation Bonds 124
Full Faith and Credit, Dedicated Tax Revenue and Pension Obligation Bonds 126
Schedule of Long-term Bonded Debt Transactions:
General Obligation Bonds 128
Full Faith and Credit, Dedicated Tax Revenue and Pension Obligation Bonds 129

STATISTICAL SECTION (UNAUDITED)
Introduction 131
Financial Trends Information:
Net Position by Component - Last Ten Fiscal Years 132
Changes in Net Position - Last Ten Fiscal Years 134
Fund Balances, Governmental Funds - Last Ten Fiscal Years 138
Changes in Fund Balances, Governmental Funds - Last Ten Fiscal Years 140
Revenue Capacity Information:
Solid Waste Tonnage by Waste Type and Destination - Last Ten Fiscal Years 145
Solid Waste Disposal Rates - Last Ten Fiscal Years 146
Principal Solid Waste Fee Payers - Current Year and Nine Years Ago 147
Debt Capacity Information:
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years 148
Ratios of Net General Bonded Debt Outstanding - Last Ten Fiscal Years 151
Direct and Overlapping Governmental Activities Debt as of June 30, 2018 152
Legal Debt Margin Information - Last Ten Fiscal Years 154
Demographic and Economic Information:
Demographic and Economic Statistics - Last Ten Fiscal Years 155
Principal Employers - Current Year and Nine Years Ago 156
Operating Information:
Full-Time Equivalent Employees by Function/Program - Last Ten Fiscal Years 157
Operating Indicators by Function/Program - Last Ten Fiscal Years 158
Capital Asset Statistics by Function/Program - Last Ten Fiscal Years 160
Additional Information:
Property Tax Levies and Collections - Last Ten Fiscal Years 162
Taxable Property Values - Last Ten Fiscal Years 163
Property Tax Rates by Type of Levy - Last Ten Fiscal Years 164
Principal Property Tax Taxpayers Within the District by County - June 30, 2018 165
Revenue Support for Dedicated Tax Revenue Bonds, Series 2017 (OCC Hotel Project) – Last Ten Fiscal Years 166

AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE AND FEDERAL REGULATIONS

Introduction 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 *Oregon Minimum Audit Standards* 171
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* 173
Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance 175
Schedule of Expenditures of Federal Awards 177
Notes to Schedule of Expenditures of Federal Awards 179
Schedule of Findings and Questioned Costs 180
Summary Schedule of Prior Audit Findings 184
Corrective Action Plan 185

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November 19, 2018

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, 2018, accompanied by the report of Metro's independent auditors, Moss Adams, LLP.

This Comprehensive Annual Financial Report (CAFR) presents the financial position of Metro and the results of its operations, as well as cash flows for its proprietary fund types, for the fiscal year ended June 30, 2018. 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 from 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 Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

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.

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, 2018 (see pages 10-12). 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 24 cities in the Portland, Oregon metropolitan area.

The voters of the region approved a constitutional amendment to allow the creation of a home rule-rule regional government in the Portland metropolitan area in 1990, then a home rule charter for Metro in 1992 and a charter amendment in 2000. Metro is the only directly-elected regional government in the United States and is governed by a council president, elected region wide, and six councilors elected by district. The charter established the elected position of Metro Auditor. Ordinances are passed by a simple majority vote of the seven council members.

Services. The primary responsibility of Metro, as authorized by its charter, is to provide regional land use planning. The charter further recognizes the significant role Metro has in other regional issues. As such, Metro provides the following services that focus on issues that cross local boundaries:

- **Planning and Development**: Manages the regional urban growth boundary, prepares the Regional Transportation Plan, allocates federal highway and transit funds for the region, and conducts all regional transit and light rail planning.
- **Solid Waste**: Operates regional solid waste transfer stations, household hazardous waste facilities, and develops the Regional Solid Waste Management Plan.
- **Parks and Natural Areas**: Provides regional natural areas, parks, and trails, including historical cemeteries, a golf course, and marine facilities. Purchases land and restores natural habitats.
- **Visitor Venues**: Operates the Oregon Zoo, Oregon Convention Center, Portland Expo Center, and the Portland'5 Centers for the Arts.
- **Research Center**: Provides mapping and technical services, coordinates data and research activities with governmental and other partners, and develops regional economic and travel forecasts.

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, ORS §294.305 to §294.565. The Council adopts the budget for all funds by ordinance prior to the beginning of Metro's fiscal year (July 1). Expenditures for each fund cannot legally exceed the appropriation levels set by the authorizing ordinance. 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) Statements No. 14, 39* and *61*. 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.

Economic Conditions

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 (MSA)) is home to over 2.4 million residents, with over 1.6 million of those residing within the Metro boundary. The Portland MSA ranks as the 25th largest U.S. metropolitan area. According to the U.S. Census Bureau, regional population grew 1.9 percent in 2017.

The economic region is comprised of five counties in Oregon and two counties in Washington. 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 non-farm employment of over 1.2 million jobs, with over 80 percent of those jobs located inside the Metro boundary. The latest Portland MSA job reading (June 2018) shows year over year annualized growth of 2.2 percent. The region's unemployment rate continues to fall and now stands at a seasonally adjusted 3.7 percent according to the Oregon Employment Department. The region is likely close to full employment.

Property values have continued to increase; the median single-family home sold for $417,900 (June 2018), an annual growth rate of 7 percent. Homes in the Portland

area are still considerably less expensive than other west coast areas, making it an attractive option for new home buyers and new residents.

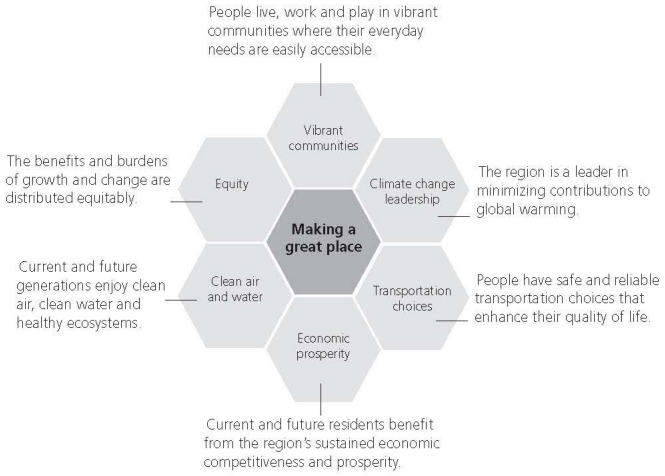
Economic outlook. Metro's regionally accepted growth projections anticipate an annual average growth rate of 1.0 percent for the Portland MSA from 2015 to 2040. The MSA region is expected to have more than three million residents by 2040, adding 784,000 new residents from year 2015. Job growth is expected to match regional population trends and increase by an annual growth rate of 1.0 percent through 2040.

Metro is likely to face few fiscal challenges in the near term as the region's economic expansion continues into a ninth year. Key elements of the regional economy are strong – especially the visitor economy – and this expansion has relieved pressure on some of Metro's services. The convention center hotel is one among many commercial projects under construction. Residential construction has seen a cyclic increase in single family permits while at the same time the production of multi-family units has sharply exceeded the pre-recession peak. The increase in construction activity should benefit Metro's construction excise tax receipts.

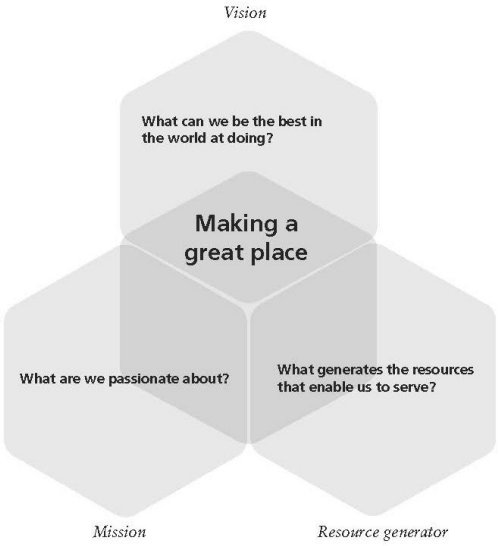
In other budget areas, federal transportation funding has declined, affecting both general transportation system planning and limited specific project planning. In other cases, the economy has permanently "reset." For example, revenue from interest earned on investments may never return to pre-2006 levels, but the opportunity to re-finance outstanding debts has been advantageous to Metro's bond-financed programs. Revenue from garbage excise taxes have improved sharply with growth in the economy. Increased property taxes from rising property values have also added to Metro coffers.

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 Solid Waste Revenue Fund, the Oregon Zoo Operating Fund and the Metropolitan Exposition Recreation Commission (MERC) 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. Metro uses these outcomes to guide its strategic decision-making by testing department activities and programs against whether they are making these outcomes more likely over time.



In addition, the Metro Compass, shown in the diagram below, is used to develop the budget and ensure that Metro's programs and activities achieve the vision for the region, deliver on the core mission, and build public trust. Each of Metro's departments has developed a



five-year mission critical plan for their operations. These plans help each department to look ahead to identify key opportunities and threats that face the region, Metro, and its programs to ensure Metro is making decisions today that will be sustainable and strategic for the next three to five years.

Metro also prepares a five-year Capital Improvement Plan (CIP) 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.

Major initiatives. The budget for fiscal year 2018 was 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. The 2017-18 Budget included:

Implementing our goals and strategies for equity, diversity and inclusion. In June 2016, Metro Council adopted the agency's Strategic Plan to Advance Racial Equity, Diversity, and Inclusion and in May 2017, Council considered an update to our Diversity Action Plan. Council has made increasing the diversity of our workforce, increasing the percentage and dollar value of the contracts we award to minority, women, and emerging businesses, improving our relationships with historically underserved communities, and ensuring that all of the region's residents have access to the six desired regional outcomes a high priority for our departments. The budget includes funding for programs and activities to support diversity, equity, and inclusion in every department of Metro.

Investing in Metro's infrastructure. As in the past three fiscal years, the budget recommended that Metro invest in taking care of our systems and structures. It also includes funding to address these deferred investments and also to increase our efficiency. Projects receiving funding included:

- Voice over Internet Protocol implementation
- Enterprise Resource Planning system improvements
- Polar Passage, Primate Forest, and Rhino habitat construction projects at the Oregon Zoo
- Major renovations at the Oregon Convention Center
- Roof repairs to Halls D and E at the Portland Expo Center
- Various projects to meet the commitments of the 2013 local option levy at Newell Canyon, Killin Wetlands, Borland, and Oxbow campground.

Relevant Financial Polices. 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 21, 2018 (Resolution No. 18-4874A), 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 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. Additionally, 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.

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. A further detailed discussion of Metro's financial policies and plans for the future can be found in *Metro's 2018-19 Adopted Budget*.

Awards and Acknowledgements

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, 2017. This was the twenty-sixth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to 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, 2017. 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.

The preparation of this report would not have been possible without the cooperation of employees across the Metro organization. We especially acknowledge Karla J. Lenox, CPA, Financial Reporting and Control Supervisor, Christine A. Balcazar, CPA, Financial Reporting Supervisor and the staff in the Accounting Services Division of the Finance and Regulatory Services Department 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 extend our appreciation to the Metro Council, Metro Auditor, and the many Metro managers for their leadership and commitment to financial excellence.

Respectfully submitted,

Martha J. Bennett
Chief Operating Officer

Timothy C. Collier, CPA, MBA
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, 2017

Christopher P. Morrill

Executive Director/CEO

METRO
as of June 30, 2018

Elected Officials

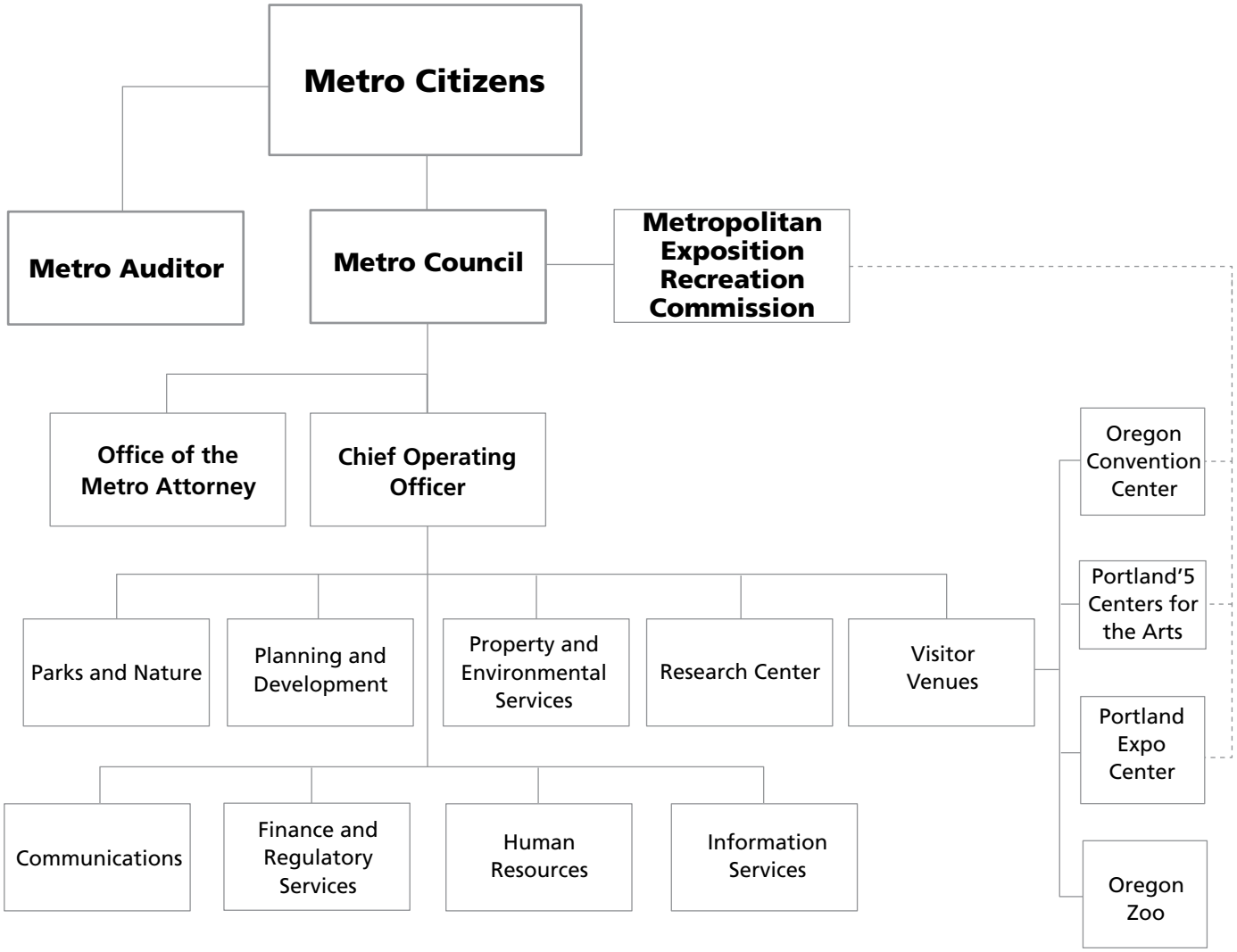
Name	Position	Term expires
Tom Hughes	Metro Council President	January 2019
Shirley Craddick	Councilor-District 1	January 2019
Betty Dominguez	Councilor-District 2	January 2019
Craig Dirksen	Councilor-District 3	January 2021
Kathryn Harrington	Councilor-District 4	January 2019
Sam Chase	Councilor-District 5	January 2021
Bob Stacey	Councilor-District 6	January 2021
Brian Evans, CIA	Metro Auditor	January 2019

Appointed Officials

Name	Position
Martha Bennett	Chief Operating Officer
Andrew Scott	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
Don Moore	Oregon Zoo Director
Elissa Gertler	Planning and Development Director
Jeff Frkonja	Research Center Director
Paul Slyman	Property and Environmental Services Director
Jon Blasher	Parks and Nature Director
Scott Cruickshank	General Manager of Visitor Venues
Craig Stroud	Oregon Convention Center Director
Matthew Rotchford	Portland Expo Center Director
Robyn Williams	Portland'5 Centers for the Arts Director

Organizational Structure

as of June 30, 2018



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

November 19, 2018

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 2014, 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, 2018. In addition to the above report, Metro is required to have an audit of its expenditures of federal awards in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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, 2018 are included in the last section of this report, Audit Comments and Disclosures Required by State and Federal Regulations.

I want to thank Metro employees for the hard work and the attention to detail that makes this process run smoothly.

Respectfully submitted,

Brian Evans
Metro Auditor

MOSSADAMS

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, 2018, 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.

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

MOSSADAMS

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, 2018, 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 13 through 22; the schedules of revenues, expenditures and changes in fund balance – budget and actual and related notes on pages 79 through 82 (the "budgetary schedules"); the schedule of district's proportionate share of net pension/OPEB liability and schedule of district's contributions for the Oregon Public Employees' Retirement System, Pension Plan and Retirement Health Insurance Account on pages 83 through 88; and the schedule of district's changes in total OPEB liability on page 89, 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, the schedule of district's proportionate share of net pension/OPEB liability and schedule of district's contributions for the Oregon Public Employees' Retirement System, Pension Plan and Retirement Health Insurance Account, and the schedule of district's changes in total OPEB liability 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.

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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 on pages 93 through 167, and the schedule of expenditures of federal awards on pages 177 through 178, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; each as listed in the table of contents (collectively, the supplementary information), are 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.

Reports of Other Legal and Regulatory Requirements – Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Metro's 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.

Other Reporting Required by *Minimum Standards for Audits of Oregon Municipal Corporations*

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 19, 2018, 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 19, 2018

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, 2018. 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 1-5 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 and deferred inflows of resources (also defined as *net position*) by $605,627,498 at June 30, 2018, which reflects a decrease of 6.1 percent or $39,172,434 over the prior fiscal year, including the change in accounting principle for the implementation of GASB Statement No. 75.
- Metro completed the fiscal year with its governmental funds reporting *combined* fund balances of $179,947,518. Of the total amount of governmental combined fund balance, $29,180,618 or 16.2 percent, is considered available for spending at Metro's discretion (*unassigned* fund balance).
- At the end of fiscal year 2018, unrestricted spendable fund balance (the total of the *committed*, *assigned* and *unassigned* components of fund balance) in the general fund totaled $39,703,432 and represents 51.3 percent of total general fund expenditures.
- Metro's total outstanding long-term liabilities increased $79,495,188 or 24.6 percent during the current fiscal year. The significant increase in this amount is due to Metro's support for the construction of the Oregon Convention Center Hotel. Metro issued $52.3 million in Dedicated Tax Revenue bonds and disbursed $74.0 million to the hotel developer to meet the agency's commitment to the project.

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*. This report also includes *supplementary information* intended to furnish additional detail to support the basic financial statements.

Government-wide financial statements. The 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.

The *Statement of Net Position* includes all of Metro's assets, deferred outflows of resources, liabilities, and deferred 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.

The *Statement of Activities* 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).

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; and *culture and recreation* which includes regional parks and natural areas, community enhancement activities near Metro area solid waste facilities, management of Smith and Bybee Wetlands and Pioneer Cemeteries.

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*, *Oregon Zoo*, 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. Oregon Zoo operations include zoo visitor experience, environmental education, and animal conservation and research. MERC operations include the Oregon Convention Center (OCC), Portland'5 Centers for the Arts (Portland'5) 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 23-27 of this report.

Fund financial 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 Wetlands, Community 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 statement*s 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 (GAAP) 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, along with the entire budgetary Oregon Zoo Asset Management Fund.

  The governmental fund financial statements can be found on pages 29-34 of this report.

- ***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, Oregon Zoo and MERC operations, all three 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 35-40 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 41-78 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, and pension and other post-employment benefit disclosures. RSI can be found on pages 79-92.

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 93-119.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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 and deferred inflows of resources (defined as net position) by $605,627,498 at June 30, 2018. The table on the following page reflects the condensed Government-wide Statement of Net Position.

Metro's governmental activities account for net position of $209,290,332, or 34.6 percent, whereas business-type activities account for $396,337,166 or 65.4 percent.

Of Metro's total net position, 89.3 percent reflects its net investment in capital assets (e.g., headquarters offices, zoo exhibits, natural areas property, transfer stations, convention center, 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.

Metro's restricted net position (25.9 percent) represents resources that are subject to external restrictions on how they may be used. External restrictions for specific purposes include areas such as parks and natural areas local option levy, Transit Oriented Development (TOD), Smith and Bybee Wetlands management plan, and capital projects funded by bond or restricted proceeds. The restricted component of net position increased $4,493,666 or 2.9 percent from the amount at June 30, 2017.

The remaining $92,287,423 is an unrestricted deficit, 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, $60,498,533 is attributable to Metro's business-type activities which cannot be used to make up for the deficit reported in

Metro's Net Position

		Governmental Activities		Business-type Activities		Total - Primary Government	
		2018	2017	2018	2017	2018	2017
Current and other assets	$	203,440,848	161,609,554	149,714,251	139,133,165	353,155,099	300,742,719
Capital assets		347,772,437	344,224,302	318,755,111	318,423,254	666,527,548	662,647,556
Total assets		551,213,285	505,833,856	468,469,362	457,556,419	1,019,682,647	963,390,275
Total deferred outflows of resources		15,354,842	21,325,524	16,864,110	23,734,239	32,218,952	45,059,763
Long-term liabilities outstanding		341,111,045	257,515,092	62,185,341	66,286,106	403,296,386	323,801,198
Other liabilities		15,224,929	13,814,445	25,623,458	23,718,367	40,848,387	37,532,812
Total liabilities		356,335,974	271,329,537	87,808,799	90,004,473	444,144,773	361,334,010
Total deferred inflows of resources		941,821	1,014,106	1,187,507	1,301,990	2,129,328	2,316,096
Net position:							
Net investment in capital assets		265,925,123	267,856,359	311,737,639	310,527,670	540,953,664	533,080,026
Restricted		132,860,263	128,141,074	24,100,994	24,326,517	156,961,257	152,467,591
Unrestricted		(189,495,054)	(141,181,696)	60,498,533	55,130,008	(92,287,423)	(40,747,685)
Total net position	$	209,290,332	254,815,737	396,337,166	389,984,195	605,627,498	644,799,932

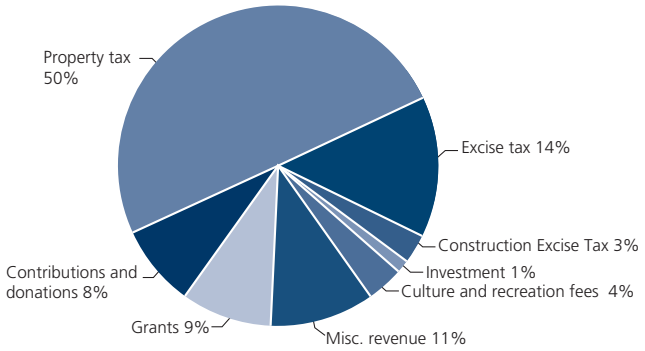
governmental activities. Unrestricted net position decreased $48,273,474 (to a total deficit of $189,495,054) in governmental activities primarily due to the distribution of bond proceeds and premium from the sale of Dedicated Tax Revenue bonds for the Oregon Convention Center Hotel project; $61,043,218 was disbursed to the developer with no corresponding asset owned by Metro. Similar transactions contributed to the unrestricted net deficit such as the local share component of the Natural Areas program and the bond construction at the Oregon Zoo; in both cases, the debt is accounted for in the governmental funds without a corresponding asset.

Changes in net position. Overall, Metro's net position decreased 6.1 percent or $38,956,594 over the prior fiscal year. Governmental activities' net position decreased $45,485,521, while business-type activities' net position increased $6,528,927 for the fiscal year ended June 30, 2018. 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. The reasons for the changes noted here are discussed in the following sections for governmental activities and business-type activities.

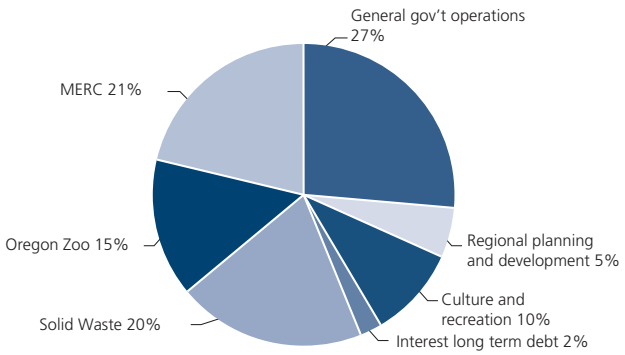
Changes in Metro's Net Position

		Governmental Activities		Business-type Activities		Total - Primary Government	
		2018	2017	2018	2017	2018	2017
Revenues:							
Program revenues							
Charges for services	$	14,420,218	14,235,151	152,299,636	144,737,289	166,719,854	158,972,440
Operating grants and contributions		18,750,842	16,845,537	27,284,520	28,801,808	46,035,362	45,647,345
Capital grants and contributions		7,675,000	313,816	1,687,660	1,293,000	9,362,660	1,606,816
General revenues							
Property taxes		64,162,251	59,711,015	-	-	64,162,251	59,711,015
Excise taxes		22,135,852	22,391,707	-	-	22,135,852	22,391,707
Other		1,763,300	904,872	1,182,067	655,748	2,945,367	1,560,620
Total revenues		128,907,463	114,402,098	182,453,883	175,487,845	311,361,346	289,889,943
Expenses:							
General government operations		92,414,695	16,571,054	-	-	92,414,695	16,571,054
Regional planning and development		18,694,103	18,252,248	-	-	18,694,103	18,252,248
Culture and recreation		34,237,180	33,156,498	-	-	34,237,180	33,156,498
Interest on long-term debt		8,150,951	6,766,723	-	-	8,150,951	6,766,723
Solid Waste		-	-	70,581,702	67,359,647	70,581,702	67,359,647
Oregon Zoo		-	-	51,803,762	46,636,849	51,803,762	46,636,849
MERC		-	-	74,435,547	69,090,836	74,435,547	69,090,836
Total expenses		153,496,929	74,746,523	196,821,011	183,087,332	350,317,940	257,833,855
Increase (decrease) in net position before transfers		(24,589,466)	39,655,575	(14,367,128)	(7,599,487)	(38,956,594)	32,056,088
Transfers		(20,896,055)	(12,486,737)	20,896,055	12,486,737	-	-
Increase (decrease) in net position		(45,485,521)	27,168,838	6,528,927	4,887,250	(38,956,594)	32,056,088
Net Position, July 1		254,815,737	227,646,899	389,984,195	385,096,945	644,799,932	612,743,844
Change in accounting principle		(39,884)	-	(175,956)	-	(215,840)	-
Net Position, June 30	$	209,290,332	254,815,737	396,337,166	389,984,195	605,627,498	644,799,932

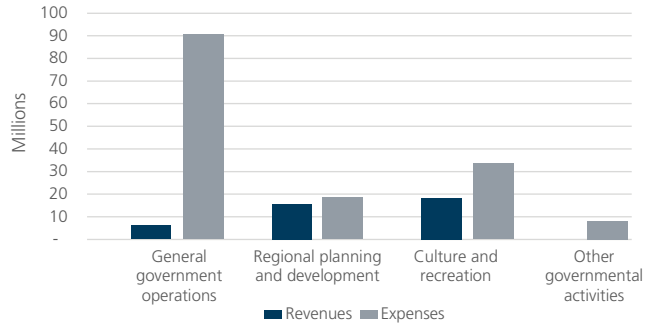
Metro Governmental Activities Sources of Revenue, Fiscal Year 2018



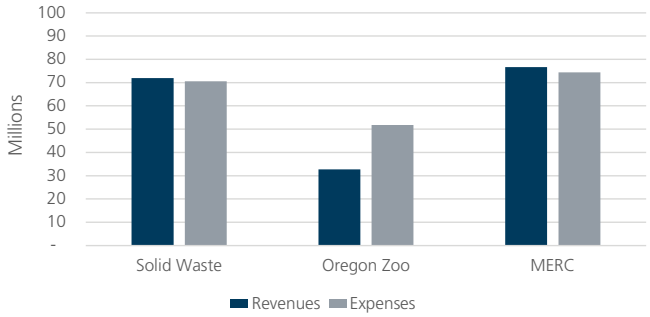
Metro Function/Program Expenses, Fiscal Year 2018



Program Revenues and Expenses - Governmental Activities, Fiscal Year 2018



Program Revenues and Expenses - Business-type Activities, Fiscal Year 2018



Governmental activities. Governmental activities program revenues were up $9,451,556 or 30.1 percent and totaled $40,846,060. The majority of this increase is due to a $7,500,000 capital grant from the State of Oregon to support development work at Willamette Falls.

Metro's general government operations expense totaled $92,414,695 or 26.4 percent of Metro's total primary government expenses, which was an increase of $75,843,641 from that reported in the prior fiscal year. This is primarily due to a $74.0 million dollar contribution to Mortensen Construction for the development of the Oregon Convention Center Hotel. Interest on long-term debt increased by $1,384,228 or 20.5 percent from the prior fiscal year. The increase is attributed to the higher debt service from the newly issued debt for the Oregon Convention Center Hotel, Natural Areas, and Oregon Zoo Infrastructure bond series.

Business-type activities. Program revenues of Metro's business-type activities (Solid Waste, Oregon Zoo and MERC operations) totaled $181,271,816, up $6,439,719 or 3.7 percent. The main drivers of this increase are higher admission fees at the parks and Oregon Zoo, pricing changes at OCC, successful Broadway and Cirque du Soleil shows at Portland'5 and Expo, and increases in solid waste fees. Charges for services increased in all business-type activities by a total of $7,562,347, or 5.2 percent.

Total expenses increased $13,733,679 or 7.5 percent to a total of $196,821,011. Solid Waste program expenses increased $3,222,055, or 4.8 percent. A portion of these additional costs are attributed to the forest fire in the Columbia River Gorge, which impacted the transportation of solid waste tonnage to the landfill. Oregon Zoo program expenses increased $5,166,913, or 11.1 percent and MERC expenses increased $5,344,711, or 7.7 percent. Personal services and materials and services costs increases were in line with expectations, and the remainder of the variance is due to pension expense and additional depreciation expense.

General revenues. The most significant general revenue, property taxes, accounts for 49.9 percent of all governmental activities revenues, down from 52.2 percent in the prior fiscal year. Property taxes are dedicated to repayment of general obligation bond debt, for programs authorized by the 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 slightly higher for continued scheduled debt payments and the resulting reduction of outstanding principal balances on bonds. While the total percentage of revenues provided by property taxes decreased slightly for the fiscal year ended June 30, 2018, the total amount of property taxes increased $4,451,236 or 7.5 percent. This revenue increase reflects the economic expansion in the region that has followed the great recession of 2008. Housing prices in the Portland area have continued to be among the fastest growing in the country, which is reflected in the increase in property taxes.

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.

At June 30, 2018, Metro's governmental funds reported combined fund balances of $179,947,518. This is up $40,664,502 or 29.2 percent. The increase is due primarily to the receipt of bond proceeds and premiums for the Oregon Zoo Infrastructure and Animal Welfare and Natural Areas bond programs and Metro Regional Center capital maintenance bonds. These balances are restricted for those purposes and will decrease over the next several years as the proceeds are spent. Of the total amount of governmental combined fund balance above, $29,180,618 or 16.2 percent, is considered unassigned fund balance and available for spending at Metro's discretion.

The remainder of the fund balance is either *nonspendable*, *restricted*, *committed* or *assigned*. Nonspendable fund balance represents amounts not in spendable form and the corpus of the permanent fund, which total $649,752 at June 30, 2018. Fund balances *restricted* for particular purposes, such as parks and natural areas, bonded capital projects, the Willamette Falls Legacy, and debt service totaled $139,577,722. Fund balance in the amount of $10,522,814 is *committed* by the Metro Council for local governments' planning efforts under the Construction Excise Tax (CET) program. *Assigned* fund balance totaled $16,612 and is reflected in Metro's permanent fund dedicated to cemetery programs.

Note II.D.12 and Note V.P 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 2018, unassigned fund balance of the general fund was $29,180,618. Total fund balance increased $16,086,151 to a total of $92,645,570 at June 30, 2018. 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 37.7 percent of total general fund expenditures, while total fund balance represents 119.6 percent of that same amount.

The General Fund expended $87,769,724 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 $75,209,163 over the prior year. This increase reflects the contribution to the development of the Oregon Convention Center Hotel.

Planning and development expenditures were $2,816,176 higher than the prior fiscal year, or an increase of 24.0 percent. Expenditures are highly variable dependent on the amount of planning services required by the agency. There is a corresponding increase in revenue due to the reimbursement arrangements for those projects.

Metro collected $3,792,595 in CET during the fiscal year ended June 30, 2018, up $230,920 or 6.5 percent from the prior fiscal year, reflective of continued strong construction activity in the Metro region 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.

Proprietary funds. Metro's proprietary fund statements provide the same type of information found in the government-wide financial statements on pages 35-40, but in more detail.

At the end of fiscal year 2018, unrestricted net position of the Solid Waste Fund, Oregon Zoo Fund and MERC Fund amounted to $44,002,999, a deficit of $10,027,288, and $29,585,724, respectively. The total growth in net position for each fund equaled $1,726,333, $1,081,948, and $2,602,428, respectively, including the change in accounting principle for the implementation of GASB Statement No. 75. Factors concerning the finances of the proprietary funds have already been addressed in the discussion of Metro's business-type activities.

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 Nature, and Property and Environmental Services.

Final budget compared to original budget. Over the course of the fiscal year, the Metro Council revised the budget for the General Fund three times, and total appropriations came to $114,342,260. The total increase in budgeted expenditures and transfers amounted to $1,391,170. This included additional staff and contracted services for several general government operations departments, two federal planning grants for $375,000 recognized in the Planning department, and $250,000 for a facilities condition assessment.

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

Revenue Source	Budget	Actuals	Variance
Grants	$ 10,272,631	11,566,222	1,293,591
Government contributions	4,118,937	3,200,708	(918,229)
Investment Income	175,000	622,475	447,475

Grant revenues came in lower compared to budget due to several factors within the Planning and Development Department. Most of Metro's grants in this department are reimbursement based. The Southwest Corridor Plan overspent on project costs by $1,461,933 compared to what was budgeted for the year, resulting in a similar overage in grant revenues from budget. The negative variance in government contributions is due to decreased spending associated with planning project work funded by the Oregon Department of Transportation and TriMet. Investment income increased with the rising interest rate environment.

The most significant variance in General Fund expenditures occurred in the Planning and Development department, where expenditures totaled $14,544,279 against appropriations of $16,974,483 for a favorable variance of $2,430,204. Materials and services were the significant portion of this with the majority of the underspending, $2,142,095. This is attributable to the TOD program as funds are budgeted to allow for maximum flexibility in meeting new development opportunities.

CAPITAL ASSET AND DEBT ADMINISTRATION

Metro's capital assets for its governmental and business-type activities totals $666,527,548 (net of accumulated depreciation) as of June 30, 2018. 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 $3,879,992 or 0.6 percent, net of accumulated depreciation. The total change consists of an increase of $3,548,135 or 1.0 percent in capital assets attributable to governmental activities and an increase

Metro's Capital Assets
(net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Land	$290,485,603	$279,447,546	21,045,160	21,045,160	311,530,763	300,492,706
Intangible - easements	11,654,470	11,332,032	-	-	11,654,470	11,332,032
Artwork	359,039	359,039	1,786,866	1,652,840	2,145,905	2,011,879
Buildings and Exhibits	22,971,819	22,064,757	265,588,966	248,293,218	288,560,785	270,357,975
Improvements	16,627,345	15,559,254	9,187,135	6,879,827	25,814,480	22,439,081
Equipment and Vehicles	2,135,052	1,783,401	12,022,465	7,268,788	14,157,517	9,052,189
Intangible - software	808,808	447,692	431,954	566,601	1,240,762	1,014,293
Office furniture/equip	358,012	63,111	738,088	707,217	1,096,100	770,328
Railroad equip/facilities	-	-	2,823,483	2,698,217	2,823,483	2,698,217
Construction in Progress	2,372,289	13,167,470	5,130,994	29,311,386	7,503,283	42,478,856
Total	$347,772,437	344,224,302	318,755,111	318,423,254	666,527,548	662,647,556

of $331,857 or 0.1 percent in business-type activity capital assets (additional capital assets, less increases in accumulated depreciation).

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

Long-term debt. At the end of the current fiscal year, Metro had total bonded debt outstanding of $309,472,911 net of unamortized premiums and discounts. Of this amount, $202,515,140 comprises debt backed by property tax assessments and the remainder of $106,957,771 represents bonds secured by a broad pledge of Metro revenues, including property taxes used to support operations, site-specific transient lodging tax, and excise taxes levied on users of certain Metro services.

The table at the bottom of this page 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 total debt increased $83,187,200 or 36.8 percent during the current fiscal year. The key factor for this increase was the issuance of four series of bonds: the Dedicated Tax Revenue 2017 series, the Natural Areas 2018 series, the Oregon Zoo Infrastructure 2018 series, and the Full Faith and Credit 2018 series. These sources funded Metro's contribution to the construction of the Oregon Convention Center Hotel, the on-going acquisition and restoration of natural areas, habitat construction at the Oregon Zoo, and renovations and repairs to the Metro Regional Center and Lone Fir Cemetery.

In May 2018, 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.

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 $29,912,410,141, 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 V.K through V.L in the financial statements.

SUBSEQUENT EVENTS

General Obligation Housing Bond

On November 6, 2018, voters approved a measure authorizing $652.8 million in general obligation bonds to provide affordable housing for low-income families, seniors, veterans and people with disabilities in the Metro region. See the subsequent events note V.T. for more details.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

By law, Metro must present a balanced budget. When accounting for all resources and requirements, the budget for Fiscal Year 2018-19 totals $669,359,563, up 3.6 percent from Fiscal Year 2017-18. A detailed discussion can be found in *Metro's 2018-19 Adopted Budget*.

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

- Contributions from other governments is budgeted to decline by 21.6 percent due to less activity on the South West Corridor and Powell/Division Corridor projects in the planning department.
- The zoo is expected to experience a slight decrease in attendance due to on-site construction, estimating 1.525 million guests.

Metro's Outstanding Debt

	Governmental Activities		Business-type Activities		Total - Primary Government	
	2018	2017	2018	2017	2018	2017
General obligation bonds	$202,515,140	$191,285,127	-	-	202,515,140	191,285,127
Full Faith & Credit/Dedicated Tax/Pension bonds	99,940,299	27,105,000	7,017,472	7,895,584	106,957,771	35,000,584
Total	$302,455,439	218,390,127	7,017,472	7,895,584	309,472,911	226,285,711

- In fiscal year 2018, Solid Waste rates will be $97.45 per ton, an increase of 2.6 percent from fiscal year 2018. 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. Regional tonnage is expected to be 1.2 percent greater in fiscal year 2019.
- MERC Venues have budgeted a revenue increase of 11.5 percent based on event bookings and rate increases. The OCC relies on convention bookings made years in advance and has 56 in 2019, substantially higher than the historical average. Expo is reflecting increased parking revenue due to a rate change and Portland'5 is scheduled to host nine weeks of Broadway performances.

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 95.3 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 $14,843,595. The levy for general obligation debt is scheduled to bring in $48,277,833 based upon debt schedules and cash flow requirements.
- Transient lodging taxes receipts are projected to increase 5 percent.
- The excise tax on solid waste disposal is tied to CPI and for fiscal year 2019 increases by $1.60 to $12.41 per ton. Excise tax on other Metro facilities and services remains at 7.5 percent. Discretionary excise tax is expected to generate $18.0 million, a slight decrease from fiscal year 2018.

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 2019 by a net 29.2 FTE, with the total increase being seen across all departments.
- Metro anticipates a substantial increase in Oregon Public Employee Retirement System (PERS) rates in fiscal year 2020 of 5.25 percent of payroll. Health benefit costs are anticipated to increase 5 percent in the next fiscal year. The fiscal year 2019 budget reflects reserves for the PERS increases, increased insurance costs, and typical cost-of-living adjustments tied to CPI between 1.5 and 2.5 percent.
- Significant capital project expenditures in fiscal year 2019 include: $13.8 million for the capital improvements at the Oregon Zoo under the Oregon Zoo Infrastructure and Animal Welfare bond measure; $15.8 million for land acquisition and capital expenditures under the Natural Areas program; $6.4 million for capital improvements at MERC facilities; $11.5 million for solid waste facility capital projects; $4.8 million at the Oregon Zoo for non-bond funded capital projects, and another $17.3 million for various capital or renewal and replacement projects at the Metro Regional Center and regional parks.

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

Government-Wide Financial Statements

METRO
Statement of Net Position
June 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Oregon Zoo Foundation
ASSETS				
Equity in internal cash and investment pool	$ 53,817,833	114,246,712	168,064,545	1,973,743
Investments	-	-	-	13,427,915
Receivables (net of allowance for uncollectibles):				
Property taxes	803,747	-	803,747	-
Trade	36,764	7,640,159	7,676,923	640,143
Other	2,673,516	9,158,438	11,831,954	247,511
Interest	111,629	229,210	340,839	-
Grants	5,595,031	110,269	5,705,300	-
Internal balances	2,182,854	(2,182,854)	-	-
Inventories	-	431,259	431,259	-
Prepaid items	423,208	498,022	921,230	-
Other assets	127,559	117,000	244,559	44,029
Restricted assets:				
Equity in internal cash and investment pool	54,486,846	19,466,036	73,952,882	-
Investments	72,562,063	-	72,562,063	-
Receivables (net of allowance for uncollectibles):				
Property taxes	2,588,894	-	2,588,894	-
Other	38,422	-	38,422	-
Interest	202,168	-	202,168	-
Grants	29,257	-	29,257	-
Assets held for resale	6,696,489	-	6,696,489	-
Loans receivable	1,064,568	-	1,064,568	-
Capital assets:				
Land, intangibles, artwork and construction in progress	304,871,401	27,963,020	332,834,421	-
Other capital assets (net of accumulated depreciation)	42,901,036	290,792,091	333,693,127	31,879
Total assets	551,213,285	468,469,362	1,019,682,647	16,365,220
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	1,979,781	-	1,979,781	-
Deferred pension amounts	13,375,061	16,864,110	30,239,171	-
Total deferred outflows of resources	15,354,842	16,864,110	32,218,952	-
LIABILITIES				
Accounts payable	8,668,101	11,033,490	19,701,591	26,382
Accrued salaries and benefits	1,956,657	2,614,822	4,571,479	-
Contracts payable	268,456	393,784	662,240	2,371,792
Accrued interest payable	1,049,184	17,293	1,066,477	-
Accrued self-insurance claims	531,000	-	531,000	-
Unearned revenue	2,555,516	7,615,966	10,171,482	-
Deposits payable	115,695	2,647,894	2,763,589	-
Other liabilities	80,320	1,300,209	1,380,529	-
Payable from restricted assets:				
Contracts payable	-	-	-	31,764

(Continued)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Oregon Zoo Foundation
LIABILITIES, *Continued*				
Non-current liabilities:				
Due within one year:				
Bonds payable	$ 40,740,000	825,000	41,565,000	-
Post-closure costs payable	-	643,513	643,513	-
Compensated absences	2,253,611	2,358,345	4,611,956	-
Due in more than one year:				
Bonds payable (net of unamortized premium or discount)	261,715,439	6,192,472	267,907,911	-
Other postemployment benefits	1,025,771	1,741,132	2,766,903	-
Post-closure costs payable	-	4,978,293	4,978,293	-
Pollution remediation obligation	2,500	698,000	700,500	-
Compensated absences	75,889	242,877	318,766	-
Net pension liability	35,297,835	44,505,709	79,803,544	-
Total liabilities	356,335,974	87,808,799	444,144,773	2,429,938
DEFERRED INFLOWS OF RESOURCES				
Deferred pension amounts	941,821	1,187,507	2,129,328	-
Total deferred inflows of resources	941,821	1,187,507	2,129,328	-
NET POSITION				
Net investment in capital assets (1)	265,925,123	311,737,639	540,953,664	31,879
Restricted for:				
Parks and natural areas operations	6,175,023	-	6,175,023	-
Transit oriented development projects	24,169,290	-	24,169,290	-
Smith and Bybee Wetlands management plan	2,205,677	-	2,205,677	-
Community enhancement	577,683	-	577,683	-
Convention Center Hotel project	4,344,717	-	4,344,717	-
Willamette Falls Legacy project	13,594,186	-	13,594,186	-
Debt service	2,122,111	-	2,122,111	-
Capital projects	79,047,905	24,100,994	103,148,899	-
Perpetual care:				
Expendable	16,612	-	16,612	-
Non-expendable	607,059	-	607,059	-
Zoo purposes:				
Expendable	-	-	-	674,380
Non-expendable	-	-	-	102,063
Unrestricted	(189,495,054)	60,498,533	(92,287,423)	13,126,960
Total net position	$ 209,290,332	396,337,166	605,627,498	13,935,282

(1) See Note II.D.12 in the notes to the financial statements

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

METRO
Statement of Activities
For the fiscal year ended June 30, 2018

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS/PROGRAMS				
Primary Government:				
Governmental activities:				
General government operations	$ 92,414,695	2,764,649	3,300,520	-
Regional planning and development	18,694,103	1,172,496	14,763,525	-
Culture and recreation	34,237,180	10,483,073	686,797	7,675,000
Interest on long-term debt	8,150,951	-	-	-
Total governmental activities	153,496,929	14,420,218	18,750,842	7,675,000
Business-type activities:				
Solid Waste	70,581,702	71,897,428	-	-
Oregon Zoo	51,803,762	29,390,534	2,433,471	869,160
MERC	74,435,547	51,011,674	24,851,049	818,500
Total business-type activities	196,821,011	152,299,636	27,284,520	1,687,660
Total primary government	$ 350,317,940	166,719,854	46,035,362	9,362,660
Component Unit:				
Oregon Zoo Foundation	$ 7,859,350	5,301,434	2,059,113	-

General revenues:
Property taxes
Excise taxes
Construction excise tax
Cemetery revenue surcharge
Unrestricted investment earnings (loss)
Transfers
Total general revenues and transfers
Change in net position
Net position - July 1, 2017, as previously stated
Change in accounting principle-implementation of GASB Statement No. 75 (see Note IV)
Net position - July 1, 2017, as restated
Net position - June 30, 2018

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Oregon Zoo Foundation
(86,349,526)	-	(86,349,526)	
(2,758,082)	-	(2,758,082)	
(15,392,310)	-	(15,392,310)	
(8,150,951)	-	(8,150,951)	
(112,650,869)	-	(112,650,869)	
-	1,315,726	1,315,726	
	(19,110,597)	(19,110,597)	
-	2,245,676	2,245,676	
-	(15,549,195)	(15,549,195)	
(112,650,869)	(15,549,195)	(128,200,064)	
			(498,803)
64,162,251	-	64,162,251	-
18,343,257	-	18,343,257	-
3,792,595	-	3,792,595	-
51,479	-	51,479	-
1,711,821	1,182,067	2,893,888	946,881
(20,896,055)	20,896,055	-	-
67,165,348	22,078,122	89,243,470	946,881
(45,485,521)	6,528,927	(38,956,594)	448,078
254,815,737	389,984,195	644,799,932	13,487,204
(39,884)	(175,956)	(215,840)	-
254,775,853	389,808,239	644,584,092	13,487,204
$ 209,290,332	396,337,166	605,627,498	13,935,282

Fund Financial Statements
Governmental Funds

Major Funds

General Fund

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

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 sources of revenue are bonds issued, premium on bonds issued and 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 investment income and grants.

Other Governmental Funds

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

METRO
Balance Sheet and Reconciliation to Statement of Net Position
Governmental Funds
June 30, 2018

		General	Parks and Natural Areas Local Option Levy Special Revenue	General Obligation Bond Debt Service
ASSETS				
Equity in internal cash and investment pool	$	81,307,388	7,709,909	673,932
Investments		-	-	-
Receivables:				
Property taxes		803,747	554,897	2,033,997
Trade		36,764	-	-
Other		2,673,516	55	-
Interest		129,694	14,375	323
Grants		5,595,031	29,257	-
Due from other funds		719,952	-	-
Assets held for resale		6,696,489	-	-
Prepaid items		10,228	-	-
Other assets		127,559	-	-
Loans receivable		1,064,568	-	-
Restricted assets:				
Equity in internal cash and investment pool		3,691,968	-	96
Total assets	$	102,856,904	8,308,493	2,708,348
LIABILITIES				
Accounts payable	$	3,480,344	1,734,035	-
Accrued salaries and benefits		1,635,308	203,074	-
Contracts payable		30,307	78,095	-
Unearned revenue		2,555,516	-	-
Deposits payable		115,695	-	-
Other liabilities		24,160	-	-
Due to other funds		1,550,000	-	-
Advances from other funds		50,000	-	-
Total liabilities		9,441,330	2,015,204	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes		730,109	485,170	1,860,931
Unavailable revenue-other		39,895	-	-
Total deferred inflows of resources		770,004	485,170	1,860,931
FUND BALANCES				
Nonspendable		42,693	-	-
Restricted		52,899,445	5,808,119	847,417
Committed		10,522,814	-	-
Assigned		-	-	-
Unassigned		29,180,618	-	-
Total fund balances		92,645,570	5,808,119	847,417
Total liabilities, deferred inflows of resources and fund balances	$	102,856,904	8,308,493	2,708,348

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 liability and related deferred outflows and inflows of resources are not available/payable in the current period and therefore are not reported in the funds.

Property taxes and certain other revenues 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.

Capital Projects			
Oregon Zoo Infrastructure and Animal Welfare	Natural Areas	Other Governmental Funds	Total Governmental Funds
3,769,362	3,818,181	3,947,127	101,225,899
40,110,589	32,451,474	-	72,562,063
-	-	-	3,392,641
-	-	-	36,764
-	-	38,367	2,711,938
73,940	81,578	7,786	307,696
-	-	-	5,624,288
-	-	-	719,952
-	-	-	6,696,489
-	-	-	10,228
-	-	-	127,559
-	-	-	1,064,568
-	-	-	3,692,064
43,953,891	36,351,233	3,993,280	198,172,149
462,046	2,513,258	398,359	8,588,042
35,468	82,807	-	1,956,657
69,256	90,798	-	268,456
-	-	-	2,555,516
-	-	-	115,695
-	-	-	24,160
-	-	-	1,550,000
-	-	-	50,000
566,770	2,686,863	398,359	15,108,526
-	-	-	3,076,210
-	-	-	39,895
-	-	-	3,116,105
-	-	607,059	649,752
43,387,121	33,664,370	2,971,250	139,577,722
-	-	-	10,522,814
-	-	16,612	16,612
-	-	-	29,180,618
43,387,121	33,664,370	3,594,921	179,947,518
43,953,891	36,351,233	3,993,280	
			347,772,437
			(22,864,595)
			3,116,105
			6,257,419
			(304,938,552)
		$	209,290,332

METRO
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the fiscal year ended June 30, 2018

	General	Parks and Natural Areas Local Option Levy Special Revenue	General Obligation Bond Debt Service
REVENUES			
Property taxes	$ 15,064,363	14,509,144	34,795,513
Excise taxes	18,343,257	-	-
Construction excise tax	3,792,595	-	-
Cemetery revenue surcharge	-	-	-
Investment income	639,305	82,636	206,776
Government fees	96,500	-	-
Culture and recreation fees	4,821,013	-	-
Solid waste fees	-	-	-
Other fees	1,983,109	2,392	-
Internal charges for services	4,957,991	118,504	-
Licenses and permits	593,228	-	-
Miscellaneous revenue	240,978	325,229	-
Grants	11,566,222	29,257	-
Local government shared revenues	3,954,656	-	-
Government contributions	3,200,708	-	-
Capital grants	-	-	-
Capital contributions and donations	7,500,000	-	-
Total revenues	76,753,925	15,067,162	35,002,289
EXPENDITURES			
Current:			
General government operations	87,769,724	754,793	-
Regional planning and development	17,666,404	-	-
Culture and recreation	13,295,938	11,157,914	-
Debt service:			
Principal	3,050,000	-	27,115,000
Interest	3,276,432	-	7,854,775
Capital outlay	1,222,317	2,777,023	-
Total expenditures	126,280,815	14,689,730	34,969,775
Revenues over (under) expenditures	(49,526,890)	377,432	32,514
OTHER FINANCING SOURCES (USES)			
Bonds issued	65,550,000	-	-
Premium on bonds issued	10,614,974	-	-
Sale of capital assets	933,046	-	-
Transfers in	2,350,130	-	-
Transfers out	(13,835,109)	(43,780)	-
Total other financing sources (uses)	65,613,041	(43,780)	-
Net change in fund balances	16,086,151	333,652	32,514
Fund balances - July 1, 2017	76,559,419	5,474,467	814,903
Fund balances - June 30, 2018	$ 92,645,570	5,808,119	847,417

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

Capital Projects			
Oregon Zoo Infrastructure and Animal Welfare	Natural Areas	Other Governmental Funds	Total Governmental Funds
-	-	-	64,369,020
-	-	-	18,343,257
-	-	-	3,792,595
-	-	51,479	51,479
462,163	249,030	48,577	1,688,487
-	-	-	96,500
-	-	-	4,821,013
-	-	1,053,525	1,053,525
-	-	-	1,985,501
-	-	69,058	5,145,553
-	-	-	593,228
-	144,643	20,000	730,850
-	-	-	11,595,479
-	-	-	3,954,656
-	-	-	3,200,708
-	175,000	-	175,000
-	-	-	7,500,000
462,163	568,673	1,242,639	129,096,851
-	-	-	88,524,517
-	-	-	17,666,404
151,943	4,065,156	1,624,606	30,295,557
-	-	-	30,165,000
-	-	-	11,131,207
3,528,849	8,909,601	197,297	16,635,087
3,680,792	12,974,757	1,821,903	194,417,772
(3,218,629)	(12,406,084)	(579,264)	(65,320,921)
10,000,000	28,105,000	-	103,655,000
1,511,697	2,583,409	-	14,710,080
-	-	-	933,046
135,318	-	-	2,485,448
(4,495)	(1,013,767)	(901,000)	(15,798,151)
11,642,520	29,674,642	(901,000)	105,985,423
8,423,891	17,268,558	(1,480,264)	40,664,502
34,963,230	16,395,812	5,075,185	139,283,016
43,387,121	33,664,370	3,594,921	179,947,518

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, 2018

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances-total governmental funds		$ 40,664,502
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.		
Expenditures for capital assets	16,635,087	
Less current year depreciation	(4,080,363)	12,554,724
Governmental funds expend general obligation bond proceeds that become capital assets that are owned and depreciated by a proprietary fund in governmental activities		(7,591,452)
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.		(1,415,137)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue-property taxes	(206,770)	
Change in unavailable revenue-other	(5,952)	(212,722)
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.		370,077
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 the differences in the treatment of long-term debt and related items.		
Bonds issued	(103,655,000)	
Premium on bonds issued	(14,710,080)	
Principal payments on bonds	30,165,000	
Amortization of unamortized premium or discount	4,134,768	(84,065,312)
The forgiveness of loans reduces current financial resources of governmental funds, but reduces long-term receivables in the statement of net position.		
Loan forgiveness		(50,000)
Expenses in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the funds.		
Other postemployment benefits	5,478	
Compensated absences	(125,831)	
Amortization of deferred charge on refunding	(859,404)	
Accruals associated with pension related obligations	(4,409,396)	
Arbitrage payable on bonds	(55,939)	
Accrued interest on long-term debt	(295,109)	(5,740,201)
Change in net position of governmental activities		$ (45,485,521)

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

Fund Financial Statements
Proprietary Funds

Enterprise Funds

Major Funds

Solid Waste Fund

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

Oregon Zoo Fund

This fund accounts for revenues and expenses related to the management and operation of the Oregon Zoo. The principal sources of revenue are charges for services such as admission and membership fees, and food, beverage and gift sales. Expenses consist primarily of facility operation costs and payroll. This fund consists of two budgetary funds (Oregon Zoo Operating Fund and Oregon Zoo Asset Management Fund) that are combined as one Enterprise Fund to be in accordance with accounting principles generally accepted in the United States of America.

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'5. The principal sources of revenue are charges for services and local government shared revenue. Expenses consist primarily of management, food and beverage and operation costs. This fund consists of two budgetary funds (MERC Fund and General Revenue Bond Fund-MERC) 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, 2018

	Business-type Activities-Enterprise Funds				Governmental Activities-Internal Service Fund
	Solid Waste	Oregon Zoo	MERC	Total	Risk Management
ASSETS					
Current assets:					
Equity in internal cash and investment pool	$ 54,441,648	12,773,950	47,031,114	114,246,712	3,386,715
Receivables:					
Trade	5,133,132	480,402	2,026,625	7,640,159	-
Other	1,691,487	562,792	6,904,159	9,158,438	-
Interest	93,790	22,381	113,039	229,210	6,101
Grants	-	110,269	-	110,269	-
Due from other funds	1,959,000	-	-	1,959,000	-
Inventories	223,888	207,371	-	431,259	-
Prepaid items	90,826	398,061	9,135	498,022	412,980
Other assets	-	117,000	-	117,000	-
Total current assets	63,633,771	14,672,226	56,084,072	134,390,069	3,805,796
Noncurrent assets:					
Advances to other funds	2,236,000	-	-	2,236,000	-
Restricted equity in internal cash and investment pool	-	-	19,466,036	19,466,036	-
Capital assets, net	29,448,876	138,507,930	150,798,305	318,755,111	-
Total noncurrent assets	31,684,876	138,507,930	170,264,341	340,457,147	-
Total assets	95,318,647	153,180,156	226,348,413	474,847,216	3,805,796
DEFERRED OUTFLOWS OF RESOURCES					
Deferred pension amounts	4,931,133	5,743,921	6,189,056	16,864,110	-
Total deferred outflows of resources	4,931,133	5,743,921	6,189,056	16,864,110	-
LIABILITIES					
Current liabilities:					
Accounts payable	5,257,021	1,715,628	4,060,841	11,033,490	80,059
Accrued salaries and benefits	647,769	1,056,597	910,456	2,614,822	-
Contracts payable	183,608	19,512	190,664	393,784	-
Accrued interest payable	-	-	17,293	17,293	-
Accrued self-insurance claims	-	-	-	-	531,000
Unearned revenue	-	2,505,614	5,110,352	7,615,966	-
Deposits payable	-	83,131	2,564,763	2,647,894	-
Other liabilities	32	2,947	1,297,230	1,300,209	220
Due to other funds	-	409,000	719,952	1,128,952	-
Bonds payable-current	-	-	825,000	825,000	-
Post-closure costs payable-current	643,513	-	-	643,513	-
Compensated absences-current	738,471	846,529	773,345	2,358,345	-
Total current liabilities	7,470,414	6,638,958	16,469,896	30,579,268	611,279

(Continued)

METRO
Statement of Net Position
Proprietary Funds, *continued*
June 30, 2018

	Business-type Activities-Enterprise Funds				Governmental Activities-Internal Service Fund
	Solid Waste	Oregon Zoo	MERC	Total	Risk Management
LIABILITIES, *Continued*					
Noncurrent liabilities:					
Bonds payable (net of unamortized premium or discount)	$ -	-	6,192,472	6,192,472	-
Advances from other funds	-	2,186,000	-	2,186,000	-
Other postemployment benefits	385,320	663,102	692,710	1,741,132	-
Post-closure costs payable	4,978,293	-	-	4,978,293	-
Pollution remediation obligation	603,000	-	95,000	698,000	-
Compensated absences	-	159,710	83,167	242,877	-
Net pension liability	13,013,646	15,158,659	16,333,404	44,505,709	-
Total non-current liabilities	18,980,259	18,167,471	23,396,753	60,544,483	-
Total liabilities	26,450,673	24,806,429	39,866,649	91,123,751	611,279
DEFERRED INFLOWS OF RESOURCES					
Deferred pension amounts	347,232	404,465	435,810	1,187,507	-
Total deferred inflows of resources	347,232	404,465	435,810	1,187,507	-
NET POSITION					
Net investment in capital assets	29,448,876	138,507,930	143,780,833	311,737,639	-
Restricted for:					
Capital projects	-	5,232,541	18,868,453	24,100,994	-
Unrestricted	44,002,999	(10,027,288)	29,585,724	63,561,435	3,194,517
Total net position	$ 73,451,875	133,713,183	192,235,010	399,400,068	3,194,517
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(3,062,902)	
Net position of business-type activities				$ 396,337,166	

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, 2018

	Business-type Activities-Enterprise Funds				Governmental Activities-Internal Service Fund
	Solid Waste	Oregon Zoo	MERC	Total	Risk Management
OPERATING REVENUES					
Charges for services	$ 71,876,040	28,945,010	50,983,822	151,804,872	295,786
Internal charges for services	21,388	445,524	27,852	494,764	2,171,308
Total operating revenues	71,897,428	29,390,534	51,011,674	152,299,636	2,467,094
OPERATING EXPENSES					
Payroll and fringe benefits	15,087,700	23,118,093	23,120,883	61,326,676	-
Depreciation and amortization	2,679,347	10,199,901	4,073,511	16,952,759	-
Administration	5,186,701	3,557,215	4,606,925	13,350,841	-
Facility operations	17,709,757	12,122,441	16,275,447	46,107,645	-
Marketing	-	-	6,791,634	6,791,634	-
Food and beverage	-	-	16,338,667	16,338,667	-
Disposal fees	9,764,241	-	-	9,764,241	-
Waste transport	12,871,784	-	-	12,871,784	-
Special waste disposal fees	1,113,482	-	-	1,113,482	-
Landfill post-closure (reduction)	(950,162)	-	-	(950,162)	-
Consulting services	2,464,225	2,758,952	899,939	6,123,116	-
Charges for services	925,966	387,084	265,766	1,578,816	-
Insurance	-	-	-	-	1,009,743
Claims	-	-	-	-	267,159
Actuarial claims (reduction)	-	-	-	-	(106,000)
Other materials and services	1,205,520	-	-	1,205,520	36,931
Total operating expenses	68,058,561	52,143,686	72,372,772	192,575,019	1,207,833
Operating income (loss)	3,838,867	(22,753,152)	(21,361,098)	(40,275,383)	1,259,261
NON-OPERATING REVENUES (EXPENSES)					
Investment income	488,524	69,444	624,098	1,182,066	23,335
Grants	-	186,997	140,461	327,458	29,743
Local government shared revenue	-	-	23,521,765	23,521,765	-
Government contributions	-	-	888,823	888,823	-
Contributions and donations	-	2,246,474	300,000	2,546,474	-
Contributions to other governments	-	(20,000)	(2,326,972)	(2,346,972)	-
Gain (loss) on disposal of capital assets	13,580	3,552	203	17,335	-
Waste reduction grants	(2,663,043)	-	-	(2,663,043)	-
Interest expense	-	(41,930)	(153,643)	(195,573)	-
Total non-operating revenues (expenses)	(2,160,939)	2,444,537	22,994,735	23,278,333	53,078
Income (loss) before transfers and capital contributions	1,677,928	(20,308,615)	1,633,637	(16,997,050)	1,312,339
Capital contributions	-	8,452,512	818,500	9,271,012	-
Transfers in	88,209	13,346,900	400,000	13,835,109	-
Transfers out	(118,273)	(269,011)	(135,122)	(522,406)	-
Change in net position	1,647,864	1,221,786	2,717,015	5,586,665	1,312,339
Total net position - July 1, 2017, as previously stated	71,725,542	132,631,235	189,632,582		1,882,178
Change in accounting principle-implementation of GASB Statement No. 75	78,469	(139,838)	(114,587)		-
Total net position - July 1, 2017	71,804,011	132,491,397	189,517,995		1,882,178
Total net position - June 30, 2018	$ 73,451,875	133,713,183	192,235,010		3,194,517
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				942,262	
Change in net position of business-type activites				$ 6,528,927	

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, 2018

	Business-type Activities-Enterprise Funds				Governmental Activities-Internal Service Fund
	Solid Waste	Oregon Zoo	MERC	Total	Risk Management
Cash flows from operating activities:					
Receipts from customers	$ 72,300,903	30,318,081	50,463,485	153,082,469	295,786
Receipts from interfund services provided	-	-	-	-	2,171,308
Payments to suppliers for goods and services	(46,782,341)	(15,177,460)	(39,087,697)	(101,047,498)	(1,658,413)
Payments for claims	-	-	-	-	(267,160)
Payments to employees for services	(13,451,046)	(21,497,085)	(21,320,186)	(56,268,317)	-
Payments for interfund services used	(5,186,701)	(3,557,215)	(4,606,925)	(13,350,841)	-
Net cash provided by (used in) operating activities	6,880,815	(9,913,679)	(14,551,323)	(17,584,187)	541,521
Cash flows from noncapital financing activities:					
Grants received	45,000	163,828	140,461	349,289	89,648
Local government shared revenues	-	-	24,215,420	24,215,420	-
Government contributions	-	-	888,823	888,823	-
Contributions and donations	-	2,246,474	300,000	2,546,474	-
Contributions to other governments	-	-	(2,326,972)	(2,326,972)	-
Grants to others	(2,663,043)	(20,000)	-	(2,683,043)	-
Principal collected (paid) on interfund loans	600,000	(400,000)	(179,988)	20,012	-
Interest collected (paid) on interfund loans	64,430	(41,930)	(12,599)	9,901	-
Transfers from other funds	88,209	13,346,900	400,000	13,835,109	-
Transfers to other funds	(118,273)	(269,011)	(135,122)	(522,406)	-
Net cash provided by (used in) noncapital financing activities	(1,983,677)	15,026,261	23,290,023	36,332,607	89,648
Cash flows from capital and related financing activities:					
Capital grants and contributions	-	869,160	818,500	1,687,660	-
Principal payment on bonds	-	-	(785,000)	(785,000)	-
Interest payments	-	-	(237,276)	(237,276)	-
Acquisition and construction of capital assets	(4,061,040)	(1,163,416)	(4,475,593)	(9,700,049)	-
Net proceeds from sale of capital assets	13,580	2,540	-	16,120	-
Net cash used in capital and related financing activities	(4,047,460)	(291,716)	(4,679,369)	(9,018,545)	-
Cash flows from investing activities:					
Investment income	408,939	58,172	600,968	1,068,079	21,283
Net cash provided by investing activities	408,939	58,172	600,968	1,068,079	21,283
Net increase in cash including restricted amounts	1,258,617	4,879,038	4,660,299	10,797,954	652,452
Cash at beginning of year including restricted amounts	53,183,031	7,894,912	61,836,851	122,914,794	2,734,263
Cash at end of year including restricted amounts	$ 54,441,648	12,773,950	66,497,150	133,712,748	3,386,715

(Continued)

METRO
Statement of Cash Flows
Proprietary Funds, *continued*
For the fiscal year ended June 30, 2018

		Business-type Activities-Enterprise Funds				Governmental Activities-Internal Service Fund
		Solid Waste	Oregon Zoo	MERC	Total	Risk Management
Equity in internal cash and investment pool	$	54,441,648	12,773,950	47,031,114	114,246,712	3,386,715
Restricted equity in internal cash and investment pool		-	-	19,466,036	19,466,036	-
Total	$	54,441,648	12,773,950	66,497,150	133,712,748	3,386,715
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	$	3,838,867	(22,753,152)	(21,361,098)	(40,275,383)	1,259,261
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization		2,679,347	10,199,901	4,073,511	16,952,759	-
Change in assets and liabilities:						
Trade/other accounts receivable		403,474	927,547	(548,188)	782,833	-
Inventories		75,843	(59,656)	-	16,187	-
Prepaid items		(90,826)	(254,765)	19,763	(325,828)	-
Other assets		-	-	-	-	(412,980)
Accounts payable		147,221	192,623	(603,099)	(263,255)	(198,750)
Accrued salaries, benefits and compensated absences		1,636,654	1,621,008	1,800,696	5,058,358	-
Contracts payable		166,845	(2,196)	23,546	188,195	-
Accrued self-insurance claims		-	-	-	-	(106,000)
Unearned revenue		-	244,843	791,054	1,035,897	-
Deposits payable		-	(32,720)	9,630	(23,090)	-
Other liabilities		32	2,888	1,242,862	1,245,782	(10)
Post-closure costs payable		(1,961,642)	-	-	(1,961,642)	-
Pollution remediation obligation		(15,000)	-	-	(15,000)	-
Total adjustments		3,041,948	12,839,473	6,809,775	22,691,196	(717,740)
Net cash provided by (used in) operating activities	$	6,880,815	(9,913,679)	(14,551,323)	(17,584,187)	541,521
Noncash investing, capital, and financing activities:						
Non-cash portion of capital contributions	$	-	7,583,352	-	7,583,352	-

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 (the 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, intergovernmental revenues, and other nonexchange transactions, 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 expense*s 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 Council, Office of the Auditor, Office of Metro Attorney, Information Services, Communications, Finance and Regulatory Services, Human Resources, Property and Environmental Services (construction project management and Metro Regional Center building operations components), Parks and Nature, Planning and Development (land use, urban growth management, and environmental and transportation planning), Research Center, and special 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.

Oregon Zoo Fund – This fund accounts for revenues and expenses related to the management and operation of the Oregon Zoo. The principal sources of revenue are charges for services such as admission and membership fees, and food, beverage and gift sales. Expenses consist primarily of facility operation costs and payroll. This fund consists of two budgetary funds (Oregon Zoo Operating Fund and Oregon Zoo Asset Management) that are combined as one Enterprise Fund to be in accordance with accounting principles generally accepted in the United States of America.

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'5 Centers for the Arts (Portland'5). This fund consists of two budgetary funds (MERC Fund and General Revenue Bond Fund-MERC) 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, Oregon Zoo 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 within the fair value hierarchy established by GAAP. Fair value is determined annually as of June 30.

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 2018 allocated indirect costs to grants at a rate of approximately 29 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 Wetlands Fund, and portions of the General Fund related to the TOD program, Convention Center Hotel project and Willamette Falls Legacy project are restricted by contractual agreements with third parties. Assets of the Community 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 acquisition value when received, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. 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 incurred before the end of a construction period is recognized as an expense in the period in which the cost is incurred and is not capitalized as part of the asset's historical cost.

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

Asset	Years
Buildings and exhibits	20-50
Improvements	10-65
Equipment and vehicles	8-20
Intangible-software	5
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'5, 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 reports two items in the government-wide statement of net position: deferred charge on refunding and deferred pension amounts. 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. Deferred pension amounts are contributions to the pension plan subsequent to the measurement date of the plan for reporting purposes and are recognized as outflows of resources in the following fiscal year.

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. The government-wide statement of net position reports deferred pension amounts which represent the net difference between projected and actual earnings on pension plan investments and the changes in proportionate share of contributions. Metro also has *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 loan receipt revenues. All deferred inflows are recognized as inflows of resources in the period that the amounts become available.

9. Pension Plan

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (PERS) and additions to/deductions from PERS fiduciary net position have been determined on the same accrual basis as they are reported by PERS. For this purpose, revenues are recognized when earned. Contributions are recognized when due, pursuant to formal commitments, as well as statutory and PERS Board requirements. Expenses are recognized when incurred. Benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Withdrawals are recognized in the month they are due and payable. Investments are reported at fair value.

10. 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

11. 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.

12. 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.

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

E. ADOPTION OF NEW GASB PRONOUNCEMENTS

During the fiscal year ended June 30, 2018, Metro implemented the following GASB Statements that were applicable to Metro's operations:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Issued June 2015, this statement is to improve the accounting and financial reporting for postemployment benefits other than pensions, OPEB. The statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*.

GASB Statement No. 85, *Omnibus 2017*. Issued March 2017, this Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Issued in May 2018, this Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.

F. FUTURE ADOPTION OF GASB PRONOUNCEMENTS

Metro will implement future GASB pronouncements no later than the required effective date. Metro is currently evaluating the applicability of the following GASB pronouncements for their impact on Metro's financial statements in subsequent years:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*, effective for reporting periods beginning after June 15, 2018.
- GASB Statement No. 84, *Fiduciary Activities*, effective for reporting periods beginning after December 15, 2018.
- GASB Statement No. 87, *Leases*, effective for reporting periods beginning after December 15, 2019.
- GASB Statement No. 88, *Certain Disclosures Related to Debt*, *including Direct Borrowings and Direct Placements,* effective for reporting periods beginning after June 15, 2018.
- GASB Statement No. 90, *Majority Equity Interests*, effective for reporting periods beginning after December 15, 2018.

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, net pension liability and related amounts, and long-term liabilities/deferred outflows are either not reported or are reported as unavailable in the funds. The details of these differences are:

		Capital assets	Net pension liability and related amounts	Long-term liabilities/ deferred outflows
Capital assets	$	387,962,167	-	-
Accumulated depreciation		(40,189,730)	-	-
Deferred pension amounts (deferred outflows)		-	13,375,061	-
Net pension liability		-	(35,297,835)	-
Deferred pension amounts (deferred inflows)		-	(941,821)	-
Accrued interest payable		-	-	(1,049,184)
Arbitrage payable		-	-	(55,939)
Bonds payable (net of unamortized premium/discount)		-	-	(302,455,439)
Other postemployment benefits		-	-	(1,025,771)
Pollution remediation obligation		-	-	(2,500)
Compensated absences		-	-	(2,329,500)
Deferred charge on refunding		-	-	1,979,781
Net adjustment to fund balance-total governmental funds to arrive at net position-governmental activities	$	347,772,437	(22,864,595)	(304,938,552)

IV. ACCOUNTING CHANGES

Metro implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for the fiscal year ended June 30, 2018. This GASB statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The information will improve the accounting and financial reporting for postemployment benefits other than pensions. It also provides users with information about Metro's OPEB obligations and the resources available to satisfy those obligations. Beginning net position was restated at June 30, 2017 for this change in accounting principle, resulting in a decrease in net position of $39,884 for governmental-activities and $175,956 for business-type activities. At the fund level, only the proprietary fund statements are affected by this change and resulted in an increase in net position of $78,469 for the Solid Waste Fund and decreases in net position of $139,838 and $114,587 for the Oregon Zoo Fund and MERC Fund, respectively.

V. 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).

Fair Value Measurements - Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based upon the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

Level 1 - Unadjusted quoted prices for identical instruments in active markets.

Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active.

Level 3 - Valuations derived from valuation techniques in which significant inputs are unobservable.

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, 2018, Metro had the following investments and maturities presented at fair value within the fair value hierarchy established by GAAP:

Investment Type	Standard & Poor's Ratings	Held by Individual funds	Held by Internal pool	Fair Value Level 1	Fair Value Level 2	Investment Maturities (in months) Less than 3	3-17	18-59
U.S. Treasuries	AA+	$ 55,823,004	67,338,553	123,161,557	-	14,444,251	67,070,437	41,646,869
U.S. Government securities - USGSE	AA+	-	68,700,909	-	68,700,909	3,996,032	43,692,752	21,012,125
Corporate Debt								
	AA	-	2,203,079	-	2,203,079	-	358,126	1,844,953
	AA+	-	2,945,374	-	2,945,374	-	-	2,945,374
	AAA	-	6,490,386	-	6,490,386	-	2,937,743	3,552,643
Commercial Paper								
	A-1	2,231,185	16,369,157	-	18,600,342	6,983,503	11,616,839	-
	A-1+	744,823	6,466,949	-	7,211,772	4,494,137	2,717,635	-
Sub-total		58,799,012	170,514,407	123,161,557	106,151,862	29,917,923	128,393,532	71,001,964
State Treasurer's investment pool		13,763,051	34,500,474					
Total Investments		72,562,063	205,014,881					
Cash deposits		-	37,002,546					
Total cash and investments		$ 72,562,063	242,017,427					
Per statement of net position:								
Unrestricted		$ -	168,064,545					
Restricted		72,562,063	73,952,882					
Total		$ 72,562,063	242,017,427					

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 are intended to be held to maturity. However, securities may be sold prior to maturity in order to improve the quality, net yield, or maturity characteristics of the portfolio. The structure of the investment portfolio aims to fund cash needs of ongoing operations, thereby avoiding the need to sell securities. Metro uses a laddered or constant stream of maturing securities in constructing the portfolio to ensure ample liquidity to support business operations without the need to sell securities. 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	20 percent minimum
Under 18 months	25 percent minimum
Under 60 months	100 percent minimum

Credit Risk – Metro's investment policy seeks to minimize credit risk by (1) limiting exposure to poor credits and concentrating investments in the safest types of securities, (2) diversification, (3) pre-qualification of the financial institutions, broker/dealers, and advisers with which Metro will do business, and (4) 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. Other allowed investments, by Metro policy, must have a minimum rating as follows: bankers

acceptances, A-1; corporate notes, AA-, or A- if an Oregon based entity; commercial paper, A-1, or A-2 if an Oregon entity; municipal debt, AA- for debt of the states of Idaho, California or Washington or their political subdivisions, or A- if the state of Oregon or its political subdivisions. Private placement or 144A securities and mortgage-backed securities are not allowed. 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.

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, 2018, all of Metro's deposits were insured as described previously.

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, 2018, 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 diversifies its portfolio and follows the Metro investment policy which 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, 2018 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 Home Loan Bank (FHLB)	7.9%	40.0%	-	-
Federal Home Loan Mortgage Corp (FHLMC)	9.0%	40.0%	-	-
Federal National Mortgage Association (FNMA)	7.9%	40.0%	-	-
State Treasurer's Investment Pool	44.4%	100.0%	71.3%	83.8%
U.S. Treasuries	17.4%	100.0%	28.7%	-

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:

Property Name	Address	Amount
Gresham Civic	NW Civic Drive & NW 15th, Gresham, OR	$ 5,129,026
Milwaukie Town Center	10700 SE McLoughlin Boulevard, Milwaukie, OR	409,186
The Crossings	Section 4, Township 1 South, Range 3 East (Parcel 2), Gresham, OR	355,850
Elmonica	Section 6DB, Township 1 South, Range 1 West (Parcel R0037258), Beaverton, OR	802,427
		$ 6,696,489

C. LOANS RECEIVABLE

1. TOD Loans

TOD loans receivable, reflected in the schedule below, 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. These loans receivable are not discounted in accordance with guidance in GASB Statement No. 62.

2. Von Ebert Brewing Loan

Metro leased property to Ringside Grill as part of the operation of the Glendoveer Golf Course. Under the lease agreement, Metro advanced money to pay for certain tenant improvements, with repayment to occur over time. During fiscal year 2018, a lease assignment and amendment was entered into with a new lessee, Von Ebert Brewing.

Details on loans receivable at June 30 are as follows:

Maximum Term	Interest Rate	First Payment	Last Payment	Payment Frequency	TOD Loans	Von Ebert Loan	Total Loans
50 years	0 to 1%	3/15/2026	3/15/2056	annually	$ 623,180	-	623,180
50 years	0 to 1%	3/1/2028	3/1/2058	annually	401,492	-	401,492
60 months	3.5%	7/1/2018	6/1/2023	monthly	-	39,896	39,896
					$ 1,024,672	39,896	1,064,568

D. CAPITAL ASSETS

Capital asset balances and activity for fiscal year 2018 were as follows:

		Balance July 1, 2017	Increases	Decreases	Transfers	Balance June 30, 2018
Governmental activities:						
Capital assets, non-depreciable:						
Land	$	279,447,546	7,877,510	(1,109,590)	4,270,137	290,485,603
Intangible-easements		11,332,032	25,729	-	296,709	11,654,470
Artwork		359,039	125,726	-	(125,726)	359,039
Construction in progress		13,167,470	2,608,066	(90,051)	(13,313,196)	2,372,289
Total non-depreciable		304,306,087	10,637,031	(1,199,641)	(8,872,076)	304,871,401
Capital assets, depreciable:						
Buildings and exhibits		37,227,376	3,609,707	(327,161)	(1,594,387)	38,915,535
Improvements		27,808,984	1,100,536	-	1,629,121	30,538,641
Equipment and vehicles		4,361,170	221,809	(112,726)	650,290	5,120,543
Intangible-software		5,125,290	769,548	-	496,062	6,390,900
Office furniture and equipment		1,728,455	296,456	-	100,236	2,125,147
Total depreciable		76,251,275	5,998,056	(439,887)	1,281,322	83,090,766
Accumulated depreciation:						
Buildings and exhibits		(15,162,619)	(899,059)	117,962	-	(15,943,716)
Improvements		(12,249,730)	(1,661,566)	-	-	(13,911,296)
Equipment and vehicles		(2,577,769)	(513,453)	106,429	(698)	(2,985,491)
Intangible-software		(4,677,598)	(904,494)	-	-	(5,582,092)
Office furniture and equipment		(1,665,344)	(101,791)	-	-	(1,767,135)
Total accumulated depreciation		(36,333,060)	(4,080,363)	224,391	(698)	(40,189,730)
Total capital assets, depreciable, net		39,918,215	1,917,693	(215,496)	1,280,624	42,901,036
Governmental activities capital assets, net	$	344,224,302	12,554,724	(1,415,137)	(7,591,452)	347,772,437

		Balance July 1, 2017	Increases	Decreases	Transfers	Balance June 30, 2018
Business-type activities:						
Capital assets, non-depreciable:						
Land	$	21,045,160	-	-	-	21,045,160
Artwork		1,652,840	-	-	134,026	1,786,866
Construction in progress		29,311,386	2,778,069	-	(26,958,461)	5,130,994
Total non-depreciable		52,009,386	2,778,069	-	(26,824,435)	27,963,020
Capital assets, depreciable:						
Buildings and exhibits		428,686,286	385,490	(42,103)	30,445,739	459,475,412
Improvements		31,289,243	1,299,392	-	2,672,468	35,261,103
Equipment and vehicles		25,680,281	4,701,877	(350,404)	1,324,007	31,355,761
Intangible-software		1,983,997	-	-	-	1,983,997
Office furniture and equipment		1,869,169	97,101	-	39,009	2,005,279
Railroad equipment and facilities		5,362,396	438,120	(2,086,438)	(45,405)	3,668,673
Total depreciable		494,871,372	6,921,980	(2,478,945)	34,435,818	533,750,225
Accumulated depreciation:						
Buildings and exhibits		(180,393,068)	(13,513,066)	39,619	(19,931)	(193,886,446)
Improvements		(24,409,416)	(1,664,552)	-	-	(26,073,968)
Equipment and vehicles		(18,411,493)	(1,267,805)	346,002	-	(19,333,296)
Intangible-software		(1,417,396)	(134,647)	-	-	(1,552,043)
Office furniture and equipment		(1,161,952)	(105,239)	-	-	(1,267,191)
Railroad equipment and facilities		(2,664,179)	(267,450)	2,086,439	-	(845,190)
Total accumulated depreciation		(228,457,504)	(16,952,759)	2,472,060	(19,931)	(242,958,134)
Total capital assets, depreciable, net		266,413,868	(10,030,779)	(6,885)	34,415,887	290,792,091
Business-type activities capital assets, net	$	318,423,254	(7,252,710)	(6,885)	7,591,452	318,755,111

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, 2018.

Bond proceeds accounted for in the Oregon Zoo Infrastructure and Animal Welfare capital projects fund in governmental activities are expended for the benefit of the Oregon Zoo enterprise fund, and the resulting assets are owned and depreciated by the enterprise fund. This asset activity is shown as transfers from governmental activities to business-type activities.

Capital assets for MERC are those of Metro-owned facilities. Capital assets used in operating the Portland'5 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.

Depreciation expense was charged to functions/programs as follows:

Governmental activities:		
General government operations	$	2,063,713
Culture and recreation		2,016,650
Total depreciation expense - governmental activities	$	4,080,363
Business-type activities:		
Solid Waste	$	2,679,347
Oregon Zoo		10,199,901
MERC		4,073,511
Total depreciation expense - business-type activities	$	16,952,759

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, 2018, were:

		Governmental Activities	Business-type Activities
Advance ticket sales/ registrations	$	50,651	6,677,249
Advance lease revenue		-	36,617
Unredeemed gift certificates		60,710	139,600
Grant and contract drawdowns prior to meeting all eligibility requirements		2,444,155	762,500
Total	$	2,555,516	7,615,966

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

Name of pension plan – Metro participates in the Oregon Public Employees Retirement System (PERS) which is a cost-sharing multiple employer defined benefit pension plan.

Description of benefit terms – Benefit provisions and other requirements of the system are established by the State of Oregon legislature pursuant to Oregon Revised Statutes, Chapters 238 and 238A.

a. **Tier One/Tier Two Retirement Benefit (Chapter 238)**. This segment of the plan is closed to new members hired on or after August 29, 2003.

Pension benefits. The PERS retirement allowance is payable monthly for life. It may be selected from thirteen retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (1.67 percent for General Service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer. General Service employees may retire after reaching age 55. Tier One General Service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60.

Death benefits. Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- the member was employed by a PERS employer at the time of death,
- the member died within 120 days after termination of PERS-covered employment,
- the member died as a result of injury sustained while employed in a PERS-covered job, or
- the member was on an official leave of absence from a PERS-covered job at the time of death

Disability benefits. A member with ten or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member for disability benefits regardless of the

length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 when determining the monthly benefit.

Benefit changes after retirement. Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments.

Under ORS 238.360, monthly benefits are adjusted annually through cost-of-living adjustments, which are capped at 2.0 percent per year.

b. **Oregon Public Service Retirement Plan (OPSRP).** This pension program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003.

Pension benefits. OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for General Service members who attain normal retirement age: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for General Service members is age 65, or age 58 with 30 years of retirement credit.

A member of the OPSRP Pension Program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

Death benefits. Upon the death of a non-retired member, the spouse (or other person who is constitutionally required to be treated in the same manner as the spouse), receives for life 50 percent of the pension that would otherwise have been paid to the deceased member. The surviving spouse or other person may elect to delay payment of the death benefit, but payment must commence no later than December 31 of the calendar year in which the member would have reached 70 ½ years.

Disability benefits. A member who has accrued ten or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit changes after retirement. Under ORS 238A.210, monthly benefits are adjusted annually through cost-of-living adjustments, which are capped at 2.0 percent per year.

Contributions – PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the PERS Retirement Health Insurance Account described in Note V.H.2.

Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation. The rates, based on a percentage of payroll, first became effective July 1, 2017. Metro has previously made a lump sum payment to establish a side account, and its rates have been reduced. Metro's actuarially determined contribution rate for the Tier One/Tier Two and OPSRP plans was 16.30 percent and 9.71 percent of subject payroll, respectively. Employer contributions recognized by PERS for the fiscal year ended June 30, 2018 were $7,594,605.

A ten year schedule of Defined Benefit Pension Plan Contributions can be found in the Required Supplementary Information section of this report.

Pension plan CAFR – Both the PERS and OPSRP 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, Tigard, Oregon 97281-3700, by calling 1-888-320-7377, or by accessing the PERS web site at http://oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx

Actuarial valuation – The employer contribution rates effective July 1, 2017, through June 30, 2019, were set using the entry age normal actuarial cost method. This method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), and (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized as described in the following table.

Actuarial methods and assumptions used to measure the total pension liability –

Valuation Date	December 31, 2015 rolled forward to June 30, 2017
Experience Study Report	2014, published September 23, 2015
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two Unfunded Actuarial Liability (UAL) is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset valuation method	Market value of assets
Inflation rate	2.50 percent
Investment rate of return	7.50 percent
Projected salary increases	3.50 percent
Mortality	**Healthy retirees and beneficiaries:** RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation. **Active members:** Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. **Disabled retirees:** Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per Scale BB, disabled mortality table.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014.

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability. The assumed asset allocation and the Oregon Investment Council's (OIC) target are provided in the following table:

Asset class/ strategy	Low Range	High Range	OIC Target
Cash	0.0 %	3.0 %	0.0 %
Debt securities	15.0	25.0	20.0
Public equity	32.5	42.5	37.5
Real estate	9.5	15.5	12.5
Private equity	14.0	21.0	17.5
Alternative equity	0.0	12.5	12.5
Opportunity portfolio	0.0	3.0	0.0
Total			100.0 %

Long-Term Expected Rate of Return. To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both the actuary's capital market assumptions team and the OIC's investment advisors. The table below shows the actuary's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption.

These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset class	Target	Compound Annual Return (Geometric)
Core fixed income	8.0 %	4.0 %
Short-term bonds	8.0	3.6
Bank/leveraged loans	3.0	5.4
High yield bonds	1.0	6.2
Large/mid cap US equities	15.8	6.7
Small cap US equities	1.3	7.0
Micro cap US equities	1.3	7.0
Developed foreign equities	13.1	6.7
Emerging foreign equities	4.1	7.3
Non-US small cap equities	1.9	7.2
Private equity	17.5	8.0
Real estate (property)	10.0	5.8
Real estate (REITS)	2.5	6.7
Hedge fund of funds - diversified	2.5	4.6
Hedge fund - event-driven	0.6	6.7
Timber	1.9	5.9
Farmland	1.9	6.4
Infrastructure	3.8	7.1
Commodities	1.9	4.6
Assumed inflation - mean		2.5

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate – The following presents Metro's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.50 percent, as well as what Metro's proportionate share of the net pension liability would be if it were calculated using a discount rate that was one percentage-point lower or one percentage-point higher than the current rate:

Metro's Net Pension Liability (Asset)	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Defined benefit pension plan	$135,999,810	79,803,544	32,813,059

Determination of Metro's proportionate share – Metro's actuarially determined proportionate share of the plan amounts was 0.59201276 percent for the fiscal year ended June 30, 2017 (measurement date). Metro's share of pension balances are determined by rolling forward the total net pension liability (actuarially determined at December 31, 2015) to the measurement date of June 30, 2017 and subtracting the plan's net position as of June 30, 2017.

The basis for Metro's proportion is actuarially determined by comparing Metro's projected long-term contribution effort to the plan with the total projected long-term contribution effort for all employers. The rate for every employer has at least two major components; Normal Cost Rate and Unfunded Actuarial Liability (UAL) Rate.

The projected long-term effort is estimated by projecting the present value of all future Normal Cost Rate Contributions (PVFNC). The PVFNC represents the portion of the projected long-term contribution effort related to future service.

An employer's PVFNC depends on both the Normal Cost Rates charged on the employer's payrolls, and on the underlying demographics of the respective payrolls. For PERS funding, employers may have three different payrolls, each with a different Normal Cost Rate:

- Tier 1/Tier 2 payroll
- OPSRP General Service payroll
- OPSRP Police and Fire payroll

A UAL exists when Plan assets are less than the actuarial liability as measured by the Plan's actuarial funding valuations. UAL can arise in a biennium when an event such as experience differing from the assumptions used in the actuarial valuation occurs. An amortization schedule is established to eliminate the UAL that arises in a given biennium over a fixed period of time if future experience follows assumption. The UAL Rate is the upcoming year's component of the cumulative amortization schedules, stated as a percent of payroll. The UAL represents the portion of the projected long-term contribution effort related to past service.

The projected long-term contribution effort is equal to the sum of the PVFNC and the UAL. After Metro's projected long-term contribution effort is calculated, that amount is reduced by the value of Metro's supplemental lump-sum payments, known as side accounts. Side accounts decrease Metro's projected long-term contribution effort because side accounts are effectively pre-paid contributions.

The preparation of these amounts in conformity with GAAP requires management to make estimates and assumptions that affect certain amounts and disclosures. Actual results could differ from those estimates.

Pension plan's fiduciary net position – Detailed information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position can be found in the separately issued CAFR for the plan which is available as noted above.

Payables to the pension plan – At June 30, 2018, Metro reported a payable of $657,777 for the outstanding amount of legally required pension contributions to the pension plan for the fiscal year ended June 30, 2018.

Pension Expense, Net Pension Liability or Asset, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the fiscal year ended June 30, 2018, Metro recognized a net pension liability of $79,803,544 and a pension expense of $17,269,684. At June 30, 2018, Metro reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Governmental activities		Business-type activities	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience in the measurement of the total pension liability	$ 1,707,018	-	2,152,315	-
Changes in assumptions	6,434,165	-	8,112,597	-
Net difference between projected and actual earnings on pension plan investments	363,651	-	458,513	-
Changes in the employer's proportion	1,511,064	65,169	1,905,243	82,170
Differences between employer contributions and employer's proportionate share of system contributions	-	876,652	-	1,105,337
Total (prior to post-measurement date contributions)	$ 10,015,898	941,821	12,628,668	1,187,507
Contributions subsequent to the measurement date	3,359,163	-	4,235,442	-
Net deferred outflows/(inflows) of resources	$ 13,375,061	941,821	16,864,110	1,187,507

The $7,594,605 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in subsequent years as follows (outflows and inflows netted):

Fiscal Year Ended June 30	Governmental activities	Business-type activities
2019	$ 1,704,755	2,149,462
2020	4,595,495	5,794,286
2021	3,228,113	4,070,206
2022	(586,237)	(739,164)
2023	131,951	166,371
Total	$ 9,074,077	11,441,161

Changes in Plan Provisions Subsequent to Measurement Date - At its July 2017 meeting, the PERS board lowered the "assumed rate" to 7.2 percent, effective January 1, 2018. The assumed rate is the rate of investment return (including inflation) that PERS Fund's plans are expected to earn over the long term. Oregon Administrative Rule 459-007-0001(2) states that the assumed rate "means the actuarial assumed rate of return on investments as adopted by the Board for the most recent actuarial valuation."

2. Defined Contribution Pension Plan

Beginning January 1, 2004, PERS active Tier One and Tier Two members became members of the Individual Account Program (IAP) of OPSRP. Although existing PERS members retain their existing PERS account, all current member contributions are deposited into the member's IAP, a defined contribution pension plan. Accounts are credited with earnings and losses net of administrative expenses. The IAP, as part of OPSRP, is administered by the PERS Board which is directed to adopt any rules necessary to administer OPSRP. The IAP is provided to all members or their beneficiaries who are PERS or OPSRP eligible.

State statutes require covered employees to contribute six percent of their annual covered salary to the IAP plan effective January 1, 2004. All new non-represented employees hired after July 1, 2011 pay the contribution for the IAP, whereas employees represented under a collective bargaining agreement pay the contribution for the IAP if hired after the date specified in the applicable collective bargaining agreement. Metro pays for the IAP contribution for the remainder of eligible Metro employees. An IAP member becomes vested on the date the employee account is established or on the date a rollover account was established. If Metro makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the IAP may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5, 10, 15, 20 year period or an anticipated life span option. Each distribution option has a $200 minimum distribution limit.

Death Benefits – Upon the death of a non-retired member, the beneficiary receives a lump sum of the member's account balance, rollover account balance, and the vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Metro paid contributions to the IAP of $1,958,666 for the fiscal year ended June 30, 2018, which is included in payroll and fringe benefits expense. At June 30, 2018, a payable to the IAP portion of the plan in the amount of $340,604 for the contractually required contributions for the month of June 2018 is included in salaries, withholdings and payroll taxes payable.

H. OTHER POSTEMPLOYMENT BENEFITS

The other postemployment benefits (OPEB) for Metro combines two separate plans. Metro provides an implicit rate subsidy for retiree health insurance premiums, and a contribution to the State of Oregon's PERS cost-sharing multiple-employer defined health insurance benefit plan.

1. Metro Retiree Health Insurance Plan – Implicit Rate Subsidy

Plan Description – All employees of Metro retiring from active service with a pension benefit payable immediately under Oregon PERS are eligible for 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 rate 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 implicit rate 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 has not established a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 for the accumulation of assets. Metro's single-employer OPEB plan does not issue a publicly available financial report.

Benefits Provided – The plan provides eligible retirees and their dependents under age 65 the same health care coverage at the same premium rates as offered to active employees. The retiree is responsible for the premiums.

As of the valuation date of July 1, 2017, the following number of employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	22
Active employees	818
	840

Total OPEB Assets, Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related To OPEB - Metro's total OPEB liability of $2,766,903 was measured as of June 30, 2017, and was determined by an actuarial valuation as of July 1, 2017.

For the fiscal year ended June 30, 2018, Metro recognized OPEB expense from this plan of $251,423. At June 30, 2018, Metro's deferred outflows of resources and deferred inflows of resources related to this OPEB plan were not material and therefore are not reported in the financial statements, but are disclosed here:

Sources		Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$	-	147,860
Benefit payments		155,404	-
Total	$	155,404	147,860

Deferred outflows of resources related to OPEB of $155,404 resulted from Metro's projected benefit payments. Other amounts reported as deferred inflows of resources to OPEB will be recognized in OPEB expense as follows:

Fiscal year ending June 30:	
2019	$ 20,255
2020	20,255
2021	20,255
2022	20,255
2023	20,255
Thereafter	46,585
Total	$147,860

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2017 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry Age Normal
Inflation rate	2.50 percent
Salary increases	3.50 percent
Mortality	**Healthy retirees and beneficiaries:** RP2014 Employee and Healthy Annuitant tables, no collar, Sex-distinct for members and dependents. For male members and dependants only, a one year set back is applied. Future mortality improvement is not projected as it would be immaterial to the valuation.
Discount rate	3.58 percent (change from 2.85 percent in previous measurement period)
Healthcare cost trend rate	Medical and vision: 10.75 percent in the first year, 5.75 in the second year, and varying rates thereafter. Dental: 4.00 percent per year

The discount rate was based on Bond Buyer 20-Year General Obligation Bond Index.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance as of June 30, 2017	$ 2,825,591
Changes for the year:	
Service cost	188,084
Interest on total OPEB liability	83,594
Effect of assumptions changes or inputs	(168,115)
Benefit payments	(162,251)
Balance as of June 30, 2018	$ 2,766,903

Changes in assumptions is the result of the change in the discount rate from 2.85 to 3.58 percent.

Sensitivity of the Total OPEB Liability - The following presents Metro's total OPEB liability, as well as what the liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate. A similar sensitivity analysis is then presented for changes in the healthcare cost trend rate assumption.

Discount Rate:

		1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Total OPEB Liability	$	3,000,054	2,766,903	2,550,984

Healthcare Cost Trend Rate:

		1% Decrease (9.75% decreasing to 4.75%)	Current Healthcare Cost Trend Rate (10.75% decreasing to 5.75%)	1% Increase (11.75% decreasing to 6.75%)
Total OPEB Liability	$	2,473,786	2,766,903	3,111,167

2. PERS Retirement Health Insurance Account

Plan Description – Metro contributes to the PERS Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by PERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums for eligible retirees. ORS 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants hired after August 29, 2003. PERS issues publicly available financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700, by calling 1-888-320-7377, or by accessing the PERS web site at http://oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx

Benefits Provided – Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to $60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the RHIA established by the employer, and any monthly cost in excess of $60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost, the member must (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Contributions - PERS funding policy provides for employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. Employer contribution rates for the

period were based on the December 31, 2015 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2017. Metro's contribution rates for the period were 0.50 percent for Tier One/Tier Two members, and 0.43 percent for OPSRP members. Metro's total contributions for the year ended June 30, 2018 were $298,927.

Total OPEB Assets, Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - At June 30, 2018, Metro reported an asset of $251,939 for its proportionate share of the OPERS net OPEB asset. The net OPEB asset was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2015 rolled forward to June 30, 2017. Metro's proportion of the net OPEB asset was based on Metro's contributions to the RHIA program during the measurement period relative to contributions from all participating employers. At June 30, 2017, Metro's proportionate share was 0.6037 percent, which is a decrease from its proportion of 0.6214 percent as of June 30, 2016.

For the year ended June 30, 2018, Metro recognized OPEB expense from this plan of $53. At June 30, 2018, Metro's deferred outflows of resources and deferred inflows of resources related to this OPEB plan were not material and therefore are not reported in the financial statements, but are disclosed here:

Sources		Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on investments	$		116,684
Changes in proportionate share		-	3,511
Contributions subsequent to the measurement date		298,503	-
Total	$	298,503	120,195

Deferred outflows of resources related to OPEB of $298,503 resulting from Metro's contributions subsequent to the measurement date will be recognized as either a reduction of the net OPEB liability or an increase in the net OPEB asset in the year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal year ending June 30:	
2019	$ 30,471
2020	30,471
2021	30,082
2022	29,171
Total	$120,195

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2017 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	December 31, 2015 rolled forward to June 30, 2017
Measurement date	June 30, 2017
Experience Study Report	2014, published September 23, 2015
Actuarial cost method	Entry Age Normal
Inflation rate	2.50 percent
Long-term expected rate of return	7.50 percent
Discount rate	7.50 percent
Salary increases	3.50 percent
Mortality	**Healthy retirees and beneficiaries:** RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation. **Active members:** Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. **Disabled retirees:** Mortality rates are a percentage (70 percent for males, 95 percent for females) of the RP-2000 Sex-distinct, generational per Scale BB, disabled mortality table.

All other actuarial methods and assumptions are consistent with those disclosed in the OPERS Pension Plan. See Note V.G.1, for additional information on Actuarial Assumptions and Methods, the Long-Term Expected Rate of Return, and the Discount Rate.

Sensitivity of Metro's proportionate share of the OPEB liability (asset) to changes in the discount rate - The following presents Metro's proportionate share of the net OPEB liability (asset), calculated using the discount rate of 7.50 percent, as well as what Metro's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate of one-percentage-point lower or one-percentage-point higher than the current rate.

		1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Total OPEB Liability (Asset)	$	35,120	(251,939)	(496,101)

OPEB Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

Changes in Plan Provisions Subsequent to Measurement Date - The PERS Board lowered the Assumed Rate of Return from 7.50 percent to 7.20 percent on July 28, 2017. This change is effective January 1, 2018, and will decrease the net OPEB asset or increase the net OPEB liability in future periods.

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 2018, this resulted in a contracted per ton unit price of $23.64 for the first 550,000 tons and a declining incremental price scale for each ton of waste in excess of 550,000 tons. In fiscal year 2019, the rate will increase to $24.16.

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 2018, the unit load price equated to a rate of $674.67 (equivalent to about $20.26 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 December 31, 2019.

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. In fiscal year 2018, Metro landfill tonnage exceeded 500,000, and in turn Metro received a $2,880 rebate from the contractor.

3. Metro South Station

The operation of Metro South, a solid waste transfer station and materials recovery facility, is privately contracted through December 31, 2019. For fiscal year 2018, the agreement sets an annual fixed payment of $1,049,642, a price of $5.40 per ton of putrescible waste, a price of $13.76 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 2018, Metro paid $54.98 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 December 31, 2019. For fiscal year 2018, the agreement sets an annual fixed payment of $2,322,376, a price of $3.56 per ton of putrescible waste, a price of $16.08 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 2018, Metro paid $62.29 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 assumed annual inflation equal to the average of the preceding three fiscal years for all of the previously described contracts. The current contracts expire December 31, 2019 and Metro is currently under negotiations and solicitation for new contracts starting January 1, 2020 or extension through December 31, 2021. The figures for Metro South and Metro Central reflect costs and tonnage as estimated at current contract prices and tonnage from the tonnage forecast as adopted by council in fiscal year 2018 and their current expiration dates of December 31, 2019.

Fiscal year ending June 30:	Columbia Ridge Landfill	Waste Transport	Metro South	Metro Central
2019	$ 9,060,449	9,888,101	6,204,236	6,738,489
2020	4,865,992	5,140,850	3,236,967	3,586,357
Total	$13,926,441	15,028,951	9,441,203	10,324,846

5. Construction Projects

Metro is committed under a number of contracts for construction services. The amount of major uncompleted contracts is approximately $660,000 at June 30, 2018.

J. LEASE OBLIGATIONS

Operating Lease

The Portland'5 Centers for the Arts theater complex leases the grounds for the complex under an operating lease expiring in October 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 $14,024 per month through October 31, 2019. $168,288 was paid on the lease in fiscal year 2018.

The future minimum lease payments are as follows:

Fiscal year ending June 30:	
2019	$ 168,288
2020	168,288
2021	168,288
2022	168,288
2023	168,288
2024-28	841,440
2029-33	841,440
2034-38	841,440
2039-43	841,440
2044-48	841,440
2049-53	841,440
2054-58	841,440
2059-63	841,440
2064-68	841,440
2069-73	841,440
2074-78	841,440
2079-83	841,440
2084	56,096
Total	$10,994,816

K. BONDS PAYABLE

Metro issues a variety of long-term debt types to finance capital projects and some capital equipment. The Tax Reform Act of 1986 requires that governmental entities issuing tax-exempt debt after August 1986 calculate and rebate arbitrage earnings to the federal government. Metro's tax-exempt debt is in compliance with all Internal Revenue Service arbitrage regulations. The government-wide financial statements include a reported arbitrage liability of $55,939 as of June 30, 2018.

The various debt issues are discussed below.

Governmental Activities

1. 2012A and 2018 Series Natural Areas General Obligation Bonds and 2014 Series General Obligation Refunding Bonds

In prior years, Metro issued $124,295,000 of 2007 Series Natural Areas General Obligation Bonds and an additional $75,000,000 of 2012A Series 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. On May 15, 2018, Metro issued $28,105,000 of Series 2018 bonds, which is the final issuance of bonds authorized under the 2006 voter approved measure.

In prior years, 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 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. 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:	2012A Series		2014 Series		2018 Series	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 3,960,000	2,533,950	14,115,000	1,320,350	7,625,000	1,467,706
2020	4,610,000	2,335,950	15,115,000	755,750	8,110,000	1,024,000
2021	5,300,000	2,105,450	-	-	1,705,000	618,500
2022	6,045,000	1,840,450	-	-	1,835,000	533,250
2023	6,840,000	1,538,200	-	-	1,975,000	441,500
2024-26	25,835,000	2,390,100	-	-	6,855,000	701,750
	52,590,000	12,744,100	29,230,000	2,076,100	28,105,000	4,786,706
Unamortized premium	8,491,130		2,345,271		2,543,253	
Per statement of net position	$ 61,081,130		31,575,271		30,648,253	

2. 2012A, 2016, and 2018 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. Also in prior years, Metro issued $65,000,000 of 2012A Series bonds and $30,000,000 of 2016 Series bonds. On May 15, 2018, Metro issued $10,000,000 of Series 2018 bonds, which is the final issuance of bonds authorized under the 2008 voter approved measure.

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 3.0 percent to 5.0 percent.

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

Fiscal year ending June 30:	2012A Series		2016 Series		2018 Series	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 2,770,000	1,929,825	8,825,000	846,500	115,000	522,223
2020	3,050,000	1,791,325	8,105,000	405,250	1,645,000	494,250
2021	3,350,000	1,638,825	-	-	745,000	412,000
2022	3,665,000	1,471,325	-	-	815,000	374,750
2023	4,000,000	1,288,075	-	-	890,000	334,000
2024-28	25,725,000	3,197,150	-	-	5,790,000	916,000
	42,560,000	11,316,525	16,930,000	1,251,750	10,000,000	3,053,223
Unamortized premium	6,635,154		1,592,453		1,492,879	
Per statement of net position	$ 49,195,154		18,522,453		11,492,879	

3. Full Faith and Credit Refunding Bonds 2013 Series

In prior years, 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 defeased bonds have been called and 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 1.3 percent to 2.2 percent.

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

Fiscal year ending June 30:	Principal	Interest
2019	$1,280,000	111,197
2020	1,295,000	92,841
2021	1,320,000	70,595
2022	1,345,000	44,263
2023	1,370,000	15,070
Per statement of net position	$6,610,000	333,966

4. Full Faith and Credit Bonds 2018 Series

On May 24, 2018, Metro issued $13,290,000 of Full Faith and Credit Bonds, Series 2018 to fund renovations, upgrades and repairs to two existing Metro properties, the Metro Regional Center (MRC) building and Lone Fir Cemetery. The MRC building projects include exterior and interior replacements and upgrades and Information Services infrastructure. The Lone Fir Cemetery projects include a retaining wall replacement, fencing, and security and safety upgrades.

The bonds are payable from existing Metro revenues which includes assessments on departments to pay for their share of the MRC building upgrade costs along with other General Fund revenues. Interest rates on individual bonds range from 3.0 percent to 5.0 percent.

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

Fiscal year ending June 30:	Principal	Interest
2019	$ -	597,853
2020	-	586,450
2021	-	586,450
2022	-	586,450
2023	-	586,450
2024-28	5,865,000	2,374,500
2029-33	7,425,000	815,750
	13,290,000	6,133,903
Unamortized premium	1,821,580	
Per statement of net position	$ 15,111,580	

5. Dedicated Tax Revenue Bonds OCC Hotel Project 2017 Series

On August 8, 2017, Metro issued $52,260,000 in Dedicated Tax Revenue Bonds, Oregon Convention Center Hotel project, Series 2017 to fund a contribution to the construction of a 600-room hotel adjacent to the OCC, a project to assist in marketing the OCC for national conventions.

Metro negotiated with a development partner who committed to design and construct the hotel, which will ultimately be owned and operated by Hyatt Hotels Corporation; these parties are providing approximately $166 million of the estimated $240 million cost. As part of the Development and Financing Agreement, Metro committed to provide a portion of the funding, consisting of the revenue bonds, $4 million contributed by the MERC Proprietary Fund and $10 million received previously from the State of Oregon lottery funds. Metro has transferred these funding sources to the developer.

The bonds are backed by site specific transient lodging tax revenue. Interest rates on individual bonds range from 3.0 percent to 5.0 percent.

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

Fiscal year ending June 30:	Principal	Interest
2019	$ 865,000	2,531,550
2020	895,000	2,505,600
2021	930,000	2,469,800
2022	965,000	2,432,600
2023	1,005,000	2,394,000
2024-28	5,820,000	11,165,000
2029-33	7,430,000	9,557,000
2034-38	9,480,000	7,504,500
2039-43	12,100,000	4,885,000
2044-47	12,045,000	1,542,250
	51,535,000	46,987,300
Unamortized premium	8,513,719	
Per statement of net position	$ 60,048,719	

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:

Fiscal year ending June 30:	Principal	Interest
2019	$ 1,185,000	905,587
2020	1,325,000	848,008
2021	1,480,000	783,627
2022	1,645,000	709,567
2022	1,820,000	627,252
2023-28	10,715,000	1,570,505
Per statement of net position	$ 18,170,000	5,444,546

Business-type Activities

7. Full Faith and Credit Refunding Bonds 2016 Series

In prior years, Metro issued $7,385,000 of Full Faith and Credit Refunding Bonds, Series 2016 to refund all callable outstanding 2006 Series Oregon Local Governments Full Faith and Credit Bonds. The defeased bonds have been called and 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 1.5 percent to 5.0 percent.

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

Fiscal year ending June 30:	Principal	Interest
2019	$ 825,000	197,025
2020	865,000	154,775
2021	890,000	126,475
2022	920,000	101,400
2023	950,000	75,875
2024-25	1,970,000	64,525
	6,420,000	720,075
Unamortized premium	597,472	
Per statement of net position	$ 7,017,472	

L. CHANGES IN LONG-TERM LIABILITIES

The following changes occurred during fiscal year 2018 in long-term liabilities:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	$ 168,425,000	38,105,000	(27,115,000)	179,415,000	37,410,000
Full faith and credit bonds	7,880,000	13,290,000	(1,270,000)	19,900,000	1,280,000
Dedicated tax revenue bonds	-	52,260,000	(725,000)	51,535,000	865,000
Pension obligation bonds	19,225,000	-	(1,055,000)	18,170,000	1,185,000
Less unamortized amounts:					
For premium or discount	22,860,127	14,710,080	(4,134,768)	33,435,439	-
Total bonds payable	218,390,127	118,365,080	(34,299,768)	302,455,439	40,740,000
Pollution remediation obligation	2,500	-	-	2,500	-
Net other postemployment benefits	1,031,249 (1)	96,201	(101,679)	1,025,771	-
Compensated absences	2,203,669	2,329,500	(2,203,669)	2,329,500	2,253,611
Net pension liability	35,927,431	1,355,551	(1,985,147)	35,297,835	-
Governmental activity Long-term liabilities	$ 257,554,976	122,146,332	(38,590,263)	341,111,045	42,993,611
Business-type activities:					
Bonds payable:					
Full faith and credit bonds	$ 7,205,000	-	(785,000)	6,420,000	825,000
Less unamortized amounts:					
For premium or discount	690,584	-	(93,112)	597,472	-
Total bonds payable	7,895,584	-	(878,112)	7,017,472	825,000
Post-closure costs payable	7,583,448	-	(1,961,642)	5,621,806	643,513
Pollution remediation obligation	713,000	26,819	(41,819)	698,000	-
Net other postemployment benefits	1,794,342 (1)	96,534	(149,744)	1,741,132	-
Compensated absences	2,349,180	2,601,222	(2,349,180)	2,601,222	2,358,345
Net pension liability	46,126,508	1,709,163	(3,329,962)	44,505,709	-
Business-type activity Long-term liabilities	$ 66,462,062	4,433,738	(8,710,459)	62,185,341	3,826,858

(1) Beginning balance of other postemployment benefits was restated as required for the implementation of GASB Statement No. 75 (see Note IV).

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 and net pension liabilities 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, 2018, there were eight 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, 2018 is estimated to be $51,153,212 under current Federal and state regulations, a reduction of $950,162 in the current fiscal 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 $1,011,480 in closure costs as the closure process continued ($45,531,406 cumulative to date); reducing the remaining estimated liability to $5,621,806 at June 30, 2018.

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 and Metro is currently awaiting DEQ approval for this year's 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. Various Metro properties have pollution remediation obligations where obligating events have occurred and amounts are estimable using the expected cash flows technique.

Governmental Activities

Estimable pollution remediation obligations are present at what is referred to as the Texaco site on McLoughlin Boulevard in Milwaukie, Oregon. DEQ includes this site in the Underground Storage Tank (UST) Cleanup program and the incomplete nature of cleanup activities by the prior owners constitutes an obligating event. Metro entered into a Prospective Purchaser Agreement (PPA) with DEQ which called for the decommissioning of USTs and remediation of soil contamination exceeding DEQ tolerances. Initial remediation work, including UST removal has been completed. Some shallow soil contamination remains. A cost estimate was developed for remaining DEQ oversight costs and cleanup of the remaining soil contamination during future site development work, as notified by DEQ in 2006. The estimated pollution remediation obligation for this site is estimated to be $2,500, reflected in governmental activities on the government-wide statement of net position.

Business-type Activities

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 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 is based on the Draft Remedial Action Work Plan (RAWP) for implementation of the preferred alternative which calls for activated carbon pellets to be spread across the sediment surface in the risk-based areas. Metro has

elected to expand the treatment area to provide greater coverage of the Westside Mud Flat to reduce uncertainty, and Metro's estimated obligation increased in the current fiscal year by $26,819 to reflect the progress and monitoring activities. Actual cost may vary due to inflation or deflation, changes in technology, or changes in regulations. Metro paid $41,819 in remediation costs, reducing the estimated liability to $315,000 at June 30, 2018.

Other Metro properties fall within the Initial Study Area of the Portland Harbor Superfund site adjacent to the Portland Harbor. The area has been under investigation 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. EPA issued a Record of Decision outlining the Selected Remedy in January 2017, which includes dredging, capping, and enhanced natural recovery, estimated to take 13 years to complete. Costs associated with investigations and studies as they pertain to Metro properties and the allocation of such costs among participating responsible parties (PRPs) are still being determined. The PRPs have engaged an allocator to develop a method for allocation of costs associated with the remedial investigation and feasibility study. Costs associated with the Selected Remedy also are not estimable and therefore none of these costs have been included in Metro's pollution remediation obligation as of June 30, 2018.

For Metro Central Station, Metro received a request from the EPA and recommendation from DEQ to perform an expanded Preliminary Assessment. Metro then entered into an agreement with DEQ regarding the source control evaluation for the property. Metro has contracted with AECOM to update the station's stormwater treatment system to satisfy Tier 2 correction actions related to the DEQ's recommendation. A design cost estimate from AECOM is not yet developed or available, so a reasonable estimate based upon the details in the design report was developed and, based on the probability assessment, is estimated to be $288,000 at June 30, 2018.

Current information on estimable pollution remediation obligations at Expo, 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 DEQ recommended preliminary assessment, which is recorded in the MERC Fund, is $95,000.

The total pollution remediation obligation on the government-wide statement of net position for business-type activities for properties detailed above is $698,000.

O. FUND BALANCE CLASSIFICATIONS

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

	General Fund	Parks and Natural Areas Local Option Levy Special Revenue Fund	General Obligation Bond Debt Service Fund	Major Capital Project Funds		Other Funds	Total
				Oregon ZIAW Fund	Natural Areas Fund		
Fund balances:							
Nonspendable:							
Not in spendable form							
Prepaid items	$ 10,228	-	-	-	-	-	10,228
Long-term amount of loans receivable	32,465	-	-	-	-	-	32,465
Corpus of permanent fund	-	-	-	-	-	607,059	607,059
Total nonspendable	42,693	-	-	-	-	607,059	649,752
Restricted for:							
TOD projects	24,169,290	-	-	-	-	-	24,169,290
Glendoveer operations	108,421	-	-	-	-	-	108,421
Parks and Natural Areas	-	5,808,119	-	-	-	-	5,808,119
Debt service on GO bonds	-	-	847,417	-	-	-	847,417
Smith & Bybee Wetlands mgmt plan	-	-	-	-	-	2,205,677	2,205,677
Community Enhancement	-	-	-	-	-	577,683	577,683
Willamette Falls Legacy project	13,621,734	-	-	-	-	-	13,621,734
Capital projects:							
Bond funded programs	15,000,000	-	-	43,387,121	33,664,370	187,890	92,239,381
Total restricted	52,899,445	5,808,119	847,417	43,387,121	33,664,370	2,971,250	139,577,722
Committed to:							
Construction excise tax for development planning	10,522,814	-	-	-	-	-	10,522,814
Total restricted	10,522,814	-	-	-	-	-	10,522,814
Assigned to:							
Permanent fund programs	-	-	-	-	-	16,612	16,612
Unassigned	29,180,618	-	-	-	-	-	29,180,618
Total fund balances	$ 92,645,570	5,808,119	847,417	43,387,121	33,664,370	3,594,921	179,947,518

P. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables are detailed in the table below.

	Payable Fund/Entity						
	Due to Other Funds			***Advances from Other Funds***		***Internal balances***	
Interfund receivables and payables detail	*(portion of interfund loans expected to be repaid in the subsequent year)*			*(portion of interfund loans not scheduled to be repaid in the subsequent year)*		*(to reflect the consolidation of internal service fund activities)*	*Assets per fund statements*
	General	Oregon Zoo	MERC	General	Oregon Zoo	Business-type activities	
Receivable Fund/Entity							
Due from Other Funds *(portion of interfund loans expected to be repaid in the subsequent year)*							
General	$		719,952				719,952
Solid Waste	1,550,000	409,000					1,959,000
Advances to Other Funds *(portion of interfund loans not scheduled to be repaid in the subsequent year)*							
Solid Waste				50,000	2,186,000		2,236,000
Internal balances *(to reflect the consolidation of internal service fund activities)*							
Governmental activities						3,062,902	
Liabilities per fund statements	$ 1,550,000	409,000	719,952	50,000	2,186,000		
Reconciliation to government-wide statements:							
Receivables/Payables between government-wide activity types:							
Due to/from other funds						719,952	
Due to/from other funds						(1,550,000)	
Advances to/from other funds						(50,000)	
Internal balances per the government-wide statement of net position						$ 2,182,854	

The loan from General Fund to MERC Fund is to finance the Portland Streetcar loop extension. Loans from Solid Waste Fund to General Fund and Oregon Zoo Fund are to finance various capital projects.

Note that amounts shown between Solid Waste and Oregon Zoo net within business-type activities in internal balances

Interfund transfers for the fiscal year by fund were:

		Transfers in					
Transfers out		**General**	**Oregon Zoo Infrastructure**	**Solid Waste**	**Oregon Zoo**	**MERC**	**Total**
General	$	-	-	88,209	13,346,900	400,000	13,835,109
Parks & Natural Areas		43,780		-	-	-	43,780
Oregon Zoo Infrastructure		-	-	-	-	-	-
Natural Areas		4,495	-	-	-	-	4,495
Community Enhancement		1,013,767	-	-	-	-	1,013,767
Cemetery Perpetual Care		851,000	-	-	-	-	851,000
Solid Waste		50,000	-	-	-	-	50,000
Oregon Zoo		118,273	-	-	-	-	118,273
MERC		133,693	135,318	-	-	-	269,011
Total	$	2,350,130	135,318	88,209	13,346,900	400,000	16,320,557

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, to Oregon Zoo for general allocations and renewal and replacement of capital assets, and to MERC for Tourism Opportunity and Competiveness Account; Natural Areas support to the General Fund for the Willamette Falls Riverwalk project; and transfers of PERS reserve balances from various funds to the General Fund.

Q. TAX ABATEMENTS

Metro has not entered into any tax abatement programs. However, Metro is subject to tax abatements granted by the three counties in which Metro operates. Metro's abated property taxes total $7,328,657 for fiscal year 2018. The following two major tax abatement programs account for 84 percent of the total abated property taxes:

Strategic Investment Program

The Strategic Investment Program (SIP) was adopted by the Oregon legislature in 1993 under ORS 285C.600. The purpose of this program is to attract and keep companies that provide good jobs in Oregon, particularly capital-intensive, high-technology employers. It allows "traded-sector" businesses, such as manufacturing firms, and local governments to negotiate alternative property tax agreements if these businesses are willing to invest at least $100 million at an urban site or at least $25 million at a rural location in Oregon. "Traded sector" is defined in Oregon law as "industries in which member firms sell their goods or services into markets for which national and international competition exists." The project must either receive local approval through a custom agreement with the county/city or be located in a pre-established SIP.

SIP allows for tax exemptions on project property for fifteen years. In exchange for receiving a property tax exemption, participating firms are required to meet the program requirements set by state statute and the local sponsor (Washington County).

Oregon Enterprise Zone

The Enterprise Zone program (E-Zone) was adopted by the Oregon legislature under ORS 285C.175. The purpose of this program is to encourage business investment through property tax relief, in specific areas of the state. In exchange for locating or expanding into an E-Zone, eligible (generally non-retail) businesses receive total exemption from the property taxes normally assessed on new plant and equipment. Subject to local authorization, timely filings and criteria the benefits include:

- Construction-in-Process E-Zone Exemption-For up to two years before qualified property is placed in service, it can be exempt from local taxes, which can cover more property than the regular exemption for commercial facilities under construction.
- Three to five consecutive years of full relief from property taxes on qualified property, after it is in service.
- Depending on the zone, local incentives also may be available.

Metro's property tax abatements under these programs for the fiscal year ended June 30, 2018 were:

Tax Abatement Program		Amount of Taxes Abated
SIP	$	5,784,091
E-Zone		393,841
Subtotal major abatement programs		6,177,932
Other immaterial abatement programs		1,150,725
Total	$	7,328,657

R. INSURED RISKS

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

- General liability, bodily injury to or property damage of third parties resulting from the negligence of Metro or its employees and errors and omissions risks: these risks are fully covered by the Risk Management Fund. Metro is protected by ORS Chapter 30, the Oregon Tort Claims Act, which contains statutory claim limits of $706,000 for a single claimant and $1,412,000 per multiple claimants. These statutory limits are indexed and change every year on July 1. Metro carries an excess liability policy of $10 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 $800,920,214 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 guaranteed cost 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, 2018. 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 $531,000 reported as accrued self-insurance claims in the Risk Management Fund at June 30, 2018 was established in accordance with the requirements of GASB Statement No. 30, *Risk Financing Omnibus*, which requires that a liability for total estimated claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. A portion of the loss reserves have been discounted, using an assumed average investment rate of 1.025 percent in preparing the estimates. Metro does not purchase annuity contracts from commercial insurers to pay any aggregate amount of outstanding claims liabilities.

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

		Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
2016-17	$	1,951,000	1,363,702	2,677,702	637,000
2017-18		637,000	161,159	267,159	531,000

S. 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 sub grantees.

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.

T. SUBSEQUENT EVENTS

On November 6, 2018, voters approved a measure authorizing $652.8 million in general obligation bonds to provide affordable housing for low-income families, seniors, veterans and people with disabilities in the Metro region which includes Washington, Clackamas, and Multnomah counties.

The measure will create an affordable housing function for Metro, and will be implemented by Metro and local governments. The bond funds will be distributed to the local government partners to build affordable housing for low-income households, to purchase and rehabilitate existing housing to preserve its affordability and prevent displacement, and to buy land for the immediate or future construction of new affordable housing. The measure requires community oversight and independent financial audits and stipulates that the administrative costs of Metro and local housing providers paid for by the measure will not exceed 5 percent of bond funds.

It is estimated that the bonds will be issued over time in multiple series beginning in spring 2019. The bonds are to be repaid with proceeds of Metro's *ad valorem* property tax levied each year.

Supplementary Information

Required Supplementary Information

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

Schedule of District's Proportionate Share of Net Pension/OPEB Liability

Oregon Public Employees' Retirement System, Pension Plan
Oregon Public Employees' Retirement System, Retirement Health Insurance Account

Schedule of District's Contributions

Oregon Public Employees' Retirement System, Pension Plan
Oregon Public Employees' Retirement System, Retirement Health Insurance Account

Schedule of District's Changes in Total OPEB Liability

Implicit Rate Subsidy Plan

Notes to Required Supplementary Information

METRO
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances-
Budget and Actual (Non-GAAP Basis of Budgeting)
For the fiscal year ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
Program revenues:				
Charges for services:				
Government fees	$ 66,500	66,500	96,500	30,000
Culture and recreation fees	4,970,855	4,970,855	4,821,013	(149,842)
Other fees	1,618,905	1,618,905	1,983,109	364,204
Licenses and permits	629,124	629,124	593,228	(35,896)
Miscellaneous revenue	696,410	696,410	819,502	123,092
Operating grants and contributions:				
Grants	9,897,631	10,272,631	11,566,222	1,293,591
Local government shared revenue	670,158	670,158	775,395	105,237
Government contributions	4,118,937	4,118,937	3,200,708	(918,229)
General revenues:				
Taxes:				
Property taxes	14,916,451	14,916,451	15,064,363	147,912
Excise taxes	18,113,406	18,113,406	18,343,257	229,851
Construction excise tax	3,991,000	3,991,000	3,792,595	(198,405)
Investment income	175,000	175,000	622,475	447,475
Total revenues	59,864,377	60,239,377	61,678,367	1,438,990
EXPENDITURES				
Council	4,870,875	4,880,875	4,246,388	634,487
Office of the auditor	751,334	751,334	645,077	106,257
Office of Metro attorney	2,602,771	2,602,771	2,558,502	44,269
Information services	5,338,674	5,527,411	4,899,040	628,371
Communications	1,933,422	1,933,422	1,877,889	55,533
Finance and regulatory services	5,382,456	5,499,377	5,264,959	234,418
Human resources	3,016,714	3,061,714	2,854,644	207,070
Property and environmental services	2,548,484	2,798,484	2,441,271	357,213
Parks and nature	11,724,456	11,724,456	11,183,137	541,319
Planning and development	16,599,483	16,974,483	14,544,279	2,430,204
Research center	4,523,501	4,523,501	3,967,882	555,619
Special appropriations	4,329,429	4,329,429	3,228,669	1,100,760
Non-departmental:				
Debt service	2,011,850	2,011,850	2,011,850	-

(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, 2018

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**final budget**
Expenditures, continued:				
Contingency	$ 2,375,198	1,359,028	-	1,359,028
Total expenditures	68,008,647	67,978,135	59,723,587	8,254,548
Revenues over (under) expenditures	(8,144,270)	(7,738,758)	1,954,780	9,693,538
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	47,060	47,060
Transfers in	19,860,640	19,860,640	19,810,832	(49,808)
Transfers out	(17,315,624)	(17,721,136)	(17,710,618)	10,518
Total other financing sources (uses)	2,545,016	2,139,504	2,147,274	7,770
Revenues and other sources over (under) expenditures and other uses	(5,599,254)	(5,599,254)	4,102,054	9,701,308
Beginning fund balance available for appropriation - July 1, 2017	34,242,243	34,242,243	39,786,597	5,544,354
Unappropriated ending fund balance - June 30, 2018	$ 28,642,989	28,642,989	43,888,651	15,245,662

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	$ 4,102,054
General Revenue Bond Fund-General	2,177,044
General Asset Management Fund	9,287,566
Budget resources not qualifying as revenues under Governmental GAAP:	
Receipt of interfund loan repayments (transfers)	(179,988)
Additional (decrease to) revenues required by Governmental GAAP:	
Adjustment to value investments at fair value	(312,152)
Accrual of interest receivable on TOD loans	9,200
Budget requirements not qualifying as expenses under Governmental GAAP:	
Repayment of interfund loans (transfers)	200,000
Purchase of assets held for resale	802,427
Net change in fund balance as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds	$ 16,086,151

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, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
Program revenues:				
Charges for services:				
Other fees	$ -	-	2,392	2,392
Miscellaneous revenue	-	-	325,229	325,229
Operating grants and contributions:				
Grants	100,000	135,000	29,257	(105,743)
Government contributions	325,000	325,000	-	(325,000)
General revenues:				
Taxes:				
Property taxes	14,036,626	14,036,626	14,509,144	472,518
Investment income	6,000	6,000	112,666	106,666
Total revenues	14,467,626	14,502,626	14,978,688	476,062
EXPENDITURES				
Parks and nature	12,450,136	13,217,115	9,669,945	3,547,170
Special appropriations	2,240,711	2,240,711	754,793	1,485,918
Contingency	2,300,823	1,687,348	-	1,687,348
Total expenditures	16,991,670	17,145,174	10,424,738	6,720,436
Revenues over (under) expenditures	(2,524,044)	(2,642,548)	4,553,950	7,196,498
OTHER FINANCING SOURCES (USES)				
Transfers in	-	118,504	118,504	-
Transfers out	(4,308,772)	(4,308,772)	(4,308,772)	-
Total other financing sources (uses)	(4,308,772)	(4,190,268)	(4,190,268)	-
Revenues and other sources over (under) expenditures and other uses	(6,832,816)	(6,832,816)	363,682	7,196,498
Beginning fund balance available for appropriation - July 1, 2017	6,832,816	6,832,816	5,489,903	(1,342,913)
Unappropriated ending fund balance - June 30, 2018	$ -	-	5,853,585	5,853,585

Reconciliation to Governmental GAAP basis:

Excess of revenues and other financing sources over (under) expenditures and other financing uses on the basis of budgeting per above	$ 363,682
Additional (decrease to) revenue required by Governmental GAAP:	
Adjustment to value investments at fair value	(30,030)
Net change in fund balance as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds	$ 333,652

METRO

Schedule of District's Proportionate Share of Net Pension/OPEB Liability
Oregon Public Employees' Retirement System, Pension Plan
Last Five Fiscal Years

		Fiscal Year				
		2014	2015	2016	2017	2018
Metro's proportion of the net pension liability (asset)		0.51394738%	0.51394738%	0.55014352%	0.54657727%	0.59201276%
Metro's proportionate share of the net pension liability (asset)	$	26,233,596	(11,649,721)	31,586,277	82,053,939	79,803,544
Metro's covered payroll	$	50,208,189	52,521,307	55,726,726	60,051,593	62,262,783
Metro's proportionate share of the net pension liability (asset) as a percentage of its covered payroll		52.2%	-22.2%	56.7%	136.6%	128.2%
Plan fiduciary net position as a percentage of the total pension liability		92.0%	103.6%	91.9%	80.5%	83.1%

This schedule is presented to illustrate Metro's proportionate share of net pension liability over the last 10 years.

However, until a full 10-year trend is compiled, Metro presents information for those years for which information is available.

METRO

Schedule of District's Proportionate Share of Net Pension/OPEB Liability
Oregon Public Employees' Retirement System, Retirement Health Insurance Account
Last Two Fiscal Years

		Fiscal Year	
		2017	**2018**
Metro's proportion of the net OPEB liability (asset)		0.6214%	0.6037%
Metro's proportionate share of the net OPEB liability (asset)	$	168,747	(251,939)
Metro's covered payroll	$	60,051,593	62,262,783
Metro's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll		0.3%	-0.4%
Plan fiduciary net position as a percentage of the total OPEB liability		94.2%	108.9%

This schedule is presented to illustrate Metro's proportionate share of net OPEB liability over the last 10 years.

However, until a full 10-year trend is compiled, Metro presents information for those years for which information is available.

METRO

Schedule of District's Contributions
Oregon Public Employees' Retirement System, Pension Plan
Last Ten Fiscal Years

	Fiscal Year		
	2009	2010	2011
Contractually required contribution	$ 2,556,052	1,249,483	1,306,457
Contributions in relation to the contractually required contribution	2,556,052	1,249,483	1,306,457
Contributions deficiency (excess)	$ -	-	-
Metro's covered payroll	$ 48,242,122	49,864,609	51,603,332
Contributions as a percentage of covered payroll	5.3%	2.5%	2.5%

2012	2013	2014	2015	2016	2017	2018
3,914,572	3,746,270	3,840,003	4,062,684	4,729,515	5,315,109	7,594,605
3,914,572	3,746,270	3,840,003	4,062,684	4,729,515	5,315,109	7,594,605
-	-	-	-	-	-	-
52,255,709	50,208,189	52,521,307	55,726,726	60,051,593	62,262,783	66,236,964
7.5%	7.5%	7.3%	7.3%	7.9%	8.5%	11.5%

METRO

Schedule of District's Contributions
Oregon Public Employees' Retirement System, Retirement Health Insurance Account
Last Two Fiscal Years

		Fiscal Year	
		2017	2018
Contractually required contribution	$	317,059	298,503
Contributions in relation to the contractually required contribution		317,059	298,503
Contribution deficiency (excess)	$	-	-
Metro's covered payroll	$	62,262,783	66,236,964
Contribution as a percentage of covered payroll		0.5%	0.5%

This schedule is presented to illustrate Metro's OPEB contributions over the last 10 years.

However, until a full 10-year trend is compiled, Metro presents information for those years for which information is available.

METRO

Schedule of District's Changes in Total OPEB Liability
Implicit Rate Subsidy Plan
Current Fiscal Year

		Fiscal Year 2018
Total OPEB Liability		
Service Cost	$	188,084
Interest on total OPEB liability		83,594
Changes of assumptions or other inputs		(168,115)
Benefit payments		(162,251)
Net change in total OPEB liability		(58,688)
Total OPEB liability, beginning of year		2,825,591
Total OPEB liability, end of year	$	2,766,903
Metro's covered payroll		N/A
Total OPEB liability as a percentage of covered payroll		N/A

This schedule is presented to illustrate Metro's changes in total OPEB liability over the last 10 years.

However, until a full 10-year trend is compiled, Metro presents information for those years for which information is available.

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 Oregon Zoo Asset Management Fund is a budgetary fund that is combined with the Oregon Zoo Operating 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 three budget amendments during the fiscal year ended June 30, 2018. All three of the amendments were consolidated amendments with multiple actions in each resolution. None of the individual actions within the consolidated amendments were significant.

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 causes 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.

PENSION PLAN INFORMATION

1. CHANGES IN BENEFIT TERMS

There were no changes of benefit terms between the periods shown in the schedules.

There were no changes in the size or composition of the population covered by the benefit terms.

2. CHANGES IN ASSUMPTIONS

There were no changes in the assumptions used to determine the amounts in the schedules.

OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY INFORMATION

1. CHANGES IN BENEFIT TERMS

There were no changes of benefit terms between the periods shown in the schedules.

There were no changes in the size or composition of the population covered by the benefit terms.

2. CHANGES IN ASSUMPTIONS

In the July 1, 2017 actuarial valuation, the OPEB liability discount rate increased from 2.85 percent to 3.58 percent due to the economic conditions as of the measurement date and the implementation of GASB Statement No. 75.

Other Supplementary Information

Combining Statements

Nonmajor Governmental Funds

Budgetary Comparison Schedules

Combining Statements
Nonmajor Governmental Funds

Special Revenue Funds

Smith and Bybee Wetlands Fund

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

Community 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 resources are miscellaneous and 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, 2018

	Special Revenue			Capital Projects	Permanent	Total
	Smith and Bybee Wetlands	Community Enhancement	Total	Open Spaces	Cemetery Perpetual Care	Nonmajor Governmental Funds
ASSETS						
Equity in internal cash and investment pool	$ 2,216,656	920,515	3,137,171	187,401	622,555	3,947,127
Receivables:						
Other	-	38,367	38,367	-	-	38,367
Interest	3,914	2,267	6,181	489	1,116	7,786
Total assets	2,220,570	961,149	3,181,719	187,890	623,671	3,993,280
LIABILITIES						
Liabilities:						
Accounts payable	14,893	383,466	398,359	-	-	398,359
Total liabilities	14,893	383,466	398,359	-	-	398,359
FUND BALANCES						
Nonspendable	-	-	-	-	607,059	607,059
Restricted	2,205,677	577,683	2,783,360	187,890	-	2,971,250
Assigned	-	-	-	-	16,612	16,612
Total fund balances	2,205,677	577,683	2,783,360	187,890	623,671	3,594,921
Total liabilities and fund balances	$ 2,220,570	961,149	3,181,719	187,890	623,671	3,993,280

METRO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2018

	Special Revenue			Capital Projects	Permanent	Total
	Smith and Bybee Wetlands	Community Enhancement	Total	Open Spaces	Cemetery Perpetual Care	Nonmajor Governmental Funds
REVENUES						
Cemetery revenue surcharge	$ -	-	-	-	51,479	51,479
Investment income	20,994	17,905	38,899	3,925	5,753	48,577
Solid waste fees	-	1,053,525	1,053,525	-	-	1,053,525
Internal charges for services	69,058	-	69,058	-	-	69,058
Miscellaneous revenue	-	-	-	20,000	-	20,000
Total revenues	90,052	1,071,430	1,161,482	23,925	57,232	1,242,639
EXPENDITURES						
Current:						
Culture and recreation	191,302	1,221,218	1,412,520	212,086	-	1,624,606
Capital outlay	197,297	-	197,297	-	-	197,297
Total expenditures	388,599	1,221,218	1,609,817	212,086	-	1,821,903
Revenues over (under) expenditures	(298,547)	(149,788)	(448,335)	(188,161)	57,232	(579,264)
OTHER FINANCING SOURCES						
Transfers out	-	(851,000)	(851,000)	-	(50,000)	(901,000)
Net change in fund balances	(298,547)	(1,000,788)	(1,299,335)	(188,161)	7,232	(1,480,264)
Fund balances - July 1, 2017	2,504,224	1,578,471	4,082,695	376,051	616,439	5,075,185
Fund balances - June 30, 2018	$ 2,205,677	577,683	2,783,360	187,890	623,671	3,594,921

Budgetary Comparison Schedules

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

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

Other Major Governmental Funds

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

Debt Service Fund

General Obligation Bond Debt Service Fund

Capital Projects Funds

Oregon Zoo Infrastructure and Animal Welfare Fund

Natural Areas Fund

METRO

General Obligation Bond Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Basis of Budgeting)
For the fiscal year ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
General revenues:				
Taxes:				
Property taxes	$ 34,440,775	34,440,775	34,795,513	354,738
Investment income	25,000	25,000	208,989	183,989
Total revenues	34,465,775	34,465,775	35,004,502	538,727
EXPENDITURES				
Debt service:				
Principal	27,115,000	27,115,000	27,115,000	-
Interest	7,854,775	7,854,775	7,854,775	-
Total expenditures	34,969,775	34,969,775	34,969,775	-
Revenues over (under) expenditures	(504,000)	(504,000)	34,727	538,727
Beginning fund balance available for appropriation - July 1, 2017	504,000	504,000	816,134	312,134
Unappropriated ending fund balance - June 30, 2018	$ -	-	850,861	850,861

Reconciliation to Governmental GAAP basis:	
Excess of revenues and other financing sources over (under) expenditures and other financing uses on the basis of budgeting per above	$ 34,727
Additional (decrease to) revenue required by Governmental GAAP:	
Adjustment to value investments at fair value	(2,213)
Net change in fund balance as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds	$ 32,514

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, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
General revenues:				
Investment income	$ 200,000	200,000	459,045	259,045
Total revenues	200,000	200,000	459,045	259,045
EXPENDITURES				
Oregon Zoo	12,678,074	12,813,392	3,169,394	9,643,998
Contingency	3,265,000	3,265,000	-	3,265,000
Total expenditures	15,943,074	16,078,392	3,169,394	12,908,998
Revenues under expenditures	(15,743,074)	(15,878,392)	(2,710,349)	13,168,043
OTHER FINANCING SOURCES AND (USES)				
Bonds issued	-	-	10,000,000	10,000,000
Premium on bonds issued	-	-	1,511,697	1,511,697
Transfers in	-	135,318	135,318	-
Transfers out	(515,894)	(515,894)	(515,894)	-
Total other financing sources (uses)	(515,894)	(380,576)	11,131,121	11,511,697
Revenues and other sources over (under) expenditures and other uses	(16,258,968)	(16,258,968)	8,420,772	24,679,740
Beginning fund balance available for appropriation - July 1, 2017	33,286,978	33,286,978	35,027,342	1,740,364
Unappropriated ending fund balance - June 30, 2018	$ 17,028,010	17,028,010	43,448,114	26,420,104

Reconciliation to Governmental GAAP basis:

Excess of revenues and other financing sources over (under) expenditures and other financing uses on the basis of budgeting per above	$ 8,420,772
Additional (decrease to) revenue required by Governmental GAAP:	
Adjustment to value investments at fair value	3,119
Net change in fund balance as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds	$ 8,423,891

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, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
Program revenues:				
Charges for services:				
Miscellaneous revenue	$ -	-	144,643	144,643
Capital grants and contributions:				
Capital contributions and donations	-	-	175,000	175,000
General revenues:				
Investment income	351,700	351,700	244,209	(107,491)
Total revenues	351,700	351,700	563,852	212,152
EXPENDITURES				
Parks and nature	16,766,257	16,766,257	11,046,970	5,719,287
Contingency	4,000,000	4,000,000	-	4,000,000
Total expenditures	20,766,257	20,766,257	11,046,970	9,719,287
Revenues under expenditures	(20,414,557)	(20,414,557)	(10,483,118)	9,931,439
OTHER FINANCING SOURCES (USES)				
Bonds issued	-	-	28,105,000	28,105,000
Premium on bonds issued	-	-	2,583,409	2,583,409
Transfers out	(2,980,462)	(2,980,462)	(2,941,554)	38,908
Total other financing sources (uses)	(2,980,462)	(2,980,462)	27,746,855	30,727,317
Revenues and other sources over (under) expenditures and other uses	(23,395,019)	(23,395,019)	17,263,737	40,658,756
Beginning fund balance available for appropriation - July 1, 2017	25,065,140	25,065,140	16,426,032	(8,639,108)
Unappropriated ending fund balance - June 30, 2018	$ 1,670,121	1,670,121	33,689,769	32,019,648

Reconciliation to Governmental GAAP basis:

Excess of revenues and other financing sources over (under) expenditures and other financing uses on the basis of budgeting per above	$ 17,263,737
Additional (decrease to) revenue required by Governmental GAAP:	
Adjustment to value investments at fair value	4,821
Net change in fund balance as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds	$ 17,268,558

Nonmajor Governmental Funds

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

Special Revenue Funds

Smith and Bybee Wetlands Fund

Community Enhancement Fund

Capital Projects Funds

Open Spaces Fund

Permanent Fund

Cemetery Perpetual Care Fund

METRO

Smith and Bybee Wetlands 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, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
General revenues:				
Investment income	$ 19,950	19,950	29,680	9,730
Total revenues	19,950	19,950	29,680	9,730
EXPENDITURES				
Parks and nature	430,000	499,058	316,089	182,969
Contingency	1,000,000	1,000,000	-	1,000,000
Total expenditures	1,430,000	1,499,058	316,089	1,182,969
Revenues under expenditures	(1,410,050)	(1,479,108)	(286,409)	1,192,699
OTHER FINANCING SOURCES (USES)				
Transfers in	-	69,058	69,058	-
Transfers out	(72,510)	(72,510)	(72,510)	-
Total other financing sources (uses)	(72,510)	(3,452)	(3,452)	-
Revenues and other sources under expenditures and other uses	(1,482,560)	(1,482,560)	(289,861)	1,192,699
Beginning fund balance available for appropriation - July 1, 2017	2,660,000	2,660,000	2,509,866	(150,134)
Unappropriated ending fund balance - June 30, 2018	$ 1,177,440	1,177,440	2,220,005	1,042,565

Reconciliation to Governmental GAAP basis:

Excess of revenues and other financing sources over (under) expenditures and other financing uses on the basis of budgeting per above	$ (289,861)
Additional (decrease to) revenue required by Governmental GAAP:	
Adjustment to value investments at fair value	(8,686)
Net change in fund balance as reported on the combining statement of revenues, expenditures and changes in fund balances-nonmajor governmental funds	$ (298,547)

METRO
Community 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, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
Program revenues:				
Charges for services:				
Solid waste fees	$ 1,086,988	1,086,988	1,053,525	(33,463)
General revenues:				
Investment income	11,000	11,000	21,518	10,518
Total revenues	1,097,988	1,097,988	1,075,043	(22,945)
EXPENDITURES				
Property and environmental services	1,308,706	1,308,706	1,199,829	108,877
Contingency	94,000	94,000	-	94,000
Total expenditures	1,402,706	1,402,706	1,199,829	202,877
Revenues under expenditures	(304,718)	(304,718)	(124,786)	179,932
OTHER FINANCING USES				
Transfers out	(872,388)	(872,388)	(872,388)	-
Revenues under expenditures and other uses	(1,177,106)	(1,177,106)	(997,174)	179,932
Beginning fund balance available for appropriation - July 1, 2017	1,177,106	1,177,106	1,582,501	405,395
Unappropriated ending fund balance - June 30, 2018	$ -	-	585,327	585,327

Reconciliation to Governmental GAAP basis:

Excess of revenues and other financing sources over (under) expenditures and other financing uses on the basis of budgeting per above	$ (997,174)
Additional (decrease to) revenue required by Governmental GAAP:	
Adjustment to value investments at fair value	(3,614)
Net change in fund balance as reported on the combining statement of revenues, expenditures and changes in fund balances-nonmajor governmental funds	$ (1,000,788)

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, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
Program revenues:				
Charges for services:				
Miscellaneous revenue	$ -	-	20,000	20,000
General revenues:				
Investment income	7,506	7,506	4,660	(2,846)
Total revenues	7,506	7,506	24,660	17,154
EXPENDITURES				
Parks and nature	339,828	339,828	212,086	127,742
Total expenditures	339,828	339,828	212,086	127,742
Revenues under expenditures	(332,322)	(332,322)	(187,426)	144,896
Beginning fund balance available for appropriation - July 1, 2017	332,322	332,322	376,886	44,564
Unappropriated ending fund balance - June 30, 2018	$ -	-	189,460	189,460

Reconciliation to Governmental GAAP basis:

Excess of revenues and other financing sources over (under) expenditures and other financing uses on the basis of budgeting per above	$ (187,426)
Additional (decrease to) revenue required by Governmental GAAP:	
Adjustment to value investments at fair value	(735)
Net change in fund balance as reported on the combining statement of revenues, expenditures and changes in fund balances-nonmajor governmental funds	$ (188,161)

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, 2018

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**final budget**
REVENUES				
General revenues:				
Taxes:				
Cemetery revenue surcharge	$ 43,000	43,000	51,479	8,479
Investment income	4,246	4,246	8,192	3,946
Total revenues	47,246	47,246	59,671	12,425
OTHER FINANCING USES				
Transfers out	(50,000)	(50,000)	(50,000)	-
Revenues over (under) other uses	(2,754)	(2,754)	9,671	12,425
Beginning fund balance available for appropriation - July 1, 2017	613,392	613,392	617,808	4,416
Unappropriated ending fund balance - June 30, 2018	$ 610,638	610,638	627,479	16,841

Reconciliation to Governmental GAAP basis:

Excess of revenues and other financing sources over (under) expenditures and other financing uses on the basis of budgeting per above	$ 9,671
Additional (decrease to) revenue required by Governmental GAAP:	
Adjustment to value investments at fair value	(2,439)
Net change in fund balance as reported on the combining statement of revenues, expenditures and changes in fund balances-nonmajor governmental funds	$ 7,232

Proprietary Funds

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

Enterprise Funds

Solid Waste Revenue Fund

Oregon Zoo Operating Fund

MERC Fund

Internal Service Fund

Risk Management 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)

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, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
Program revenues:				
Charges for services:				
Government fees	$ 1,300,950	1,300,950	1,064,341	(236,609)
Culture and recreation fees	-	-	33,457	33,457
Solid waste fees	72,163,278	72,163,278	70,621,174	(1,542,104)
Other fees	-	-	100	100
Miscellaneous revenue	27,000	27,000	92,538	65,538
Operating grants and contributions:				
Government contributions	10,000	10,000	-	(10,000)
General revenues:				
Investment income	391,600	391,600	701,615	310,015
Total revenues	73,892,828	73,892,828	72,513,225	(1,379,603)
EXPENDITURES				
Property and environmental services	68,549,126	68,815,696	66,378,958	2,436,738
Finance and regulatory services	103,083	103,083	47,820	55,263
Contingency	16,135,329	15,868,759	-	15,868,759
Total expenditures	84,787,538	84,787,538	66,426,778	18,360,760
Revenues over (under) expenditures	(10,894,710)	(10,894,710)	6,086,447	16,981,157
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	14,295	14,295
Transfers in	777,022	777,022	774,027	(2,995)
Transfers out	(6,110,323)	(6,110,323)	(6,110,323)	-
Total other financing sources (uses)	(5,333,301)	(5,333,301)	(5,322,001)	11,300
Revenues and other sources over (under) expenditures and other uses	(16,228,011)	(16,228,011)	764,446	16,992,457
Beginning fund balance available for appropriation - July 1, 2017	46,094,734	46,094,734	55,153,181	9,058,447
Unappropriated ending fund balance - June 30, 2018	$ 29,866,723	29,866,723	55,917,627	26,050,904

METRO
Oregon Zoo Operating 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, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
Program revenues:				
Charges for services:				
Culture and recreation fees	$ 25,948,561	25,948,561	27,278,126	1,329,565
Other fees	1,405,768	1,405,768	1,482,656	76,888
Miscellaneous revenue	60,000	60,000	45,935	(14,065)
Operating grants and contributions:				
Grants	179,190	179,190	186,997	7,807
Contributions and donations	752,234	752,234	1,935,394	1,183,160
General revenues:				
Investment income	15,000	15,000	62,770	47,770
Total revenues	28,360,753	28,360,753	30,991,878	2,631,125
EXPENDITURES				
Visitor venues-Oregon Zoo	36,453,401	37,201,175	36,081,562	1,119,613
Contingency	1,243,054	470,378	-	470,378
Total expenditures	37,696,455	37,671,553	36,081,562	1,589,991
Revenues under expenditures	(9,335,702)	(9,310,800)	(5,089,684)	4,221,116
OTHER FINANCING SOURCES (USES)				
Transfers in	12,767,426	12,957,524	12,957,524	-
Transfers out	(4,431,724)	(4,646,724)	(4,643,729)	2,995
Total other financing sources (uses)	8,335,702	8,310,800	8,313,795	2,995
Revenues and other sources over (under) expenditures and other uses	(1,000,000)	(1,000,000)	3,224,111	4,224,111
Beginning fund balance available for appropriation - July 1, 2017	1,000,000	1,000,000	868,662	(131,338)
Unappropriated ending fund balance - June 30, 2018	$ -	-	4,092,773	4,092,773

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, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
Program revenues:				
Charges for services:				
Culture and recreation fees	$ 43,349,128	43,349,128	46,422,203	3,073,075
Other fees	3,958,506	3,958,506	4,199,079	240,573
Miscellaneous revenue	113,765	113,765	362,540	248,775
Operating grants and contributions:				
Grants	38,000	38,000	140,461	102,461
Local government shared revenue	24,773,428	24,773,428	23,521,765	(1,251,663)
Government contributions	889,441	889,441	888,823	(618)
Contributions and donations	189,375	189,375	300,000	110,625
Capital grants and contributions:				
Capital contributions and donations	648,126	648,126	818,500	170,374
General revenues:				
Investment income	445,000	445,000	884,351	439,351
Total revenues	74,404,769	74,404,769	77,537,722	3,132,953
EXPENDITURES				
MERC	73,395,537	74,824,642	68,746,833	6,077,809
Contingency	55,122,491	53,721,238	-	53,721,238
Total expenditures	128,518,028	128,545,880	68,746,833	59,799,047
Revenues over (under) expenditures	(54,113,259)	(54,141,111)	8,790,889	62,932,000
OTHER FINANCING SOURCES (USES)				
Transfers in	400,000	427,852	427,852	-
Transfers out	(5,830,412)	(5,830,412)	(5,829,512)	900
Total other financing sources (uses)	(5,430,412)	(5,402,560)	(5,401,660)	900
Revenues and other sources over (under) expenditures and other uses	(59,543,671)	(59,543,671)	3,389,229	62,932,900
Beginning fund balance available for appropriation - July 1, 2017	59,543,671	59,543,671	58,423,839	(1,119,832)
Unappropriated ending fund balance - June 30, 2018	$ -	-	61,813,068	61,813,068

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, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
Program revenues:				
Charges for services:				
Other fees	$ -	-	128,361	128,361
Internal charges for services	245,535	245,535	-	(245,535)
Miscellaneous revenue	10,000	10,000	167,425	157,425
Operating grants and contributions:				
Grants	50,000	50,000	29,743	(20,257)
General revenues:				
Investment income	10,000	10,000	36,596	26,596
Total revenues	315,535	315,535	362,125	46,590
EXPENDITURES				
Finance and regulatory services	3,717,405	3,717,405	1,207,833	2,509,572
Contingency	279,326	279,326	-	279,326
Total expenditures	3,996,731	3,996,731	1,207,833	2,788,898
Revenues under expenditures	(3,681,196)	(3,681,196)	(845,708)	2,835,488
OTHER FINANCING SOURCES (USES)				
Transfers in	2,171,308	2,171,308	2,171,308	-
Transfers out	(10,000)	(10,000)	-	10,000
Total other financing sources (uses)	2,161,308	2,161,308	2,171,308	10,000
Revenues and other sources over (under) expenditures and other uses	(1,519,888)	(1,519,888)	1,325,600	2,845,488
Beginning fund balance available for appropriation - July 1, 2017	1,565,405	1,565,405	1,888,260	322,855
Unappropriated ending fund balance - June 30, 2018	$ 45,517	45,517	3,213,860	3,168,343

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, 2018

	Enterprise Funds				Internal Service Fund
	Solid Waste	Oregon Zoo	MERC	Total	Risk Management Fund
Excess of revenues and other financing sources over expenditures and other financing uses on the basis of budgeting:					
Solid Waste Revenue Fund	$ 764,446	-	-	764,446	-
Oregon Zoo Operating Fund	-	3,224,111	-	3,224,111	-
Oregon Zoo Asset Management Fund	-	896,421	-	896,421	-
MERC Fund	-	-	3,389,229	3,389,229	-
General Revenue Bond Fund-MERC	-	-	(487)	(487)	-
Risk Management Fund	-	-	-	-	1,325,600
Budget resources not qualifying as revenues under GAAP:					
Principal collected on interfund loans	(600,000)	-	-	(600,000)	-
Sale of capital assets	(14,295)	(3,100)	-	(17,395)	-
Budget requirements not qualifying as expenses under GAAP:					
Payment of post-closure costs payable	1,011,480	-	-	1,011,480	-
Payment of pollution remediation obligation	41,819	-	-	41,819	-
Capital assets additions	4,061,040	1,163,416	4,475,593	9,700,049	-
Cost on sale of capital assets	715	560	-	1,275	-
Principal and interest payments on bonds	-	-	805,411	805,411	-
Principal payments on interfund loans	-	400,000	179,988	579,988	-
Additional (decrease to) revenues required by GAAP:					
Capital contributions from governmental funds	-	7,583,352	-	7,583,352	-
Gain on disposal of capital assets	13,580	3,552	203	17,335	-
Adjustment to value investments at fair value	(213,092)	(49,736)	(260,266)	(523,094)	(13,261)
Decrease to (additional) expenses required by GAAP:					
Post-closure costs payable estimate	950,162	-	-	950,162	-
Pollution remediation obligation estimate	(26,819)	-	-	(26,819)	-
Depreciation and amortization	(2,679,347)	(10,199,901)	(4,073,511)	(16,952,759)	-
Amortization of bond discount and deferred charge on refunding	-	-	93,112	93,112	-
Other postemployment benefits	(1,868)	8,360	46,718	53,210	-
Vacation benefits	(86,043)	(19,825)	(146,174)	(252,042)	-
Pension related obligations	(1,573,914)	(1,785,424)	(1,775,508)	(5,134,846)	-
Accrued interest on bonds	-	-	(17,293)	(17,293)	-
Change in net position presented in the statement of revenues, expenses and changes in net position for proprietary funds	$ 1,647,864	1,221,786	2,717,015	5,586,665	1,312,339

Other Budgetary Funds

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

General Revenue Bond Fund

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

General Asset Management Fund

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

Oregon Zoo 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, 2018

		Budgeted Amounts		Actual	Variance with
		Original	Final	Amounts	final budget
REVENUES					
Program revenues:					
Operating grants and contributions:					
Local government shared revenue	$	5,500,000	5,500,000	3,179,261	(2,320,739)
General revenues:					
Investment income		55,086	55,086	62,415	7,329
Total revenues		5,555,086	5,555,086	3,241,676	(2,313,410)
EXPENDITURES					
Construction account		76,055,000	76,055,000	74,206,116	1,848,884
Debt service account		7,918,143	7,918,143	5,433,439	2,484,704
Total expenditures		83,973,143	83,973,143	79,639,555	4,333,588
Revenues under expenditures		(78,418,057)	(78,418,057)	(76,397,879)	2,020,178
OTHER FINANCING SOURCES					
Bonds issued		62,000,000	62,000,000	65,550,000	3,550,000
Premium on bonds issued		-	-	10,614,974	10,614,974
Transfers in		2,418,143	2,418,143	2,409,462	(8,681)
Total other financing sources		64,418,143	64,418,143	78,574,436	14,156,293
Revenues and other sources over (under) expenditures		(13,999,914)	(13,999,914)	2,176,557	16,176,471
Beginning fund balance available for appropriation - July 1, 2017		18,009,572	18,009,572	17,212,732	(796,840)
Unappropriated ending fund balance - June 30, 2018	$	4,009,658	4,009,658	19,389,289	15,379,631

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

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, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
Program revenues:				
Charges for services:				
Miscellaneous revenue	$ 28,501	28,501	57,125	28,624
Operating grants and contributions:				
Grants	7,500	7,500	-	(7,500)
Capital grants and contributions:				
Capital contributions and donations	-	-	7,500,000	7,500,000
General revenues:				
Investment income	26,955	26,955	266,579	239,624
Total revenues	62,956	62,956	7,823,704	7,760,748
EXPENDITURES				
Asset Management Program	10,171,239	10,171,239	2,646,457	7,524,782
Contingency	6,007,105	6,007,105	-	6,007,105
Total expenditures	16,178,344	16,178,344	2,646,457	13,531,887
Revenues over (under) expenditures	(16,115,388)	(16,115,388)	5,177,247	21,292,635
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	885,986	885,986
Transfers in	3,448,670	3,448,670	3,446,833	(1,837)
Transfers out	(222,500)	(222,500)	(222,500)	-
Total other financing sources and (uses)	3,226,170	3,226,170	4,110,319	884,149
Revenues and other sources over (under) expenditures and other uses	(12,889,218)	(12,889,218)	9,287,566	22,176,784
Beginning fund balance available for appropriation - July 1, 2017	12,889,218	12,889,218	13,676,840	787,622
Unappropriated ending fund balance - June 30, 2018	$ -	-	22,964,406	22,964,406

METRO

Oregon Zoo 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, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
Program revenues:				
Charges for services:				
Miscellaneous revenue	$ -	-	138,293	138,293
Operating grants and contributions:				
Contributions and donations	-	-	311,080	311,080
Capital grants and contributions:				
Capital contributions and donations	953,000	953,000	869,161	(83,839)
General revenues:				
Investment income	10,000	10,000	56,410	46,410
Total revenues	963,000	963,000	1,374,944	411,944
EXPENDITURES				
Visitor venues-Oregon Zoo	5,415,100	5,494,782	1,438,705	4,056,077
Contingency	137,400	137,400	-	137,400
Total expenditures	5,552,500	5,632,182	1,438,705	4,193,477
Revenues under expenditures	(4,589,500)	(4,669,182)	(63,761)	4,605,421
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	3,100	3,100
Transfers in	877,400	1,092,400	1,092,400	-
Transfers out	-	(135,318)	(135,318)	-
Total other financing sources (uses)	877,400	957,082	960,182	3,100
Revenues and other sources over (under) expenditures and other uses	(3,712,100)	(3,712,100)	896,421	4,608,521
Beginning fund balance available for appropriation - July 1, 2017	3,712,100	3,712,100	4,366,738	654,638
Unappropriated ending fund balance - June 30, 2018	$ -	-	5,263,159	5,263,159

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, 2018

	Allocated to:		
	General	**MERC**	**Total**
REVENUES			
Program revenues:			
Operating grants and contributions:			
Local government shared revenue	3,179,261	-	3,179,261
General revenues:			
Investment income	$ 62,402	13	62,415
Total revenues	3,241,663	13	3,241,676
EXPENDITURES			
Construction account	74,206,116	-	74,206,116
Debt service account	4,410,664	1,022,775	5,433,439
Total expenditures	78,616,780	1,022,775	79,639,555
Revenues under expenditures	(75,375,117)	(1,022,762)	(76,397,879)
OTHER FINANCING SOURCES			
Bonds issued	65,550,000	-	65,550,000
Premium on bonds issued	10,614,974	-	10,614,974
Transfers in	1,387,187	1,022,275	2,409,462
Total other financing sources	77,552,161	1,022,275	78,574,436
Revenues and other sources over (under) expenditures	2,177,044	(487)	2,176,557
Beginning fund balance available for appropriation - July 1, 2017	17,211,815	917	17,212,732
Unappropriated ending fund balance - June 30, 2018	$ 19,388,859	430	19,389,289

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

Other Financial Schedules

METRO

Schedule of Property Tax Transactions and Outstanding Receivable

For the fiscal year ended June 30, 2018

Fiscal Year	Original levy or balance of receivable July 1, 2017	Add (deduct) Discounts	Adjustments	Interest	Collections	Property taxes receivable June 30, 2018
2017-18	$ 66,623,193	(1,772,846)	(427,988)	4,935	(63,459,709)	967,585
2016-17	1,115,363	-	(152,769)	8,717	(427,916)	543,395
2015-16	607,910	-	(101,500)	5,970	(137,721)	374,659
2014-15	543,667	-	(27,827)	10,337	(136,632)	389,545
2013-14	389,360	-	(15,341)	5,450	(67,543)	311,926
2012-13	263,923	-	(7,275)	475	(5,540)	251,583
2011-12 & prior	603,499	-	(41,936)	1,076	(8,691)	553,948
Total	$ 70,146,915	(1,772,846)	(774,636)	36,960	(64,243,752)	3,392,641

Reconciliation to property tax revenue presented in the Statement of Activities:	Governmental Activities
Cash collections July 1, 2017 to June 30, 2018	$ 64,243,752
Accrual of receivables:	
July 1, 2017 to August 31, 2017	(240,743)
July 1, 2018 to August 31, 2018	316,431
Timing difference between county tax collector and county treasurer	8,520
Payments in lieu of property taxes	41,060
Taxes earned but not available:	
June 30, 2017	(3,282,979)
June 30, 2018	3,076,210
Property tax revenue per Statement of Activities	$ 64,162,251

METRO
Schedule of Future Bonded Debt Service Requirements
General Obligation Bonds
June 30, 2018

Year of maturity		2012A Series Natural Areas General Obligation Bonds		2012A Series Oregon Zoo Infrastructure and Animal Welfare General Obligation Bonds		2014 Series General Obligation Refunding Bonds	
		Principal	Interest	Principal	Interest	Principal	Interest
2018-19	$	3,960,000	2,533,950	2,770,000	1,929,825	14,115,000	1,320,350
2019-20		4,610,000	2,335,950	3,050,000	1,791,325	15,115,000	755,750
2020-21		5,300,000	2,105,450	3,350,000	1,638,825	-	-
2021-22		6,045,000	1,840,450	3,665,000	1,471,325	-	-
2022-23		6,840,000	1,538,200	4,000,000	1,288,075	-	-
2023-24		7,690,000	1,196,200	4,360,000	1,088,075	-	-
2024-25		8,590,000	811,700	4,740,000	870,075	-	-
2025-26		9,555,000	382,200	5,145,000	633,075	-	-
2026-27		-	-	5,525,000	427,275	-	-
2027-28		-	-	5,955,000	178,650	-	-
Total	$	52,590,000	12,744,100	42,560,000	11,316,525	29,230,000	2,076,100

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

2016 Series Oregon Zoo Infrastructure and Animal Welfare General Obligation Bonds		2018 Series Natural Areas General Obligation Bonds		2018 Series Oregon Zoo Infrastructure and Animal Welfare General Obligation Bonds		Total	
Principal	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal (1)**	**Interest**
8,825,000	846,500	7,625,000	1,467,706	115,000	522,223	37,410,000	8,620,554
8,105,000	405,250	8,110,000	1,024,000	1,645,000	494,250	40,635,000	6,806,525
-	-	1,705,000	618,500	745,000	412,000	11,100,000	4,774,775
-	-	1,835,000	533,250	815,000	374,750	12,360,000	4,219,775
-	-	1,975,000	441,500	890,000	334,000	13,705,000	3,601,775
-	-	2,125,000	342,750	975,000	289,500	15,150,000	2,916,525
-	-	2,280,000	236,500	1,060,000	240,750	16,670,000	2,159,025
-	-	2,450,000	122,500	1,150,000	187,750	18,300,000	1,325,525
-	-	-	-	1,250,000	130,250	6,775,000	557,525
-	-	-	-	1,355,000	67,750	7,310,000	246,400
16,930,000	1,251,750	28,105,000	4,786,706	10,000,000	3,053,223	179,415,000	35,228,404

METRO

Schedule of Future Bonded Debt Service Requirements

Full Faith and Credit, Dedicated Tax Revenue and Pension Obligation Bonds

June 30, 2018

	Full Faith and Credit Bonds					
Year of maturity	Refunding Bonds 2013 Series (1)		Refunding Bonds 2016 Series (2)		2018 Series (1)	
	Principal	Interest	Principal	Interest	Principal	Interest
2018-19	$ 1,280,000	111,197	825,000	197,025	-	597,853
2019-20	1,295,000	92,841	865,000	154,775	-	586,450
2020-21	1,320,000	70,595	890,000	126,475	-	586,450
2021-22	1,345,000	44,263	920,000	101,400	-	586,450
2022-23	1,370,000	15,070	950,000	75,875	-	586,450
2023-24	-	-	965,000	49,450	1,060,000	586,450
2024-25	-	-	1,005,000	15,075	1,115,000	533,450
2025-26	-	-	-	-	1,170,000	477,700
2026-27	-	-	-	-	1,230,000	419,200
2027-28	-	-	-	-	1,290,000	357,700
2028-29	-	-	-	-	1,355,000	293,200
2029-30	-	-	-	-	1,420,000	225,450
2030-31	-	-	-	-	1,495,000	154,450
2031-32	-	-	-	-	1,555,000	94,650
2032-33	-	-	-	-	1,600,000	48,000
2033-34	-	-	-	-	-	-
2034-35	-	-	-	-	-	-
2035-36	-	-	-	-	-	-
2036-37	-	-	-	-	-	-
2037-38	-	-	-	-	-	-
2038-39	-	-	-	-	-	-
2039-40	-	-	-	-	-	-
2040-41	-	-	-	-	-	-
2041-42	-	-	-	-	-	-
2042-43	-	-	-	-	-	-
2043-44	-	-	-	-	-	-
2044-45	-	-	-	-	-	-
2045-46	-	-	-	-	-	-
2046-47	-	-	-	-	-	-
Total	$ 6,610,000	333,966	6,420,000	720,075	13,290,000	6,133,903

(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 net of unamortized premium or discount in business-type activities on the statement of net position.

Dedicated Tax Revenue Bonds		Pension Obligation Bonds	
Oregon Convention Center Hotel Project Series 2017 (1)		Metro Limited Tax Pension Obligation Bonds Series 2005 (1)	
Principal	Interest	Principal	Interest
865,000	2,531,550	1,185,000	905,587
895,000	2,505,600	1,325,000	848,008
930,000	2,469,800	1,480,000	783,627
965,000	2,432,600	1,645,000	709,567
1,005,000	2,394,000	1,820,000	627,251
1,055,000	2,343,750	2,010,000	536,179
1,105,000	2,291,000	2,210,000	435,598
1,160,000	2,235,750	2,430,000	325,010
1,220,000	2,177,750	2,660,000	203,413
1,280,000	2,116,750	1,405,000	70,306
1,345,000	2,052,750	-	-
1,410,000	1,985,500	-	-
1,485,000	1,915,000	-	-
1,555,000	1,840,750	-	-
1,635,000	1,763,000	-	-
1,715,000	1,681,250	-	-
1,800,000	1,595,500	-	-
1,895,000	1,505,500	-	-
1,985,000	1,410,750	-	-
2,085,000	1,311,500	-	-
2,190,000	1,207,250	-	-
2,300,000	1,097,750	-	-
2,415,000	982,750	-	-
2,535,000	862,000	-	-
2,660,000	735,250	-	-
2,795,000	602,250	-	-
2,935,000	462,500	-	-
3,080,000	315,750	-	-
3,235,000	161,750	-	-
51,535,000	46,987,300	18,170,000	5,444,546

METRO
Schedule of Long-term Bonded Debt Transactions
General Obligation Bonds
For the fiscal year ended June 30, 2018

	Principal				
	Outstanding July 1, 2017	Issued During Year	Matured and Paid During Year	Outstanding June 30, 2018	Interest Expenditure
DEBT SERVICE FUND					
2012A Series Natural Areas General Obligation Bonds with interest rates from 4.0 to 5.0%, final maturity 6/1/26	$ 55,940,000	-	3,350,000	52,590,000	2,701,450
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	45,070,000	-	2,510,000	42,560,000	2,055,325
2014 Series General Obligation Refunding Bonds with interest rates from 4.0 to 5.0%, final maturity 6/1/20	42,390,000	-	13,160,000	29,230,000	1,846,750
2016 Series Oregon Zoo Infrastructure and Animal Welfare General Obligation Bonds with interest rate of 5.0%, final maturity 6/1/20	25,025,000	-	8,095,000	16,930,000	1,251,250
2018 Series Natural Areas General Obligation Bonds with interest rate of 5.0%, final maturity 6/1/26	-	28,105,000	-	28,105,000	-
2018 Series Oregon Zoo Infrastructure and Animal Welfare General Obligation Bonds with interest rate of 5.0%, final maturity 6/1/28	-	10,000,000	-	10,000,000	-
Total	$ 168,425,000	38,105,000	27,115,000	179,415,000	7,854,775

METRO
Schedule of Long-term Bonded Debt Transactions
Full Faith and Credit, Dedicated Tax Revenue and Pension Obligation Bonds
For the fiscal year ended June 30, 2018

	Principal				
	Outstanding July 1, 2017	Issued During Year	Matured and Paid During Year	Outstanding June 30, 2018	Interest Expenditure
GENERAL FUND					
Full Faith and Credit					
Refunding Bonds 2013 Series					
with interest rates from 1.3 to 2.2%,					
final maturity 8/1/22	$ 7,880,000	-	1,270,000	6,610,000	125,867
Full Faith and Credit					
2018 Series					
with interest rates from 3.0 to 5.0%,					
final maturity 6/1/33	-	13,290,000	-	13,290,000	-
Dedicated Tax Revenue					
OCC Hotel Project Series 2017					
with interest rates from 3.0 to 5.0%,					
final maturity 6/15/47	-	52,260,000	725,000	51,535,000	2,171,215
Pension Obligation					
Metro Limited Tax Series 2005					
with interest rates from 4.859 to 5.004%,					
final maturity 6/1/28	19,225,000	-	1,055,000	18,170,000	956,850
Total	$ 27,105,000	65,550,000	3,050,000	89,605,000	3,253,932
ENTERPRISE FUNDS					
MERC FUND:					
Full Faith and Credit					
Refunding Bonds 2016 Series					
with interest rates from 1.5 to 5.0%,					
final maturity 12/1/24	$ 7,205,000	-	785,000	6,420,000	237,275
Total	$ 7,205,000	-	785,000	6,420,000	237,275

Statistical Section

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

	Page
Financial Trends Information These schedules contain trend information to help the reader understand how Metro's financial performance and well-being have changed over time.	132-143
Revenue Capacity Information These schedules contain information to help the reader assess the factors affecting Metro's ability to generate its most significant own-source revenue, solid waste fees.	145-147
Debt Capacity Information These schedules present information to help the reader assess the affordability of Metro's current levels of outstanding debt and Metro's ability to issue additional debt in the future.	148-154
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which Metro's financial activities take place.	155-156
Operating Information These schedules contain information about Metro's operations and resources to help the reader understand how Metro's financial information relates to the services Metro provides and the activities it performs.	157-161
Additional Information These schedules present information to meet Metro's continuing disclosure requirements under The Securities and Exchange Commission's Rule 15c2-12 pertaining to governmental debt issuers.	162-168

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
(accrual basis of accounting), Unaudited

		Fiscal Year		
		2009	2010	2011
GOVERNMENTAL ACTIVITIES				
Net investment in capital assets (1)	$	142,681,077	161,033,641	219,717,752
Restricted		41,383,007	47,868,259	47,802,264
Unrestricted		38,868,189	39,949,912	(4,511,250)
Total governmental activities net position		222,932,273	248,851,812	263,008,766
BUSINESS-TYPE ACTIVITIES				
Net investment in capital assets		197,896,445	193,123,523	189,929,698
Restricted		14,548,959	2,652,250	1,591,637
Unrestricted		41,293,389	41,363,765	46,842,210
Total business-type activities net position		253,738,793	237,139,538	238,363,545
PRIMARY GOVERNMENT				
Net investment in capital assets (1)		320,942,522	339,047,164	399,322,450
Restricted		55,931,966	50,520,509	49,393,901
Unrestricted		99,796,578	96,423,677	52,655,960
Total primary government net position	$	476,671,066	485,991,350	501,372,311

(1) Through fiscal year 2012, and again starting in fiscal year 2016, these balances include the result of Metro financing capital assets for the business-type activities through the issuance of general obligation bonds. The amount of long-term debt outstanding on these bonds is reflected as a liability of the governmental activities in which repayment of the bonds occurs, whereas the associated capital assets financed by this debt are reflected with the business-type activities. The primary government totals have been adjusted to match the debt against the assets. These balances increase over time as a result of increases in capital assets, decreases in related long-term debt outstanding, and reductions in the amount of related unspent bond proceeds.

2012 Restated	2013	2014	2015	2016	2017	2018
237,849,839	271,978,616	293,851,981	326,328,783	237,716,303	267,856,359	265,925,123
49,673,790	43,460,675	60,588,283	79,540,758	141,591,292	128,141,074	132,860,263
(13,149,913)	(17,127,868)	(24,867,150)	(51,369,202)	(151,660,696)	(141,181,696)	(189,495,054)
274,373,716	298,311,423	329,573,114	354,500,339	227,646,899	254,815,737	209,290,332
186,405,139	182,360,721	179,069,899	175,914,225	311,325,512	310,527,670	311,737,639
2,130,034	2,496,996	3,734,868	8,914,318	19,991,871	24,326,517	24,100,994
47,918,522	53,862,598	56,992,148	61,672,307	53,779,562	55,130,008	60,498,533
236,453,695	238,720,315	239,796,915	246,500,850	385,096,945	389,984,195	396,337,166
418,964,978	454,339,337	472,921,880	502,243,008	501,174,344	533,080,026	540,953,664
50,437,907	45,957,671	64,323,151	88,455,076	161,583,163	152,467,591	156,961,257
40,058,609	36,734,730	32,124,998	10,303,105	(50,013,663)	(40,747,685)	(92,287,423)
509,461,494	537,031,738	569,370,029	601,001,189	612,743,844	644,799,932	605,627,498

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

		Fiscal Year		
		2009	2010	2011
EXPENSES				
Governmental activities:				
General government operations (1)	$	14,198,441	12,779,417	14,456,222
Regional planning and development		13,023,497	14,978,447	14,816,800
Culture and recreation		13,350,232	17,316,051	20,351,578
Zoo (2)		29,426,286	28,311,531	27,400,337
Interest on long-term debt		12,121,270	10,888,841	9,538,172
Total governmental activities expenses		82,119,726	84,274,287	86,563,109
Business-type activities:				
Solid Waste (3)		52,014,903	64,228,318	51,721,806
Oregon Zoo (2)		-	-	-
MERC		46,239,579	46,229,249	48,048,265
Total business-type activities expenses		98,254,482	110,457,567	99,770,071
Total primary government expenses	$	180,374,208	194,731,854	186,333,180
PROGRAM REVENUES				
Governmental activities:				
Charges for services:				
General government operations	$	1,394,695	1,741,850	2,120,491
Regional planning and development		1,682,136	1,214,423	1,364,601
Culture and recreation		2,648,864	3,696,310	3,985,483
Zoo (2)		18,040,150	17,606,196	18,150,234
Operating grants and contributions (4)		13,889,920	14,446,031	10,973,394
Capital grants and contributions		8,457,258	2,725,497	1,866,808
Total governmental activities program revenues		46,113,023	41,430,307	38,461,011
Business-type activities:				
Charges for services:				
Solid Waste		50,478,290	50,904,000	50,782,440
Oregon Zoo (2)		-	-	-
MERC		30,007,172	29,650,854	31,597,534
Operating grants and contributions (5)		830,902	1,378,076	1,144,867
Capital grants and contributions		265,740	2,000,000	584,808
Total business-type activities program revenues		81,582,104	83,932,930	84,109,649
Total primary government program revenues	$	127,695,127	125,363,237	122,570,660

2012	2013	2014	2015	2016	2017	2018
16,417,342	14,704,292	17,216,935	14,121,383	21,833,274	16,571,054	92,414,695
13,908,730	11,234,615	11,609,788	12,164,998	16,311,836	18,252,248	18,694,103
22,695,565	20,788,176	19,969,697	23,281,061	29,221,523	33,156,498	34,237,180
30,064,611	33,662,272	35,660,651	32,483,204	-	-	-
8,159,660	10,927,415	9,712,521	6,736,232	7,071,050	6,766,723	8,150,951
91,245,908	91,316,770	94,169,592	88,786,878	74,437,683	74,746,523	153,496,929
51,020,053	55,266,458	56,759,612	57,279,945	64,542,514	67,359,647	70,581,702
-	-	-	-	51,633,613	46,636,849	51,803,762
49,389,612	51,344,928	53,945,435	54,868,782	69,110,637	69,090,836	74,435,547
100,409,665	106,611,386	110,705,047	112,148,727	185,286,764	183,087,332	196,821,011
191,655,573	197,928,156	204,874,639	200,935,605	259,724,447	257,833,855	350,317,940
1,875,695	1,871,628	1,615,075	1,501,207	2,132,646	3,133,150	2,764,649
925,904	1,112,779	1,422,619	1,180,754	789,058	1,485,757	1,172,496
4,175,114	5,095,656	6,121,579	7,444,771	8,851,083	9,616,244	10,483,073
19,745,074	22,538,536	22,082,776	21,546,136	-	-	-
15,551,926	13,553,316	11,945,779	22,495,818	13,145,776	16,845,537	18,750,842
1,105,751	2,264,327	3,454,245	7,141,282	261,290	313,816	7,675,000
43,379,464	46,436,242	46,642,073	61,309,968	25,179,853	31,394,504	40,846,060
52,989,049	55,661,225	58,583,492	62,743,167	68,196,150	70,798,890	71,897,428
-	-	-	-	23,741,859	26,062,207	29,390,534
33,231,703	36,670,638	35,091,155	42,892,276	50,972,855	47,876,192	51,011,674
1,620,989	1,382,789	17,183,489	19,974,313	23,414,591	28,801,808	27,284,520
123,574	-	-	200,000	609,917	1,293,000	1,687,660
87,965,315	93,714,652	110,858,136	125,809,756	166,935,372	174,832,097	181,271,816
131,344,779	140,150,894	157,500,209	187,119,724	192,115,225	206,226,601	222,117,876

(Continued)

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

		Fiscal Year		
		2009	2010	2011
NET (EXPENSE)/REVENUE				
Governmental activities	$	(36,006,703)	(42,843,980)	(48,102,098)
Business-type activities		(16,672,378)	(26,524,637)	(15,660,422)
Total primary government net expense	$	(52,679,081)	(69,368,617)	(63,762,520)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental activities:				
Property taxes	$	45,447,596	51,668,586	49,624,399
Excise taxes		12,976,156	12,945,697	14,066,453
Construction excise tax		1,734,579	1,427,730	1,440,755
Cemetery revenue surcharge		24,168	25,670	27,056
Unrestricted local government shared revenues		500,473	509,323	468,776
Unrestricted investment earnings		4,996,270	1,632,756	885,490
Transfers		120,655	553,757	(4,913,239)
Total governmental activities		65,799,897	68,763,519	61,599,690
Business-type activities:				
Unrestricted local government shared revenues (5)		10,702,508	9,941,144	11,558,961
Unrestricted investment earnings		1,714,787	537,995	412,229
Transfers		(120,655)	(553,757)	4,913,239
Total business-type activities		12,296,640	9,925,382	16,884,429
Total primary government	$	78,096,537	78,688,901	78,484,119
CHANGE IN NET POSITION				
Governmental activities	$	29,793,194	25,919,539	13,497,592
Business-type activities		(4,375,738)	(16,599,255)	1,224,007
Total primary government	$	25,417,456	9,320,284	14,721,599
Prior period adjustment/cumulative change in accounting principle	$	-	-	659,362

(1) The large change in General government operations governmental activities expenses between fiscal years 2017 and 2018 is due to the approximately $74 million Convention Center Hotel project bond proceeds which were transferred to the developer of the project in fiscal year 2018.

(2) In fiscal year 2016, Metro began reporting the activities of the Zoo in the Oregon Zoo enterprise fund. Prior to this, activities of the Zoo were reported as part of the General Fund, a governmental fund.

(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.

(4) Changes in governmental activities operating grants and contribution revenue between fiscal years 2014 and 2015 is due primarily to the receipt in fiscal year 2015 of one-time grants of approximately $15 million for the Willamette Falls Legacy and Convention Center Hotel projects.

(5) Changes in business-type activities operating grants and contribution and unrestricted local government shared revenues between fiscal years 2013 and 2014 is due to a change in classification in fiscal year 2014 of MERC transient lodging taxes received from Multnomah County.

2012	2013	2014	2015	2016	2017	2018
(47,866,444)	(44,880,528)	(47,527,519)	(27,476,910)	(49,257,830)	(43,352,019)	(112,650,869)
(12,444,350)	(12,896,734)	153,089	13,661,029	(18,351,392)	(8,255,235)	(15,549,195)
(60,310,794)	(57,777,262)	(47,374,430)	(13,815,881)	(67,609,222)	(51,607,254)	(128,200,064)
39,609,807	51,609,216	59,506,228	61,957,344	55,546,801	59,711,015	64,162,251
14,410,951	15,354,852	15,999,908	16,584,669	18,144,766	18,830,032	18,343,257
1,765,024	2,349,487	2,537,894	2,669,188	3,338,479	3,561,675	3,792,595
33,619	28,792	49,581	48,335	46,711	47,095	51,479
466,123	555,198	-	-	-	-	-
506,774	754,672	1,202,458	904,399	1,383,708	857,777	1,711,821
2,439,096	(596,564)	(506,859)	(701,266)	(156,056,075)	(12,486,737)	(20,896,055)
59,231,394	70,055,653	78,789,210	81,462,669	(77,595,610)	70,520,857	67,165,348
12,581,998	14,463,987	-	-	-	-	-
391,598	231,302	416,652	425,728	891,412	655,748	1,182,067
(2,439,096)	596,564	506,859	701,266	156,056,075	12,486,737	20,896,055
10,534,500	15,291,853	923,511	1,126,994	156,947,487	13,142,485	22,078,122
69,765,894	85,347,506	79,712,721	82,589,663	79,351,877	83,663,342	89,243,470
11,364,950	25,175,125	31,261,691	53,985,759	(126,853,440)	27,168,838	(45,485,521)
(1,909,850)	2,395,119	1,076,600	14,788,023	138,596,095	4,887,250	6,528,927
9,455,100	27,570,244	32,338,291	68,773,782	11,742,655	32,056,088	(38,956,594)
(1,365,917)	-	-	(8,084,088)	-	-	(215,840)

METRO

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

	Fiscal Year		
	2009	2010	2011
General Fund (1)			
Nonspendable	$ -	-	800,367
Restricted	-	-	13,412,488
Committed	-	-	3,661,469
Unassigned	-	-	27,140,104
Reserved	9,462,022	9,637,987	-
Unreserved	35,517,221	36,817,500	-
Total General Fund	44,979,243	46,455,487	45,014,428
All other governmental funds (1)			
Nonspendable	-	-	330,288
Restricted (2)	-	-	66,436,156
Assigned	-	-	503,681
Reserved	13,133,831	13,041,477	-
Unreserved, reported in:			
Special Revenue Funds	6,221,690	6,000,611	-
Capital Projects Funds	85,037,915	60,882,128	-
Permanent Funds	288,683	317,158	-
Total all other governmental funds	$ 104,682,119	80,241,374	67,270,125

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

(2) Changes in Restricted fund balance of All other governmental funds between 2011 and 2012 and between 2017 and 2018 is due primarily to the issuance of bonds in 2012 and 2018; subsequent years changes are primarily due to the spend down of the proceeds.

2012	2013	2014	2015	2016	2017	2018
181,891	157,544	1,434,164	1,413,353	1,013,709	798,952	42,693
16,962,147	20,175,302	23,335,910	38,197,509	37,683,525	42,309,999	52,899,445
4,169,918	5,427,647	5,836,553	5,626,594	11,135,969	12,316,557	10,522,814
27,269,809	25,530,229	21,358,970	16,093,516	17,162,433	21,133,911	29,180,618
-	-	-	-	-	-	-
-	-	-	-	-	-	-
48,583,765	51,290,722	51,965,597	61,330,972	66,995,636	76,559,419	92,645,570
355,441	384,121	436,202	482,037	528,748	555,580	607,059
193,949,944	154,652,128	124,685,440	86,346,886	89,903,244	62,107,158	86,678,277
26,330	27,671	30,336	32,839	37,398	60,859	16,612
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
194,331,715	155,063,920	125,151,978	86,861,762	90,469,390	62,723,597	87,301,948

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

	Fiscal Year		
	2009	2010	2011
REVENUES			
Property taxes	$ 44,897,096	51,457,062	49,747,025
Excise taxes	12,971,067	12,964,535	14,068,190
Construction excise tax	1,734,579	1,427,730	1,440,755
Cemetery revenue surcharge	24,168	25,497	26,861
Investment income	4,715,238	1,545,284	853,253
Government fees	481,480	389,643	301,329
Culture and recreation fees (1)	17,893,774	17,402,009	17,890,108
Solid waste fees	-	-	-
Other fees	3,246,604	3,086,589	3,309,488
Internal charges for services	917,250	2,629,198	2,797,314
Licenses and permits	388,375	385,155	379,485
Miscellaneous revenue	838,365	366,185	943,084
Grants	12,382,032	11,622,037	9,611,840
Local government shared revenues	500,473	509,323	468,776
Government contributions	266,319	1,505,000	65,505
Contributions and donations	1,241,569	1,318,994	1,296,050
Capital grants	1,851,255	1,226,124	10,617
Capital contributions and donations	6,606,003	1,499,373	991,105
Total revenues	110,955,647	109,359,738	104,200,785
EXPENDITURES			
General government operations	12,251,458	11,575,042	12,432,590
Regional planning and development	12,974,517	14,909,242	14,797,588
Culture and recreation	12,057,905	14,670,631	17,415,303
Zoo (1)	26,112,124	24,623,138	25,030,953
Debt service:			
Principal	26,447,275	32,203,540	30,393,356
Interest	12,745,812	11,653,488	10,367,591
Capital outlay	31,911,433	23,298,304	24,231,381
Total expenditures	134,500,524	132,933,385	134,668,762
Excess of revenues over (under) expenditures	(23,544,877)	(23,573,647)	(30,467,977)

2012	2013	2014	2015	2016	2017	2018
39,333,293	51,517,060	59,245,166	61,790,541	55,397,507	59,562,937	64,369,020
14,413,338	15,357,373	16,002,790	16,587,938	18,144,768	18,830,032	18,343,257
1,765,024	2,349,487	2,537,894	2,669,188	3,338,479	3,561,675	3,792,595
33,195	28,680	49,581	48,335	46,711	47,095	51,479
488,586	742,206	1,180,790	888,088	1,358,919	846,966	1,688,487
109,500	127,590	99,809	95,725	76,236	85,353	96,500
19,553,150	22,172,112	23,306,808	24,856,959	4,592,527	4,612,352	4,821,013
270,856	301,902	317,949	340,912	985,486	1,033,211	1,053,525
3,452,403	3,471,424	3,470,826	3,271,705	1,485,642	1,951,142	1,985,501
2,740,228	3,623,649	3,223,107	1,812,342	3,969,961	5,477,184	5,145,553
373,675	375,160	369,855	393,796	507,560	558,504	593,228
221,974	477,361	365,234	540,467	177,329	540,483	730,850
9,743,878	10,390,062	8,056,565	17,840,916	8,569,740	11,733,942	11,595,479
466,123	555,198	621,111	773,657	761,253	766,318	3,954,656
4,427,539	2,992,196	2,975,000	3,370,903	3,814,143	4,345,277	3,200,708
862,141	689,428	293,104	510,343	640	-	-
38,334	26,876	842,564	18,740	238,790	107,046	175,000
1,027,495	2,011,176	2,611,681	7,122,542	22,500	206,770	7,500,000
99,320,732	117,208,940	125,569,834	142,933,097	103,488,191	114,266,287	129,096,851
14,142,072	12,883,851	15,189,343	16,506,570	12,583,030	13,885,115	88,524,517
13,904,294	11,263,128	11,598,462	13,888,509	13,304,049	16,814,210	17,666,404
19,350,637	18,618,034	18,866,771	22,358,773	24,568,215	28,730,153	30,295,557
27,860,285	30,978,416	31,274,828	31,967,441	-	-	-
24,980,000	39,675,000	27,320,000	29,665,000	23,770,000	24,315,000	30,165,000
9,093,066	13,907,089	12,428,417	9,722,466	9,354,224	10,321,223	11,131,207
28,910,761	26,777,135	39,647,950	46,140,996	30,098,540	29,097,093	16,635,087
138,241,115	154,102,653	156,325,771	170,249,755	113,678,058	123,162,794	194,417,772
(38,920,383)	(36,893,713)	(30,755,937)	(27,316,658)	(10,189,867)	(8,896,507)	(65,320,921)

(Continued)

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

	Fiscal Year		
	2009	2010	2011
OTHER FINANCING SOURCES (USES)			
Bonds issued	5,000,000	-	15,000,000
Refunding bonds issued	-	-	-
Premium on bonds issued	-	-	-
Sale of capital assets	100,000	50,000	78,716
Transfers in	9,390,120	1,901,669	1,027,878
Payment to refunded bond escrow agent	-	-	-
Transfers out	(9,265,675)	(1,342,523)	(710,287)
Total other financing sources (uses)	5,224,445	609,146	15,396,307
Net change in fund balances	(18,320,432)	(22,964,501)	(15,071,670)
Prior period adjustment/cumulative change in accounting principle	$ -	-	659,362
Debt service as a percentage of noncapital expenditures	38.2%	40.0%	37.6%

(1) In fiscal year 2016, Metro began reporting the activities of the Zoo in the Oregon Zoo enterprise fund. Prior to this, activities of the Zoo were reported as part of the General Fund, a governmental fund.

2012	2013	2014	2015	2016	2017	2018
140,000,000	-	-	-	30,000,000	-	103,655,000
27,575,000	12,600,000	-	57,955,000	-	-	-
27,903,859	42,577	-	6,780,891	3,479,164	-	14,710,080
440,934	531,116	1,743,987	23,361	348,744	430,096	933,046
5,343,680	355,757	281,742	964,282	5,779,685	6,815,333	2,485,448
(29,679,329)	(12,515,811)	-	(65,967,620)	-	-	-
(2,032,834)	(680,764)	(506,859)	(1,364,097)	(20,145,434)	(16,530,932)	(15,798,151)
169,551,310	332,875	1,518,870	(1,608,183)	19,462,159	(9,285,503)	105,985,423
130,630,927	(36,560,838)	(29,237,067)	(28,924,841)	9,272,292	(18,182,010)	40,664,502
-	-	-	-	-	-	-
31.2%	42.2%	34.1%	31.8%	39.6%	36.8%	23.2%

METRO

Solid Waste Tonnage by Waste Type and Destination (1)

Last Ten Fiscal Years

Unaudited

Fiscal year ended June 30,	Waste (2)				Organic (3)	ECU (4)	
	Metro-Owned Facilities	Total Per Ton Rate	Privately-Owned Facilities	Total Per Ton Rate	Metro-Owned Facilities	Privately-Owned Facilities	Regional Total All Waste Types
2009	514,710	$ 75.75	687,296	$ 25.01	27,832	151,488	1,381,326
2010	483,471	80.75	642,813	27.36	26,604	168,104	1,320,992
2011	453,790	85.85	628,743	27.66	23,143	142,515	1,248,191
2012	422,746	89.53	599,326	29.44	84,375	191,256	1,297,703
2013	398,133	93.84	646,485	30.75	101,386	227,603	1,373,607
2014	428,788	94.33	654,073	30.85	91,843	256,437	1,431,141
2015	471,726	93.33	666,567	29.97	86,753	343,303	1,568,349
2016	509,286	94.98	783,255	29.87	76,970	290,150	1,659,661
2017	523,199	96.25	816,278	30.24	79,533	383,483	1,802,493
2018	532,333	94.95	887,829	28.93	74,525	273,996	1,768,683

(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 on which an Excise Tax that generates revenue for the General Fund is levied. Waste delivered to Metro's own transfer stations also incurs a user charge that is deposited in the Solid Waste Revenue Fund to pay for station operation, transport, and disposal.

(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.

Source: Metro Property and Environmental Services Department, solid waste information system. Data reflects revisions to previous years and therefore may not match previously published CAFRs.

METRO
Solid Waste Disposal Rates
Last Ten Fiscal Years
Unaudited

		Fiscal Year									
		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
METRO FACILITIES											
Disposal fee	$	49.00	51.65	56.45	58.35	61.35	61.74	61.62	62.87	63.19	63.20
Regional system fee		16.04	17.53	16.72	17.64	18.56	18.56	18.21	18.39	18.48	18.12
Excise tax		8.97	9.83	10.94	11.80	12.19	12.29	11.76	11.48	11.76	10.81
Community & enhancement/host fee		0.50	0.50	0.50	0.50	0.50	0.50	0.50	1.00	1.00	1.00
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	1.69	1.69
Total rate per ton (1)	$	75.75	80.75	85.85	89.53	93.84	94.33	93.33	94.98	96.25	94.95
Transaction fee-scalehouse	$	8.50	10.00	11.00	12.00	12.00	12.00	12.00	12.00	10.00	10.00
Transaction fee-automated	$	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.00	2.00
PRIVATELY-OWNED FACILITIES											
Regional system fee	$	16.04	17.53	16.72	17.64	18.56	18.56	18.21	18.39	18.48	18.12
Excise tax		8.97	9.83	10.94	11.80	12.19	12.29	11.76	11.48	11.76	10.81
Total rate per ton	$	25.01	27.36	27.66	29.44	30.75	30.85	29.97	29.87	30.24	28.93

(1) Rates are per ton of mixed waste disposal. For fiscal year 2018, minimum charge is $28.00 for 380 pounds or less.
DEQ rates are set by the State of Oregon Department of Environmental Quality.

Source: Metro Property and Environmental Services Department.

METRO

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

	2018			2009		
Customer/Payer	**Fees Paid (1)**	**Rank**	**Percentage of Total Solid Waste Fee Revenue**	**Fees Paid (1)**	**Rank**	**Percentage of Total Solid Waste Fee Revenue**
Waste Management of Oregon	$ 14,335,382	1	20.58 %	$ 8,000,002	1	16.56 %
Arrow Sanitary Services	3,425,414	2	4.92		-	
Portland Disposal & Recycling	3,189,815	3	4.58	1,602,004	5	3.32
Oregon City Garbage Company	2,905,910	4	4.17	2,305,043	3	4.77
Heiberg Garbage Service	2,859,971	5	4.11	1,205,745	9	2.50
Trashco Services Inc.	2,770,914	6	3.98	1,674,668	4	3.47
AGG Recology Inc.	2,155,978	7	3.10	2,355,275	2	4.88
Allied Waste Services of Portland	1,586,999	8	2.28	1,377,984	7	2.85
Walker Garbage Services Inc.	1,144,380	9	1.64		-	
Sunset Garbage Collection Inc.	918,471	10	1.32		-	
Keller Drop Box Inc.	-	-	-	1,588,876	6	3.29
Gresham Sanitary Service Inc.	-	-	-	1,288,038	8	2.67
Oak Grove Disposal Company Inc.	-	-	-	1,076,349	10	2.23
Total	$ 35,293,234		50.68 %	$ 22,473,984		46.54 %

(1) Customers pay a per ton rate for solid waste disposal. The per ton rate includes various fee components which change each fiscal year. See Solid Waste Disposal Rates table for rate detail.

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

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

	Governmental Activities				
Fiscal year ended June 30,	General Obligation Bonds	Full Faith and Credit Refunding Bonds	Dedicated Tax Revenue Bonds	Pension Obligation Bonds	Loans Payable
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
2015	209,240,729	10,900,000	-	20,975,000	-
2016	217,472,440	9,125,000	-	20,155,000	-
2017	191,285,127	7,880,000	-	19,225,000	-
2018	202,515,140	21,721,580	60,048,719	18,170,000	-

(1) See Demographic and Economic Statistics table for personal income and population data.

* Not available

Business-type Activities				
Full Faith and Credit Bonds	Loans Payable	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
$ 12,874,828	$ 133,632	$ 262,687,742	0.30 %	$ 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	0.35	210.42
11,079,730	-	312,943,898	0.31	184.78
10,357,673	-	281,996,346	0.26	164.16
9,605,617	-	250,721,346	0.21	143.65
8,988,560	-	255,741,000	0.21	143.74
7,895,584	-	226,285,711	N/A *	124.89
7,017,472	-	309,472,911	N/A *	168.28

METRO

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

Fiscal year ended June 30,	General Bonded Debt Outstanding: General Obligation Bonds	Pension Obligation Bonds	Less: Amounts Restricted to Repaying Principal	Net General Bonded Debt	Real Market Value (1)	Percentage of Actual Real Market Value of Property	Per Capita (2)
2009	$ 209,351,110	$ 23,688,100	$ 13,133,831	$ 219,905,379	$ 218,478,090,509	0.10 %	$ 134.77
2010	178,115,055	23,409,830	13,041,458	188,483,427	208,123,520,973	0.09	114.61
2011	163,799,185	23,061,561	14,086,438	172,774,308	196,930,643,603	0.09	104.28
2012	304,897,649	22,638,291	11,134,999	316,400,941	186,113,692,723	0.17	189.13
2013	265,579,168	22,300,000	632,127	287,247,041	182,115,877,804	0.16	169.61
2014	237,456,537	21,685,000	1,107,953	258,033,584	191,403,168,645	0.13	150.21
2015	209,240,729	20,975,000	1,270,502	228,945,227	211,844,217,262	0.11	131.17
2016	217,472,440	20,155,000	495,726	237,131,714	232,729,794,715	0.10	133.28
2017	191,285,127	19,225,000	814,903	209,695,224	266,256,751,631	0.08	115.73
2018	212,850,439	18,170,000	847,417	230,173,022	299,124,101,408	0.08	125.16

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

(2) See Demographic and Economic Statistics table for population data.

METRO
Direct and Overlapping Governmental Activities Debt
As of June 30, 2018
Unaudited

Overlapping government	Net property tax backed debt	Percent within Metro	Share of Overlapping Debt
City of Beaverton	$ 34,217,534	99.87 %	$ 34,172,162
City of Cornelius	1,062,000	93.97	997,923
City of Durham	120,000	100.00	120,000
City of Fairview	451,607	100.00	451,607
City of Gladstone	1,323,000	100.00	1,323,000
City of Gresham	39,217,690	100.00	39,217,690
City of Hillsboro	42,280,000	98.68	41,721,989
City of Lake Oswego	59,935,000	100.00	59,935,000
City of Milwaukie	13,250,379	100.00	13,250,379
City of Oregon City	14,615,000	99.93	14,604,200
City of Portland	176,992,106	100.00	176,991,044
City of Sherwood	21,174,932	99.74	21,119,686
City of Tigard	20,088,506	99.77	20,042,945
City of Troutdale	11,175,000	100.00	11,175,000
City of Tualatin	5,183,801	100.00	5,183,801
City of West Linn	14,065,000	100.00	14,065,000
Clackamas Community College	98,403,913	75.44	74,233,255
Clackamas County	138,185,000	75.40	104,196,603
Clackamas County ESD	22,100,000	75.62	16,712,595
Clackamas County RFPD 1	25,770,000	86.53	22,299,425
Clackamas County SD 115 (Gladstone)	43,017,441	100.00	43,017,441
Clackamas County SD 12 (North Clackamas)	601,147,673	98.76	593,671,199
Clackamas County SD 3J (West Linn-Wilsonville)	220,711,862	94.99	209,663,467
Clackamas County SD 46 (Oregon Trail)	91,495,487	6.48	5,928,359
Clackamas County SD 62 (Oregon City)	69,149,195	71.09	49,157,955
Clackamas County SD 7J (Lake Oswego)	242,549,604	100.00	242,549,604
Clackamas County SD 86 (Canby)	57,353,536	13.26	7,603,645
Columbia County SD 1J (Scappoose)	26,345,000	6.12	1,613,210
Corbett Water District	904,434	21.67	195,956
Lusted Water District	690,000	97.26	671,104
Mt. Hood Community College	21,960,000	87.27	19,164,514
Multnomah County	369,970,117	99.15	366,821,302
Multnomah County Drainage District 1	4,500,000	100.00	4,500,000
Multnomah County RFPD 10	3,019,182	84.54	2,552,501
Multnomah County SD 10J (Gresham-Barlow)	304,749,806	95.49	291,006,199
Multnomah County SD 1J (Portland)	982,119,880	99.72	979,326,731
Multnomah County SD 28J (Centennial)	20,535,050	100.00	20,535,050
Multnomah County SD 3 (Parkrose)	56,759,286	100.00	56,759,286
Multnomah County SD 39 (Corbett)	1,860,771	13.06	243,091
Multnomah County SD 40 (David Douglas)	81,262,481	100.00	81,262,481
Multnomah County SD 51J (Riverdale)	18,249,889	100.00	18,249,889
Multnomah County SD 7 (Reynolds)	206,085,539	100.00	206,085,539
Northwest Regional ESD	35,000	76.05	26,619
Oak Lodge Water Services District	15,173,000	100.00	15,173,000
Pleasant Home Water District	1,500,000	57.52	862,746
Portland Community College	461,071,466	92.97	428,647,537
Rivergrove Water District 14J	568,018	100.00	568,018
Tualatin Hills Park & Recreation District	77,707,133	99.91	77,636,031
Tualatin Valley Fire & Rescue District	30,635,000	94.68	29,004,146
Valley View Water District	1,435,313	100.00	1,435,313

(Continued)

METRO

Direct and Overlapping Governmental Activities Debt, *continued*

As of June 30, 2018

Unaudited

Overlapping government	Net property tax backed debt	Percent within Metro	Share of Overlapping Debt
Washington County	$ 219,115,761	93.75 %	$ 205,415,548
Washington County SD 13 (Banks)	12,552,846	0.04	5,172
Washington County SD 15 (Forest Grove)	89,581,277	79.13	70,883,156
Washington County SD 1J (Hillsboro 7 Bond)	2,862,570	86.53	2,476,842
Washington County SD 1J (Hillsboro)	479,215,000	86.54	414,722,725
Washington County SD 23J (Tigard-Tualatin)	262,838,126	99.43	261,345,206
Washington County SD 48J (Beaverton)	1,035,618,531	99.86	1,034,167,630
Washington County SD 88J (Sherwood)	334,320,749	82.12	274,539,184
Subtotal, overlapping debt	$ 7,188,276,491		6,689,300,700
Metro direct debt			302,455,439
Total direct and overlapping debt			$ 6,991,756,139

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

Fiscal Year Ended June 30,	Debt limit	Total net debt applicable to limit	Legal debt margin	Total net debt applicable to the limit as a percentage of the debt limit
2009	$ 21,847,809,051	$ 202,536,896	$ 21,645,272,155	0.93 %
2010	20,812,352,097	171,848,356	20,640,503,741	0.83
2011	19,693,064,360	158,080,000	19,534,984,360	0.80
2012	18,611,369,272	273,485,000	18,337,884,272	1.47
2013	18,211,587,780	235,675,000	17,975,912,780	1.29
2014	19,140,316,865	210,460,000	18,929,856,865	1.10
2015	21,184,421,726	182,305,000	21,002,116,726	0.86
2016	23,272,979,472	190,565,000	23,082,414,472	0.82
2017	26,625,675,163	168,425,000	26,457,250,163	0.63
2018	29,912,410,141	179,415,000	29,732,995,141	0.60

Legal Debt Margin Calculation for Fiscal Year 2018

True cash value		$ 299,124,101,408
Debt limit (10% of true cash value)		29,912,410,141
Debt applicable to limit:		
Gross bonded debt principal	$ 275,440,000	
Less legal deductions from debt limit:		
Full Faith and Credit Refunding Bonds 2013 Series	(6,610,000)	
Full Faith and Credit Refunding Bonds 2016 Series	(6,420,000)	
Full Faith and Credit Bonds 2018 Series	(13,290,000)	
Dedicated Tax Revenue OCC Hotel Project Bonds 2017 Series	(51,535,000)	
Metro Limited Tax Pension Obligation Bonds Series 2005	(18,170,000)	
Total net debt applicable to limit		179,415,000
Legal debt margin		$ 29,732,995,141

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.

METRO
Demographic and Economic Statistics
Last Ten Fiscal Years
Unaudited

Fiscal year ended June 30,	Population (1)	Total Personal income (in thousands) (2)	Per capita personal income (2)	Portland metropolitan unemployment rate (2)
2009	1,631,665	$ 86,727,054	$ 39,301	11.4 %
2010	1,644,535	88,150,843	39,484	10.3
2011	1,656,775	93,931,598	41,560	9.1
2012	1,672,970	100,257,000	43,816	8.1
2013	1,693,600	101,689,188	43,974	7.4
2014	1,717,765	109,125,143	46,512	6.2
2015	1,745,385	117,372,731	49,217	5.5
2016	1,779,245	122,433,633	50,489	5.1
2017	1,811,860	N/A *	N/A *	3.9
2018	1,839,005 (3)	N/A *	N/A *	3.8

* 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

	2018			2009		
Employer	**Employees**	**Rank**	**Percentage of Total Metropolitan Area Employment**	**Employees**	**Rank**	**Percentage of Total Metropolitan Area Employment**
Intel Corporation	20,000	1	1.81 %	18,300	2	1.82 %
Providence Health System	18,286	2	1.66	14,839	4	1.47
State of Oregon	18,200	3	1.65	21,600	1	2.14
Oregon Health & Science University	16,658	4	1.51	11,500	6	1.14
US Government	12,600	5	1.14	16,740	3	1.66
Kaiser Permanente	12,400	6	1.12	13,000	5	1.29
Nike, Inc.	12,000	7	1.09	8,196	9	0.81
Legacy Health System	11,250	8	1.02	8,221	8	0.82
City of Portland	9,710	9	0.88	-	-	-
Fred Meyer Stores	7,741	10	0.70	8,500	7	0.84
Portland Public Schools	-	-	-	7,648	10	0.76
Total	138,845		12.58 %	128,544		12.75 %

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

Sources: Piper Jaffray & Co and www.qualityinfo.org.

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
FUNCTIONS/PROGRAMS										
Primary Government:										
Governmental activities:										
General government operations	149.78	169.50	172.75	176.15	174.04	175.79	181.80	183.20	170.85	175.77
Regional planning and development	83.65	88.78	89.87	87.43	76.05	72.15	75.65	76.30	85.30	84.80
Culture and recreation	63.65	59.63	54.40	53.20	58.30	76.75	83.55	92.10	99.80	103.95
Zoo (1)	155.98	157.98	155.98	159.31	168.20	174.85	187.15	-	-	-
Total governmental activities	453.06	475.89	473.00	476.09	476.59	499.54	528.15	351.60	355.95	364.52
Business-type activities:										
Solid Waste	109.00	92.95	93.60	93.55	91.05	90.75	101.30	107.45	114.16	121.79
Oregon Zoo (1)	-	-	-	-	-	-	-	198.65	200.60	207.60
MERC	191.00	194.00	190.00	185.85	181.50	175.50	182.35	186.35	189.95	195.65
Total business-type activities	300.00	286.95	283.60	279.40	272.55	266.25	283.65	492.45	504.71	525.04
Total primary government	753.06	762.84	756.60	755.49	749.14	765.79	811.80	844.05	860.66	889.56
		(2)					(3)	(4)		(5)

(1) In fiscal year 2016, Metro began reporting the activities of the Zoo in the Oregon Zoo enterprise fund. Prior to this, activities of the Zoo were reported as part of the General Fund, a governmental fund.

(2) 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.

(3) Increase over previous fiscal year is due primarily to first time tracking of part-time personnel and the conversion of temporary to permanent positions. Increased service demands also led to the addition of staff.

(4) Increase over previous fiscal year is due to conversion of temporary to permanent positions. Increased service demands at the venues and in parks management also led to the addition of staff.

5) Increase over previous fiscal year is due primarily to additional staff in Central Service departments, Solid Waste operations, and Park management. In addition, increased service demands at the venues led to the addition of new staff.

Source: Metro Adopted Budget documents.

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

		Fiscal Year		
		2009	2010	2011
FUNCTIONS/PROGRAMS				
Primary Government:				
Governmental activities:				
General government operations:				
Business licenses issued		2,876	2,851	2,811
General obligation bond rating:				
Moody's		Aaa	Aaa	Aaa
Standard and Poor's		AAA	AAA	AAA
Regional planning and development:				
Data Resource Center sales of maps and aerials	$	137,344	146,199	102,727
Culture and recreation:				
Visitors to Blue Lake Park, Oxbow Park and Chinook Landing		824,375	743,546	704,430
Volunteer visits		3,281	5,272	5,082
Volunteer hours		17,000	19,497	20,328
Acres acquired in Open Spaces and Natural Areas land target areas		312	1,438	392
Business-type activities:				
Solid Waste:				
Recycling Information Center calls/hits on website		148,465	136,178	135,789
Students reached in elementary and secondary school presentations		41,045	58,413	42,767
Regional recovery rate (1)		56.8%	56.5%	57.9%
Hazardous waste net cost per pound	$	0.87	0.95	0.77
Gallons of recycled paint produced		99,253	121,207	134,548
Latex paint revenue	$	1,159,152	1,037,583	948,328
PaintCare revenue (management of post-consumer paint)	$	-	-	1,097,559
Oregon Zoo (2):				
Adult admission price	$	9.75	10.50	10.50
Annual attendance		1,621,567	1,634,978	1,536,303
Volunteer hours		183,711	166,890	156,997
Enterprise revenue as percentage of operating revenue		61.8%	62.9%	64.0%
Contributions and donations as percent of total revenue		7.0%	6.0%	7.0%
MERC:				
Annual attendance				
Oregon Convention Center		574,199	505,371	524,388
Portland Expo Center		454,005	420,616	390,333
Portland'5 Centers for the Arts (3)		930,841	778,691	769,468
Number of events/performances				
Oregon Convention Center		92	98	88
Portland Expo Center		110	98	93
Portland'5 Centers for the Arts (3)		1,061	931	877
Capacity				
Occupancy rate (75% considered maximum)				
Oregon Convention Center		41%	43%	46%

*Not available

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

(2) In fiscal year 2016, Metro began reporting the activities of the Zoo in the Oregon Zoo enterprise fund. Prior to this, activities of the Zoo were reported as part of the General Fund, in governmental activities.

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

Source: Various Metro departments.

2012	2013	2014	2015	2016	2017	2018
2,768	2,779	2,739	2,918	3,079	3,019	3,207
Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa
AAA	AAA	AAA	AAA	AAA	AAA	AAA
73,091	75,279	78,635	81,943	70,467	65,305	77,675
754,351	813,194	739,324	719,804	850,623	847,453	1,027,604
4,248	3,188	3,034	4,472	3,370	5,508	2,841
15,664	10,357	9,384	14,385	15,349	15,083	12,080
1,117	398	234	361	180	507	183
138,438	130,110	147,389	147,875	146,708	169,444	184,084
46,636	31,636	26,591	44,482	45,150	51,519	54,723
59.3%	62.2%	64.2%	59.8%	60.4%	48.0%	N/A*
0.93	0.93	0.89	0.97	1.04	1.04	1.13
157,957	158,421	199,192	243,341	220,016	203,421	176,489
997,290	1,147,907	1,258,303	1,360,872	1,286,638	1,149,852	1,064,213
1,382,882	1,303,797	1,131,360	1,521,246	1,567,449	1,481,844	1,650,050
10.50	11.50	11.50	11.50	14.95	14.95	17.95
1,597,475	1,683,442	1,514,192	1,560,035	1,494,316	1,549,394	1,704,918
150,035	130,993	158,551	130,065	98,722	91,911	93,174
64.1%	62.4%	60.4%	61.2%	59.5%	62.6%	70.2%
4.0%	3.0%	2.4%	2.0%	3.8%	6.2%	6.2%
732,982	661,283	581,195	633,047	632,823	624,538	619,068
506,508	429,613	466,213	381,169	398,705	385,184	392,760
844,750	785,277	743,560	876,819	928,151	946,691	958,064
80	95	88	81	74	70	77
114	110	154	112	121	109	114
878	952	906	967	964	971	946
42%	46%	44%	51%	58%	48%	45%

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

	Fiscal Year		
	2009	2010	2011
FUNCTIONS/PROGRAMS			
Primary Government:			
Governmental activities:			
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	6	7	7
Acres (including acres acquired using Natural areas bond proceeds)	1,701	1,957	1,957
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	8,001	7,745	7,745
Natural areas acquired using bond proceeds	27	27	27
Acres	1,037	2,465	2,838
Business-type activities:			
Solid Waste:			
Transfer stations (including hazardous waste facilities)	2	2	2
Latex paint facilities	1	1	1
Closed landfills maintained	1	1	1
Oregon Zoo (1):			
Acres	65	65	65
Buildings and exhibits	70	71	73
Railways	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.

(1) In fiscal year 2016, Metro began reporting the activities of the Zoo in the Oregon Zoo enterprise fund. Prior to this, activities of the Zoo were reported as part of the General Fund, in governmental activities.

Source: Various Metro departments.

2012	2013	2014	2015	2016	2017	2018
1	1	1	1	1	1	1
110,000	110,000	110,000	110,000	110,000	196,960	196,960
162	162	162	162	162	162	162
485	485	485	485	485	485	485
8	8	8	8	8	8	8
2,207	2,207	2,207	2,305	2,305	2,305	2,305
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
7,668	7,668	7,684	7,684	7,684	7,684	7,684
27	27	27	27	27	27	27
4,032	4,430	4,647	4,910	5,090	5,596	5,778
2	2	2	2	2	2	2
1	1	1	1	1	1	1
1	1	1	1	1	1	1
65	65	65	65	65	65	65
73	71	67	67	67	68	68
1	1	1	2	2	2	2
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	716	716	791

METRO

Property Tax Levies and Collections (1)

Last Ten Fiscal Years

Unaudited

Fiscal year ended June 30,	Total tax levy for fiscal year	Collected within the fiscal year of the levy		Collections in subsequent fiscal years	Total collections to date		Total uncollected taxes for the fiscal year
		Tax collections	Percentage of levy		Tax collections	Percentage of levy	
2009	$ 46,756,581	$ 43,824,192	93.7 %	$ 1,545,379	$ 45,369,571	97.0 %	$ 2,427,570
2010	53,137,308	49,982,313	94.1	1,454,584	51,436,897	96.8	2,699,142
2011	51,113,288	48,209,584	94.3	1,166,655	49,376,239	96.6	2,524,787
2012	40,461,529	38,168,544	94.3	860,005	39,028,549	96.5	2,718,087
2013	53,097,952	50,317,145	94.8	1,077,858	51,395,003	96.8	2,846,442
2014	61,068,522	57,913,674	94.8	1,092,271	59,005,945	96.6	3,122,857
2015	63,625,056	60,524,636	95.1	911,686	61,436,322	96.6	3,256,373
2016	56,981,126	54,251,668	95.2	627,972	54,879,640	96.3	3,355,651
2017	61,417,731	58,526,399	95.3	427,916	58,954,315	96.0	3,523,722
2018	66,623,193	63,459,709	95.3	-	63,459,709	95.3	3,392,641

(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
Taxable Property Values
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	Real Market Value (1)	Total Assessed Valuation (AV)	Urban Renwal Excess	AV used to Calculate Rates (2)
		Metro – Total Area		
2009	$ 218,478,090,509	$ 122,534,341,174	$ 6,020,017,669	$ 116,514,323,505
2010	208,123,520,973	127,491,891,101	6,824,416,166	120,667,474,935
2011	196,930,643,603	131,057,532,855	6,703,067,043	124,354,465,812
2012	186,113,692,723	134,726,718,334	6,813,436,761	127,913,281,573
2013	182,115,877,804	137,952,858,654	7,117,486,446	130,835,372,208
2014	191,403,168,645	143,016,215,233	6,911,680,698	136,104,534,535
2015	211,844,217,262	149,658,475,167	7,196,823,537	142,461,651,630
2016	232,729,794,715	157,332,876,813	7,692,366,115	149,640,510,698
2017	266,256,751,631	164,726,153,314	8,800,597,517	155,925,555,797
2018	299,124,101,408	173,009,992,753	9,598,803,019	163,411,189,734
		Portion of Metro Located in Multnomah County		
2009	$ 106,260,520,938	$ 56,250,379,076	$ 4,144,208,538	$ 52,106,170,538
2010	104,037,809,015	58,604,681,647	4,751,822,133	53,852,859,514
2011	100,581,687,913	60,307,166,969	5,039,772,399	55,267,394,570
2012	94,398,806,299	61,937,120,961	5,151,161,165	56,785,959,796
2013	92,813,634,950	63,238,726,207	5,323,183,349	57,915,542,858
2014	97,169,032,640	65,397,982,385	5,552,059,852	59,845,922,533
2015	107,182,217,862	68,400,496,894	5,690,908,219	62,709,588,675
2016	118,439,572,417	71,365,034,261	6,080,696,726	65,284,337,535
2017	138,109,555,282	74,755,397,687	6,804,941,684	67,950,456,003
2018	157,192,504,703	78,638,078,635	7,438,667,311	71,199,411,324
		Portion of Metro Located in Washington County		
2009	$ 67,919,881,085	$ 40,853,200,871	$ 580,739,692	$ 40,272,461,179
2010	63,920,741,444	42,307,096,557	618,930,288	41,688,166,269
2011	60,514,716,319	43,432,392,813	193,090,521	43,239,302,292
2012	58,085,653,520	44,766,571,918	201,432,245	44,565,139,673
2013	56,826,665,878	46,038,212,248	213,290,719	45,824,921,529
2014	60,172,881,111	47,774,596,085	278,476,700	47,496,119,385
2015	66,641,438,168	49,956,068,958	328,606,130	49,627,462,828
2016	72,210,640,850	53,190,401,212	308,315,912	52,882,085,300
2017	80,476,887,028	55,606,866,466	528,351,591	55,078,514,875
2018	89,533,841,337	58,356,654,076	660,442,801	57,696,211,275
		Portion of Metro Located in Clackamas County		
2009	$ 44,297,688,486	$ 25,430,761,227	$ 1,295,069,439	$ 24,135,691,788
2010	40,164,970,514	26,580,112,897	1,453,663,745	25,126,449,152
2011	35,834,239,371	27,317,973,073	1,470,204,123	25,847,768,950
2012	33,629,232,904	28,023,025,455	1,460,843,351	26,562,182,104
2013	32,475,576,976	28,675,920,199	1,581,012,378	27,094,907,821
2014	34,061,254,894	29,843,636,763	1,081,144,146	28,762,492,617
2015	38,020,561,232	31,301,909,315	1,177,309,188	30,124,600,127
2016	42,079,581,448	32,777,441,340	1,303,353,477	31,474,087,863
2017	47,670,309,321	34,363,889,161	1,467,304,242	32,896,584,919
2018	52,397,755,368	36,015,260,042	1,499,692,907	34,515,567,135

(1) Value represents the Real Market Value of taxable properties, including the reduction in Real Market Value of specially assessed properties such as farm and forestland. This value is also commonly referred to as the Measure 5 Real Market Value by county assessors.

(2) Assessed value of property in Metro on which the Permanent Rate is applied to derive ad valorem property taxes, excluding urban renewal, exempt property within enterprise zones and any other offsets.

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

METRO
Property Tax Rates by Type of Levy
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	Permanent Rate	Local Option Levy Rate	General Obligation Bond Levy Rate (1)	Total Rate
2009	$ 0.0966	$ -	$ 0.3044	$ 0.4010
2010	0.0966	-	0.3437	0.4403
2011	0.0966	-	0.3146	0.4112
2012	0.0966	-	0.2202	0.3168
2013	0.0966	-	0.4140	0.5106
2014	0.0966	0.0960	0.2768	0.4694
2015	0.0966	0.0960	0.2683	0.4609
2016	0.0966	0.0960	0.1982	0.3908
2017	0.0966	0.0960	0.2057	0.3983
2018	0.0966	0.0960	0.2203	0.4129

(1) General obligation (GO) bond levy rate is a calculation of total GO levy divided by Assessed Value used to calculate rates.

METRO

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

June 30, 2018

Unaudited

Taxpayer account	Type of business		Assessed valuation	Percent of total valuation
MULTNOMAH COUNTY				
Port of Portland	Marine and aviation facilities	$	604,909	0.85 %
Portland General Electric Co.	Electric utility		475,927	0.67
Comcast Corporation	Telecommunications		467,535	0.66
Alaska Airlines, Inc.	Air travel		415,492	0.58
Pacificorp (PP&L)	Electric utility		344,619	0.48
Weston Investment Co. LLC	Nonresidential construction		279,033	0.39
Evraz Inc. NA	Steel manufacturing		230,608	0.32
AT & T Inc.	Telecommunications		227,505	0.32
Southwest Airlines Co.	Air travel		224,514	0.32
Centurylink	Telecommunications		214,762	0.30
All other taxpayers	-		67,714,508	95.11
	Total	$	71,199,412	100.00 %
WASHINGTON COUNTY				
Intel Corporation	Computer electronics	$	2,383,089	4.13 %
Nike, Inc.	Athletic apparel		876,939	1.52
Comcast Corporation	Telecommunications		447,857	0.78
Portland General Electric Co.	Electric utility		442,017	0.77
Pacific Realty Associates	Real estate		379,445	0.66
Northwest Natural Gas Co.	Natural gas utility		283,046	0.49
Verizon Communications	Telecommunications		209,061	0.36
Genentech, Inc.	Biotechnology		189,957	0.33
Frontier Communications	Telecommunications		179,437	0.31
PPR Washington Square LLC	Real estate		151,425	0.26
All other taxpayers	-		52,153,938	90.39
	Total	$	57,696,211	100.00 %
CLACKAMAS COUNTY				
Portland General Electric Co.	Electric utility	$	304,755	0.88 %
General Growth Properties, Inc.	Real estate		256,586	0.74
Shorenstein Properties LLC	Real estate		211,504	0.61
Fred Meyer, Inc.	Retailer		206,082	0.60
Northwest Natural Gas Co.	Natural gas utility		146,183	0.42
PCC Structurals, Inc.	Metal castings and machining		141,971	0.41
Comcast Corporation	Telecommunications		107,493	0.31
Meadows Road LLC	Real estate		86,882	0.25
ROIC Oregon LLC	Real estate		76,902	0.22
Marvin F. Poer & Company	Property tax consulting		76,794	0.22
All other taxpayers	-		32,900,415	95.34
	Total	$	34,515,567	100.00 %

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

METRO

Revenue Support for Dedicated Tax Revenue Bonds, Series 2017 (OCC Hotel Project)

Last Ten Fiscal Years

Unaudited

	Multnomah County Transient Lodging Tax (TLT) Collections		Visitor Facilities Trust Account (VFTA) TLT Net Revenue			
Fiscal Year Ended June 30,	3% Excise Tax Fund (ETF) TLT(1)	2.5% VFTA TLT(2)	VFTA TLT Net Revenue (3)	City of Portland Bonds VFTA Existing Debt Service (4)	VFTA Payments Available for Series 2017 Bonds (5)	VFTA Payments Transferred to Metro (5)
2009	$ 8,795,075	$ 7,320,137	$ -	$ -	$ -	$ -
2010	8,422,303	7,018,585	-	-	-	-
2011	9,931,773	8,276,478	8,241,979	8,084,960	157,019	-
2012	10,937,682	9,114,735	9,077,577	7,410,481	1,667,096	-
2013	11,708,823	9,754,922	9,716,872	7,716,076	2,000,796	-
2014	13,237,477	11,030,282	10,989,687	7,843,453	3,146,234	-
2015	16,187,084	13,489,237	13,447,078	7,987,333	5,459,745	-
2016	18,713,326	15,594,438	15,587,195	8,480,753	7,106,442	-
2017	19,193,769	15,999,832	15,999,832	9,574,819	6,425,013	6,425,013
2018	18,978,594	15,800,071	15,800,071	8,777,222	7,022,849	6,963,788

(1) A component of 3% ETF TLT transferred by Multnomah County to Metro for OCC operating support, including the payment of debt service of the Series 2017 Bonds, defined as "ETF Payments."

(2) A component of 2.5% VFTA TLT transferred by Multnomah County to Metro for payment of debt service of the Series 2017 Bonds, defined as "VFTA Payments."

(3) Excludes VFTA Vehicle Registration Tax (VRT) Revenue.

(4) Debt service on the City of Portland OCC and Stadium bonds and Full Faith and Credit Loan Agreement (PCPA Refunding, defeased in Fiscal Year 2016).

(5) Pledged for repayment of the Series 2017 Bonds, effective date of issuance fiscal year 2018.

(6) Debt service begins fiscal year 2018.

ETF Payments to Metro (5)	Total Pledged Revenue (VFTA Payments plus ETF Payments) (5)	Pledged Revenue Used to Pay Debt Service (6)
$ 8,143,220	$ -	$ -
7,227,865	-	-
7,262,373	-	-
7,770,739	-	-
8,314,691	-	-
8,896,719	-	-
9,519,489	-	-
10,185,853	-	-
10,898,863	17,323,876	-
11,193,132	18,215,981	2,896,215

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 subject to the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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.

MOSSADAMS

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 *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, 2018 and have issued our report thereon dated November 19, 2018. 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, and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Oregon Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

Compliance

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

- The accounting records and related internal control structure.
- The use of various depositories to secure the deposit of public funds.
- The requirements relating to debt.
- The requirements relating to the preparation, adoption, and execution of the annual budgets for fiscal years 2019 and 2018.
- The requirements relating to insurance and fidelity bond coverage.
- The appropriate laws, rules and regulations pertaining to programs funded wholly or partially by other governmental agencies.
- The statutory requirements pertaining to the investment of public funds.
- The requirements pertaining to the awarding of public contracts and the construction of public improvements.

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

MOSSADAMS

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002 that we consider to be significant deficiencies.

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

For Moss Adams LLP
Eugene, Oregon
November 19, 2018

MOSSADAMS

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, 2018, and the related notes to the financial statements, which collectively comprise Metro's basic financial statements, and have issued our report thereon dated November 19, 2018. 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002 that we consider to be significant deficiencies.

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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*.

Metro's Response to the Findings

Metro's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Metro's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 19, 2018

MOSSADAMS

Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

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 Compliance Supplement* that could have a direct and material effect on Metro's major federal program for the year ended June 30, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Metro's major federal programs 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the major federal program for the year ended June 30, 2018.

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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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Moss Adams, LLP

Eugene, Oregon
November 19, 2018

METRO
Schedule of Expenditures of Federal Awards
For the fiscal year ended June 30, 2018

Grantor and Program Title	Federal CFDA Number	Grant/Pass Through Number	Federal Expenditures
U. S. DEPARTMENT OF AGRICULTURE			
Forest Service-			
Direct Programs:			
UNO Program	10.U01	15-CS-11062200-006	$ 9,998
Columbia River Gorge National Scenic Area	N/A	18-PA-11062200-005	3,894
Total U.S. Department of Agriculture			13,891
U. S. DEPARTMENT OF DEFENSE			
Department of the Army, Office of the Chief of Engineers-			
Passed through Washington Department of Fish & Wildlife:			
Planning Assistance to States - Water Resources Development Act	12.110	WDFW #17-09936	60,000
Total U.S. Department of Defense			60,000
U. S. DEPARTMENT OF THE INTERIOR			
Bureau of Land Management-			
Direct Programs:			
Recreation Resource Management; Cooperative Agreements	15.225	L15AC00108-0003	40,000
Fish and Wildlife Service-			
Passed through The Peregrine Fund Inc and Oregon Department of Fish & Wildlife:			
Wildlife Restoration Grant Program	15.611	ODFW #351-17	16,424
Passed through Oregon Department of Parks and Recreation:			
Cooperative Endangered Species Conservation Fund	15.615	FY16-E28TW9 OZ	14,167
Cooperative Endangered Species Conservation Fund	15.615	FY17-E28TW10 OZ	8,416
Cooperative Endangered Species Conservation Fund	15.615	FY16-E6-67	11,444
Cooperative Endangered Species Conservation Fund	15.615	FY17-E6-69	11,537
Subtotal Cooperative Endangered Species Conservation Fund			45,564
Passed through Oregon State Marine Board:			
Clean Vessel Act	15.616	N/A	1,800
Clean Vessel Act	15.616	Agreement No. 1600	19,338
Passed through Washington Department of Fish & Wildlife:			
State Wildlife Grants	15.634	WA-S-2015-043-0	4,933
Endangered Species Conservation-Recovery Implementation Funds	15.657	F15AC000653	3,371
Endangered Species Conservation-Recovery Implementation Funds	15.657	F17AC00620	2,161
Endangered Species Conservation-Recovery Implementation Funds	15.657	F15AC00681	8,957
Subtotal Endangered Species Conservation-Recovery Implementation Funds			14,489
Passed through Oregon Parks and Recreation:			
Outdoor Recreation Acquisition, Development and Planning	15.916	NPS 41-01582	6,696
Total U.S. Department of the Interior			149,244
U. S. DEPARTMENT OF TRANSPORTATION			
Federal Highway Administration-			
Highway Planning and Construction Cluster-			
Passed through Oregon Department of Transportation:			
2018 Planning & 2016 Planning Carryover Funds	20.205	ODOT # 31948	1,720,751
2018 STP & 2016 STP Carryover Funds	20.205	ODOT # 31948	1,522,737
2018 Powell-Division STP & 2017 Carryover Funds	20.205	ODOT # 31948	529,220
2018 TSMO STP & 2016 Carryover Funds	20.205	ODOT # 31948	81,522
2018 Technical Studies (Sec 5303) Funds	20.205	ODOT # 31948	565,116
Individualized Marketing Travel Options	20.205	ODOT # 30843	170,180
Powell-Division FHWA SPR Funds	20.205	ODOT # 31416	26,176
Economic Value Atlas Planning Study	20.205	ODOT # 30681-02	38,638
Total Highway Planning and Construction Cluster			4,654,340

METRO
Schedule of Expenditures of Federal Awards
For the fiscal year ended June 30, 2018

Grantor and Program Title	Federal CFDA Number	Grant/Pass Through Number	Federal Expenditures
Federal Transit Administration-			
Federal Tranist - Capital Investment Grants-			
Direct Programs:			
Southwest Corridor Equitable Development Strategy (SWEDS)	20.500	OR-2017-013-00	185,870
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research-			
Passed through Oregon Department of Transportation:			
Additional RPTD Sec 5303 funds for RTP Update	20.505	ODOT # 30943	77,070
Federal Transit Formula Grants-			
Direct Programs:			
Surface Transportation Funds			
Regional Travel Options	20.507	OR-2018-020-00	2,010,782
Passed through to subrecipients:			
Beaverton School District 48	*20.507*	*0000933347*	*21,479*
Beaverton School District 48	*20.507*	*0000934625*	*27,042*
City of Gresham	*20.507*	*0000933337*	*12,873*
City of Lake Oswego	*20.507*	*0000933335*	*14,000*
City of Milwaukie	*20.507*	*0000934627*	*7,500*
City of Portland	*20.507*	*0000933338*	*169,331*
City of Portland	*20.507*	*0000934628*	*94,424*
City of Tigard	*20.507*	*0000933346*	*13,887*
City of Tigard	*20.507*	*0000934629*	*56,663*
Clackamas Community College	*20.507*	*0000934630*	*21,732*
Clackamas County	*20.507*	*0000934631*	*15,895*
Community Cycling Center	*20.507*	*0000934632*	*120,549*
Multnomah County	*20.507*	*0000934634*	*24,624*
Oregon Walks	*20.507*	*0000933658*	*7,797*
Oregon Walks	*20.507*	*0000934635*	*40,610*
Portland Community College	*20.507*	*0000933339*	*32,965*
Portland Community College	*20.507*	*0000934636*	*37,573*
Portland Public Schools	*20.507*	*0000933340*	*(25,000)*
Portland State University	*20.507*	*0000931979*	*11,700*
Ride Connection Inc.	*20.507*	*0000933344*	*34,447*
Ride Connection Inc.	*20.507*	*0000934637*	*62,128*
The Street Trust Community Fund	*20.507*	*0000934626*	*119,767*
Tri Met	*20.507*	*0000931908*	*18,571*
Washington County	*20.507*	*0000933349*	*13,598*
Washington Park Transportation	*20.507*	*0000934633*	*32,121*
West Columbia Gorge Chamber of Commerce	*20.507*	*0000933351*	*35,248*
Westside Transportation Alliance Inc.	*20.507*	*0000933345*	*51,398*
Westside Transportation Alliance Inc.	*20.507*	*0000934639*	*64,822*
Subtotal Regional Travel Options Grants			2,273,722
Alternative Analysis-			
Direct Programs:			
Streetcar/Eastside/LO-PDX (Sec 5339)	20.522	OR-39-0002	511
Total U.S. Department of Transportation			6,928,573
U. S. Environmental Protection Agency			
Passed through State of Oregon Business Development:			
Metro Coalition Assessment Grant	66.818	BF-01J23701-0	267,248
Total U.S. Environmental Protection Agency			267,248
Total Expenditures of Federal Awards			**$ 7,418,956**

The accompanying notes are an integral part of this schedule.

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, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 principles contained in the Uniform Guidance wherein certain types of expenses are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where applicable. 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 – ELECTION OF DE MINIMUS INDIRECT RATE

During the current year end, June 30, 2018, Metro did not elect to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: 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 2 CFR 200.516(a)? ☐ Yes ☒ No

Identification of major federal programs and type of auditor's report issued on compliance for major federal programs:

CFDA Number(s)	*Name of Federal Program or Cluster*	*Type of Auditor's Report Issued on Compliance for Major Federal Programs*
20.205	Highway Planning and Construction Cluster	Unmodified

Dollar threshold used to distinguish between type A and type B programs: $ 750,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

Section II - Financial Statement Findings

FINDING 2018-001 – Capital Assets, Significant Deficiency in Internal Control over Financial Reporting

Criteria or specific requirement:

GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,* states capital assets should be depreciated over their estimated useful lives. Depreciation expense should be measured by allocating the net cost of depreciable assets (historical cost less estimated salvage value) over their estimated useful lives in a systematic and rational manner.

Section II - Financial Statement Findings (continued)

Condition:

Two conditions existed as a result of our audit procedures. First, Metro did not have adequate internal control procedures in place to ensure asset lives were correctly entered into the system. Secondly, Metro did not have adequate internal control procedures in place to periodically review assets placed in service to verify such assets were appropriately transferred from construction in progress.

Context:

As it relates to the first condition, during our internal control testing procedures, we randomly selected 29 items for testing to ensure the useful life appeared appropriate. During our testing, we identified two items where the useful life was not appropriately updated from 12 months, the system's default useful life. The two errors identified were assets that should have been depreciated over 180 and 360 months, respectively.

As it relates to the second condition, during our analysis of depreciation expense, we identified several opinion units where assets that were included in construction in progress had actually been placed in service prior to 2018. This resulted in a catch-up depreciation entry recorded in the current year.

Effect:

The effect of the two conditions resulted in errors identified totaling $4,827,451 for the Oregon Zoo Fund and $1,033,077 for the Solid Waste Fund. The errors identified for the Oregon Zoo Fund were the result of too much depreciation expense being recognized in the current year whereas the errors identified for the Solid Waste Fund were the result of too little depreciation expense being recognized in the current year.

Cause:

Metro did not have adequate internal controls in place to review capital assets being placed in service.

Recommendation:

We recommend a control be implemented to ensure review of the asset life once it has been entered into the capital assets management system to ensure the asset lives are correct. We further recommend assets being transferred from construction in progress be periodically reviewed to ensure asset lives are assigned and depreciated appropriately once the construction in progress is placed in service.

Views of responsible officials: Metro understands and concurs with this finding.

FINDING 2018-002 – Payroll, Significant Deficiency in Internal Control Over Compliance

Criteria or specific requirement:

Hours worked by employees must be calculated appropriately based on actual hours worked and those hours should be approved by the employee's supervisor.

Section II - Financial Statement Findings (continued)

Condition:

Two conditions existed as a result of our audit procedures. First, during our payroll testing, we noted hours reported in Metro's timekeeping system, Kronos, did not agree with hours reported in Metro's general ledger system, PeopleSoft. Hours are transferred from Kronos to PeopleSoft. Periodically, PeopleSoft will adjust the number of hours worked on a project in order to compensate for the variation of hours in each pay period or an unusual work schedule.

Secondly, Metro did not have the appropriate controls in place to ensure timecards are reviewed and approved prior to the employee being paid.

Context:

As it relates to the first condition, we randomly selected 25 employees and recalculated total pay using hours reported in Kronos and the employee's hourly rate. Of the 25 employees tested, we identified variances greater than $0.50 in 14 of the 25 tested. As a result of our testing as noted above, we identified four instances where the grant was overcharged for a total of $95.60 and ten instances where the grant was undercharged for a total of $264.11.

As it relates to the second condition, we randomly selected 45 employees for testing. Of the 45 timecards tested, we noted there was not proper approval of timecards for three of the items tested.

Effect:

Metro could overcharge or undercharge a Federal grant for hours worked if there are differences in total hours reported in Kronos versus hours reported in PeopleSoft or if there are hours inappropriately recorded on an employee's timecard that is not reviewed prior to the employee being paid.

Cause:

Metro did not have the adequate controls in place to verify hours worked per Kronos agreed to hours worked to PeopleSoft, nor does Metro have adequate controls in place to ensure employee's timecards are approved prior to payment.

Recommendation:

We recommend Metro implement controls to ensure no adjustments can be made to the hours reported in Kronos when transferred to PeopleSoft. We further recommend Metro establish a control to verify the hours agree between systems each pay period. Finally, we recommend timecards be reviewed prior to the employee being paid. This documentation should be maintained for audit trail purposes. If obtaining documentation of review prior to payroll being paid is not possible, we recommend a lookback be performed and documentation of review be obtained subsequent to the processing of payroll. If this occurs, we recommend limiting the amount of time that passes between the payment of payroll and the approval of hours.

Section II - Financial Statement Findings (continued)

Views of responsible officials: Metro understands and concurs with this finding.

Section III - Federal Award Findings and Questioned Costs

None noted

METRO

Summary Schedule of Prior Audit Findings

For the fiscal year ended June 30, 2018

No findings identified in the prior year.

Finding: 2018-001 – Capital Assets, Significant Deficiency in Internal Control over Financial Reporting

Corrective Action Plan: Metro will implement procedures to strengthen the internal controls over the accounting for capital assets. We will update our internal control procedures to periodically, 1) review and ensure capital asset lives were correctly entered into the system, and 2) review and ensure that the completed construction in progress assets are placed in service on the correct dates.

Position of Responsible Official: Timothy C. Collier, Finance and Regulatory Services Director

Anticipated completion date: June 30, 2019

Finding: 2018-002 – Payroll, Significant Deficiency in Internal Control over Compliance

Corrective Action Plan: Metro completed a transition from a semi-monthly to bi-weekly payroll cycle. This change resolved the technical issue where PeopleSoft would adjust the number of hours worked on a project due to the variability of hours in pay periods. This issue only affected salaried staff and did not impact their earnings, only the amount that was charged to a particular project. In addition, management has implemented procedures to balance the hours entered in the timekeeping system, Kronos, with the amount in the general ledger system, PeopleSoft. Current procedures dictate that timecards are reviewed and approved prior to payroll processing. Management will conduct a review of the process to determine an appropriate control to ensure approval occurs prior to payment while maintaining our legal responsibility to compensate employees on a regular schedule.

Position of Responsible Official: Timothy C. Collier, Finance and Regulatory Services Director

Anticipated completion date: June 30, 2019