

600 NE Grand Ave.
Portland, Oregon
97232-2736

CAFR

**Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2013**



Metro | *Making a great place*

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

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

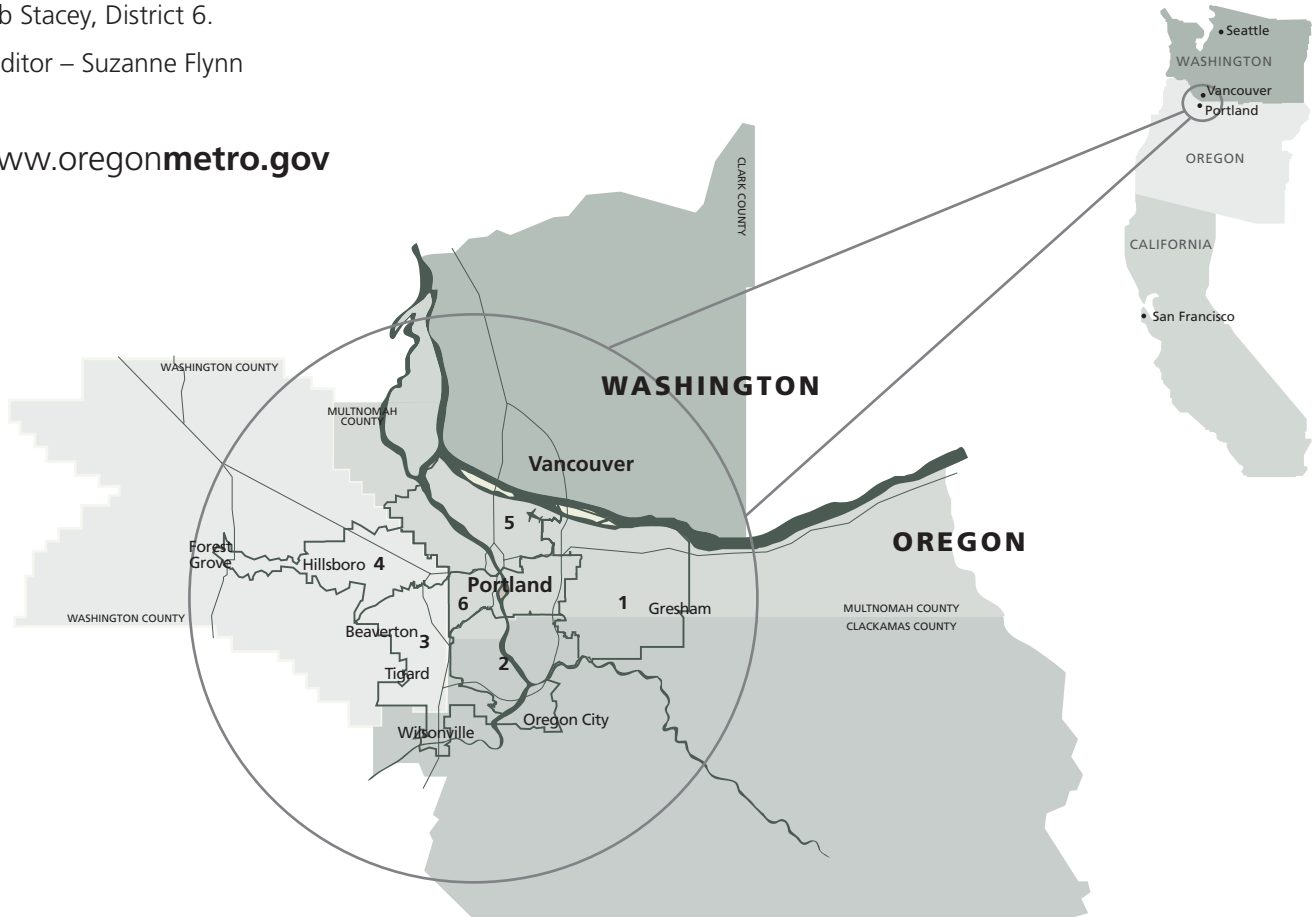
Your Metro representatives for the year ending June 30, 2013

Metro Council President – Tom Hughes

Metro Councilors – Shirley Craddick, District 1;
Carlotta Collette, District 2; Craig Dirksen, District 3;
Kathryn Harrington, District 4; Sam Chase, District 5;
Bob Stacey, District 6.

Auditor – Suzanne Flynn

www.oregonmetro.gov



Metro CAFR

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2013

Finance and Regulatory Services Department

Finance and Regulatory Services Director
Timothy C. Collier

Prepared by
Accounting Services Division

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

Financial Reporting and Control Supervisor
Karla J. Lenox, CPA, CGMA



Metro | *Making a great place*

600 NE Grand Ave., Portland, Oregon 97232

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November 19, 2013

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, 2013, accompanied by the report of Metro's independent auditors, Moss Adams, LLP.

The Comprehensive Annual Financial Report (CAFR) presents the financial position of Metro as of June 30, 2013, and the results of its operations, as well as cash flows for its proprietary fund types for the fiscal year ending on that date. The financial statements and supporting schedules have been prepared by management in accordance with accounting principles generally accepted in the United States of America (GAAP), meet the requirements of the standards as prescribed by the Oregon Secretary of State and are in conformance with the guidelines for financial reporting developed by the Government Finance Officers Association of the United States and Canada.

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

Internal controls. 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 generally accepted accounting principles (GAAP). The design and operation of internal controls also ensures that federal and state financial assistance funds are expended in compliance with applicable laws and regulations related to those programs. Because the cost of internal controls should not outweigh their benefits, Metro's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. We assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Independent audit. In accordance with Oregon law, Metro's financial statements have been audited by Moss Adams, LLP. The auditor issued an unmodified ("clean") opinion on Metro's financial statements for the year ended June 30, 2013 (see pages 14 -16). The independent audit of the financial statements was performed in accordance with applicable auditing standards as described by Moss Adams, LLP in their reports included in this document.

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

Profile of Metro

Metro crosses city limits and county lines to make our communities safe, livable and ready for tomorrow. From protecting our region's air, water and natural beauty to supporting neighborhoods, businesses and farms that thrive, Metro makes our region a great place. Metro serves more than 1.6 million residents in Clackamas, Multnomah and

Washington counties, and the 25 cities in the Portland, Oregon metropolitan area. Metro, the only directly elected regional government in the United States, is governed by a president, elected region wide, and six councilors elected by district.

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

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

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

In 1994 Metro assumed management responsibility for the Multnomah County parks system and the Portland Exposition Center (Expo). Ownership of these facilities was transferred to Metro on July 1, 1996. In 1995 voters approved a \$135.6 million bond measure to acquire and protect open spaces, parks and streams. The funds have been used to purchase regionally significant open spaces in 14 target areas and six regional trails and greenway areas; construct three regional nature parks and fund 90 local parks projects with local government partners. Because of the demonstrated success, voters approved a second \$227.4 million bond in 2006 to preserve natural areas and stream frontages, maintain and improve water quality, and protect fish and wildlife habitat.

Metro has emerged as a leader of regional initiatives – a collaborative partner, facilitator, technical assistance provider, process manager and advocate. Metro has involved regional homebuilders in the Nature in Neighborhoods program, teaching them how to develop projects that minimize water runoff and impacts on natural areas. Metro and its county partners recently reached a historic collaborative agreement to guide the future growth of the region for the next 50 years, setting aside 28,615 acres for future development if needed and protecting 266,954 acres of farms, forests and natural areas. Additionally, the 2040 Growth Concept, adopted in 1997, guides the management of the Urban Growth Boundary, efficient use of land, protection of farmland and natural areas, a balanced transportation system, a healthy economy and diverse housing options. Metro recently completed a three-year engagement process with its regional partners and the public to update the 2040 Plan. Called "Making a Great Place," this plan update demonstrates how new and renewed urban centers can integrate housing, shopping, business and recreation with pedestrian-friendly streets and easy access to transportation and forges unprecedented agreements that determine the location and scale of urban development for the next 50 years. These same agreements determine which natural features are protected from development and which lands the region believes are most valuable maintained as farms and forests over that same period.

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

Reporting Entity

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

Factors Affecting Financial Condition

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

Local economy. The Portland metropolitan region (i.e., the Portland-Vancouver-Hillsboro, OR-WA Metropolitan Statistical Area (Portland MSA)) is home to over 2.26 million residents, nearly 1.65 million of those residing within the Metro boundary. The “economic region” is comprised of five counties in Oregon and two other counties in Washington. The Portland metropolitan area is a hub for financial activities, domestic and international trade, transportation and services for Oregon, southwest Washington and the Columbia River basin.

Referring to U.S. Bureau of Economic Analysis statistics released in June 2013, the business news website *CNNMoney* noted that Oregon has the third fastest-growing state economy, behind only North Dakota and Texas. Oregon has a mix of manufacturers such as Intel, Precision Castparts, and Freightliner, located in the Metro region, which contributed two-thirds of that “meteoric” growth, according to information from the Port of Portland. Oregon manufacturing output is now ahead of output in traditional manufacturing states like Indiana, Michigan and Pennsylvania, according to the Port of Portland’s *Portside* report of fall 2013. Oregon ranks sixth nationwide in manufacturing output and manufacturing accounts for 69 percent of the value of the state’s overall exports. Combined with exports in computer equipment and related products, the high tech industry accounted for 39 percent of merchandise exports in 2012.

Since 2002, the export of Oregon’s goods has grown 34 percent faster than state gross domestic product, or 7.5 percent versus 5.6 percent. The total value of traded commodities, imports and exports, increased 30 percent from 2009 to 2012, according to the Port of Portland report. Air and marine cargo shipments through the Port of Portland had been growing steadily since the close of the recession, but sagged somewhat for calendar year-to-date (through September 2013). Air cargo tonnage estimates had been steadily increasing since the first-half of 2010. As of September 2013, air cargo tonnage was down 0.5 percent year-to-date over the prior year and air passenger traffic was up 3.8 percent.

Marine terminals reported mineral bulk tonnage up 2 percent for the calendar year through September 2013, while grain tonnage was down 25.9 percent. Total containers discharged and loaded were up 1.9 percent and breakbulk tonnage was unchanged for the calendar year-to-date through September 2013 (Port of Portland).

According to the State of Oregon Office of Economic Analysis, September 2013 *Oregon Economic and Revenue Forecast*, the Portland MSA remains the largest in the state in terms of outright job growth at 20,000 jobs per year since 2011. The unemployment rate for the Portland MSA was higher than the national rate from August 2008 to April 2011. Recently, the gap in these rates has lessened and by August 2013 the unemployment rate for both the United States and the Portland MSA stood at 7.3 percent, according to a report published by Greater Portland Pulse.

The region has seen annual population growth vary from a peak of 2.5 percent in 2001 to a low of 0.9 percent in 2004. According to the U.S. Census Bureau, Portland's growth rate was 1.55 percent from July 2011 to July 2012, ranking 32nd among the 100 largest cities in the United States. Beaverton, Hillsboro and Gresham experienced similar increases of 1.42 percent, 1.49 percent and 1.29 percent respectively. As the economy has rebounded, population growth from migration and natural increases have begun to revert closer to the longer trends seen in the last few decades.

Outlook. According to the state's September 2013 analysis, overall revenue growth is expected to remain modest from a historical perspective. Job gains will not match the pace seen during previous periods of economic expansion but will accelerate. As of June 2013, Oregon-specific leading economic indicators pointed toward continued growth in the local economy which bodes well for employment gains in the short term. The recent acceleration of private sector employment growth in Oregon is expected to hold steady over the next two years. The unemployment rate is still expected to decline slowly and it will not be until 2015 before the unemployment rate falls below 7 percent in Oregon, according to the state's forecast.

The population outlook reflects the Metro region having a population of 1.95 million in 2035, up from 1.49 million in 2010. Personal income is projected to increase 2 percent in 2013, followed by increases of 5 percent and 5.1 percent in 2014 and 2015, respectively. As the economy continues to improve, demand for new houses will rise. Housing starts statewide total nearly a 15,000 annualized rate, a growth of 80 percent over the recessionary lows of 2009 and 2010. The state forecast calls for starts to reach 16,500 in 2014 and 19,800 in 2015, and average slightly over 23,000 per year over the long term.

Metro still faces significant fiscal challenges. As has been true for several years, the major factors driving Metro's budget relate to the economic slowdown. Some portions of the economy appear to be recovering – especially the visitor economy – and this recovery has relieved the pressure on some of Metro's services. In other cases, Metro's revenues lag significantly behind the economy, and it will be several years before revenues recover to the same levels seen in fiscal year 2007. In addition, federal transportation funding has declined, affecting both general transportation system planning and specific project planning. In still other cases, the economy has permanently "reset." For example, revenue from interest earned on investments may never return to pre-2006 levels.

Long-term Financial Planning and Major Initiatives

Long-term financial planning. Since 2008 Metro has relied on its financial policies and discipline to weather the national recession. Operating revenues have been generally slow-growing or flat while costs have continued to increase. Decision-making has centered on focus and financial sustainability for the future. An important tool for building Metro's budget is the five-year forecast for its primary operating funds: the General Fund, the Metropolitan Exposition Recreation Commission (MERC) Fund and the Solid Waste Revenue Fund. Each budget cycle begins with a review of how the funds are performing, what factors affect the funds that are global assumptions and what factors are related to the specific nature of the operations that result in individual assumptions.

With strategic foresight and the help of Metro's labor organizations, Metro has blunted the rise in labor costs. Basic

principles of protecting assets, committing one-time money to one-time purposes and requiring enterprise operations to perform to a hard bottom line have served Metro well. Metro has been making careful choices and has been able to avoid disruptive service cutbacks or service eliminations that other agencies have had to face.

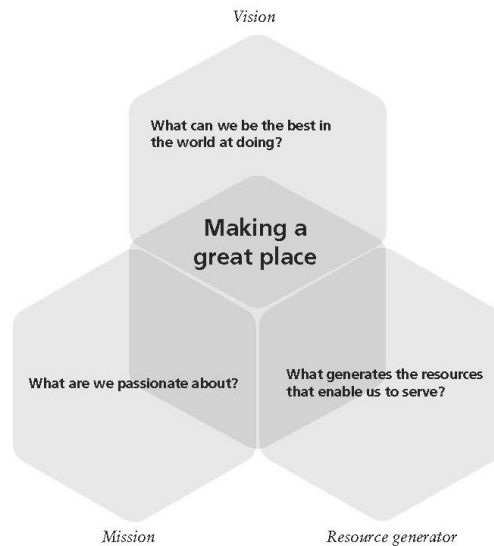
Metro’s budgets are anchored by the region’s six desired outcomes. Developed by the region and adopted by the Metro Council in 2010 as part of the region’s growth management policies, the six outcomes help all leaders and their communities focus on what makes this region a great place. The Metro Council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



As Metro looks toward the future, it remains organized around four principles:

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

Metro uses its Compass (shown in the diagram below) to assess how its efforts and limited resources align with and support the regional outcomes. Each budget proposal is tested against the compass with Metro’s values clearly in mind.



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

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

Major initiatives. The budget for fiscal year 2014 reflects an agency that has been strategic and prudent in managing through the economic downturn and reflects a focus on maintaining excellent core services over the next three to five years while implementing the Metro Council's key initiatives.

In the fiscal year 2014 budget, Metro will deliver its core services with excellence and efficiency to demonstrate how it operates to the 5 million people that directly use its visitor venue, parks and solid waste services. Metro will commit nearly \$200 million in meeting this daily, operational requirement. If these direct public service programs are the daily essence of Metro, the key initiatives are the future.

Metro will continue to deliver on the bond promises for Natural Areas acquisition and protection as well as leveraging local projects through local share and grant programs. More than \$35 million in natural areas land acquisition purchases are expected in the next five years. Metro will continue design and construction planning to create a new elephant habitat, four times its current size, which accounts for nearly \$57 million under the 2008 Zoo Infrastructure and Animal Welfare bond authorization. Additional projects budgeted in the next five years under the zoo bond include the \$14 million Education Center and the \$19.5 million Polar Bear Habitat.

Over the next five years, \$10.5 million in capital spending is expected from the Parks and Natural Areas Levy passed by voters in May 2013. Major projects at Blue Lake Park include playground/restroom renovations (\$850,000) and office/maintenance building renovations (\$500,000). Most major non-Levy capital projects in Parks and Environmental Services are funded by reserves in the Solid Waste Revenue Fund: St. John's Landfill Remediation (\$2 million) and four compactor replacements at Metro's transfer station (\$1 million to \$1.4 million each).

The largest capital projects budgeted at MERC in the next five years are all at the Oregon Convention Center, including the original roof replacement (\$2.8 million), carpet replacement (\$2.2 million) and expansion side roof replacement (\$1.8 million), all funded by renewal and replacement fund balance.

The Metro Council positions the agency for the future by directing specific policies, programs and projects. These may include specific enhancements to current programs or strategic investments to assess and understand emerging needs. The fiscal year 2014 budget includes:

- The fourth year of a multi-year commitment to the Community Investment Initiative (\$482,000)
- Continued Development Opportunity funding (\$200,000)
- Development of an agency specific equity strategy (\$567,000)
- Staff and financial resources committed to finding a solution to the persistently identified need for a large hotel room block to boost convention bookings (\$419,000)
- Funding for the multi-year effort to define the best approach for Metro to dispose of the region's solid waste after 2019, the Solid Waste Roadmap (\$399,000)

The Council has also identified key initiatives that will continue to engage Metro in the coming years. The fiscal 2014 budget includes continued staffing to support Oregon City's work to redevelop the Willamette Falls property in support of local aspirations while providing protection of appropriate historic resources and improved public access to the falls.

Using the regional outcomes and the Metro compass, some programs, activities and staffing have been reduced in the fiscal 2014 budget to meet the available resources and to avoid more severe reductions in the future. Authorized positions, overall, have been increased 7.85 full-time equivalent (FTE), primarily due to an increase in FTE tied to the Local Option Levy for parks and natural areas. Major collective bargaining agreements are in place and include escalators tied to a consumer price index that is seeing its first significant increase in three years. Without the collaboration of Metro's collective bargaining units in the current year, the cost increases would have been more significant.

The most significant policy and programmatic changes appear in Planning and Development. The budget continues to shift this department's focus to on-the-ground implementation of projects that make great places, implementing the 2040 Vision. Federal transportation funding and specific project grant funding are in short supply. The budget includes continued work on the Southwest Corridor Plan, Climate Smart Communities, the Urban Growth Report, the Regional Transportation Plan and the Powell-Division Corridor Plan.

Each year the budget provides Metro an opportunity both to respond to short-term needs and to prepare for the longer term. Metro recognized early on that the 2008 economic plunge could be long lasting and could require permanent, rather than temporary changes. Strong financial policies were already in place, and Metro has remained disciplined in following them in the fiscal year 2014 budget.

Relevant Financial Policies

Comprehensive financial policies are reviewed annually and provide the basic framework for the overall fiscal management of the agency. The policies are designed to operate independently of changing circumstances and conditions and help safeguard Metro's assets, promote effective and efficient operations, and support the achievement of Metro's strategic goals. The policies were last reviewed by the Metro Council on June 20, 2013, as published in its adopted budget.

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

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

Debt management policies provide that Metro shall issue long-term debt only to finance capital improvements (including land acquisition) that cannot be readily financed from current revenues, or to reduce the cost of long-term financial obligations. Metro will not use short-term borrowing to finance operating needs unless specifically authorized by Council. Further, Metro will repay all debt issued within a period not to exceed the expected useful life of the improvements financed by the debt. Metro followed these policies during the fiscal year ended June 30, 2013.

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

A further detailed discussion of Metro's financial policies and plans for the future can be found in *Metro's 2013-14 Adopted Budget*.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Metro for its comprehensive annual financial report for the fiscal year ended June 30, 2012. This was the twenty-first consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

In addition, Metro also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2012. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide and as a communications device. This was the sixteenth consecutive year that Metro received this award.

Acknowledgements

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

Respectfully submitted,



Martha J. Bennett
Chief Operating Officer



Timothy C. Collier
Finance and Regulatory Services Director



Government Finance Officers Association

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

Presented to

**Metro
Oregon**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

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

Executive Director/CEO

GFOA Award

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Elected Officials

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

Appointed Officials

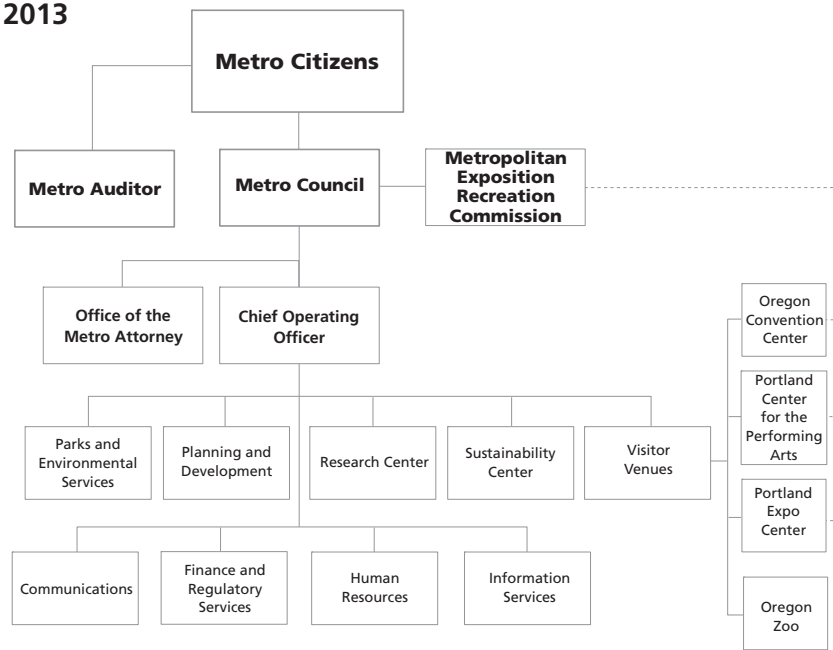
Name	Position
Martha Bennett	Chief Operating Officer
Scott Robinson	Deputy Chief Operating Officer
Alison Kean	Metro Attorney
Timothy Collier	Interim Finance and Regulatory Services Director
Mary Rowe	Human Resources Director
Jim Middaugh	Communications Director
Rachel Coe	Information Services Director
Kim Smith	Oregon Zoo Director
Steve Wheeler	Interim Planning and Development Director
Scott Robinson	Interim Research Center Director
Paul Slyman	Parks and Environmental Services Director
James Desmond	Sustainability Center Director
Teri Dresler	General Manager of Visitor Venues
Scott Cruickshank	Oregon Convention Center Director
Matthew Rotchford	Portland Exposition Center Director
Robyn Williams	Portland Center for the Performing Arts Director

Registered Agent

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

Organizational Structure

as of June 30, 2013



METRO ELECTED OFFICIALS

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

Metro Auditor– Suzanne Flynn

OPERATING DEPARTMENTS

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

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

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

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

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

ADMINISTRATIVE AND SUPPORT SERVICES

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

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

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

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

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

Information Services: Supplies technology-based leadership and solutions.

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





Suzanne Flynn
Metro Auditor

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

November 19, 2013

To the Metro Council and Residents of the Metro Region:

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

Following this letter is the independent auditor's report on Metro's financial statements as of June 30, 2013. In addition to the above report, Metro is required to have an audit of its expenditures of federal awards in accordance with the U.S. Office of Management and Budget Circular A-133 and the provisions of *Government Auditing Standards* issued by the Comptroller General of the United States. The necessary reports pertaining to Metro's internal control, compliance with applicable laws, regulations, grants and the Schedule of Expenditures of Federal Awards for the year ended June 30, 2013 are included in the last section of this report, Audit Comments and Disclosures Required by State and Federal Regulations.

Each year, the audit process has improved and made administration run smoothly. I would like to congratulate the Metro staff on their dedication to doing quality work.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read 'Suzanne Flynn'.

Suzanne Flynn
Metro Auditor

REPORT OF INDEPENDENT AUDITORS

Metro Council and Metro Auditor
Portland, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Metro, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Metro's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Metro, as of June 30, 2013, 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 17 through 33; the schedules of revenues, expenditures and changes in fund balance – budget and actual and related notes (the “budgetary schedules”); and the schedule of funding progress for the other postemployment benefits on pages 83 through 86, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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

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

Supplementary Information

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

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

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2013, on our consideration of Metro's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Metro's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 19, 2013, 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, 2013

Management's Discussion and Analysis For the fiscal year ended June 30, 2013

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, 2013. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages 1 - 8 of this report. This information is based upon currently known facts, decisions or conditions.

FINANCIAL HIGHLIGHTS

- Metro's assets and deferred outflows of resources exceed its liabilities (also defined as net position) by \$537,031,738 at June 30, 2013, which reflects an increase of 5.4 percent or \$27,570,244 over the prior fiscal year. Of this amount, \$36,734,730 represents unrestricted net position, which may be used to meet Metro's ongoing obligations to citizens and creditors
- Metro completed the fiscal year with its governmental funds reporting *combined* fund balances of \$206,354,642. This is down considerably from the prior fiscal year, due mainly to capital spending on Natural Areas and Oregon Zoo Infrastructure and Animal Welfare bond projects. In addition, with the retirement of the Oregon Convention Center 2001 Series and Open Spaces Parks and Streams 2002 series debt, only one issue still has obligations due early in the fiscal year before property taxes are received resulting in a significantly smaller fund balance restricted for debt service at June 30, 2013. Of the total amount of governmental combined fund balance, \$25,530,229 or 12.4 percent, is considered available for spending at Metro's discretion (*unassigned* fund balance).
- At the end of fiscal year 2013, unrestricted fund balance (the total of the *committed*, *assigned* and *unassigned* components of fund balance) in the general fund totaled \$30,957,876 and represents approximately 42.1 percent of total general fund expenditures.
- Metro's total outstanding long-term liabilities decreased \$43,320,666 or 11.6 percent during the current fiscal year as a result of the payment of regularly scheduled maturities of principal on outstanding bonds payable and the refunding of Full Faith and Credit Refunding Bonds, 2003 Series. This refunding defeased the bonds and resulted in a reduction in debt service of \$889,376 over 10 years and a present value savings of \$1,284,311. The amount of outstanding long-term debt is after restating fiscal year 2012 for the amount of the deferred charge on refunding that is now reflected as a deferred outflow of resources on the Statement of Net Position, and for the amount of previously deferred bond issuance costs which were recognized as an expense in accordance with *GASB Statement No. 65, Items Previously Reported as Assets and Liabilities*. Metro implemented this statement in fiscal year 2013 as discussed in detail in note IV to the financial statements.
- Metro acquired ownership of 471 acres of additional natural areas from willing sellers from the proceeds of the Natural Areas general obligation bonds bringing the overall bond acquisition total to 4,586 acres. The total capitalized cost for the property and easements acquired and stabilized in the current fiscal year under this program was \$11,083,544.
- The Oregon Zoo began construction for the Elephant Lands major capital project work under the Oregon Zoo Infrastructure and Animal Welfare Bond program during fiscal year 2013. The Tiger Plaza was demolished and converted into a catering area and picnic space, and the new Wild Life Live building renovation and a new service road were underway as additional projects during the fiscal year. These and other related projects are all funded by bond proceeds with total capitalized costs in fiscal year 2013 of \$8,432,868.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

contained in the financial statements and are considered integral to the understanding of the financial statements. This report also includes *supplementary information* intended to furnish additional detail to support the basic financial statements.

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

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

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

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

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

Business-type activities – Activities supported by charges for services and fees to customers to help cover the costs of certain services. These activities consist of the *Solid Waste* and Metropolitan Exposition Recreation Commission (MERC) operations. Solid waste operations include the operation of two transfer and recycling centers (Metro South and Metro Central), household hazardous waste collection centers, paint recycling center and other solid waste system programs. MERC operations include the Oregon Convention Center (OCC), Portland Center for the Performing Arts (PCPA) and 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 35 - 39 of this report.

Fund financial statements. The *fund financial statements* focus on individual parts of Metro and report Metro's operations in more detail, and on a different basis of accounting, than the government-wide statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Metro, like other state and local governments, uses fund accounting to ensure and demonstrate

compliance with finance related legal requirements – including bond covenants and Oregon local budget law requirements. The funds of Metro can be classified into two categories:

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

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

Metro maintains eight 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 four funds considered to be major: General, General Obligation Bond Debt Service, Oregon Zoo Infrastructure and Animal Welfare, and Natural Areas funds. Data from the other four governmental funds (Smith and Bybee Lakes, Rehabilitation and Enhancement, Open Spaces and Cemetery Perpetual Care) are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

Metro adopts an annual appropriated budget for all funds. Budgetary comparison schedules for all appropriated funds are provided following the notes to the financial statements to demonstrate compliance with the adopted budget. Of special note, a portion of one budgetary fund (the General Revenue Bond Fund) and one additional entire budgetary fund (General Asset Management Fund) are allocated to the General Fund and combined with those operating activities for reporting in conformance with generally accepted accounting principles in the governmental fund financial statements. The remaining portion of the budgetary General Revenue Bond Fund is allocated to the MERC Fund for proprietary fund presentation noted below.

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

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

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

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

The proprietary fund financial statements can be found on pages 47 - 52 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 53 - 80 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 Metro's General Fund budget-to-actual results and its progress in funding its other post-employment healthcare benefit obligations. RSI can be found on pages 81 - 86.

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 87-112.

In presenting the financial statements and disclosures, Metro implemented in fiscal year 2013 the following new GASB statements (GASBS) where applicable:

- GASBS No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*
- GASBS No. 61, *The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34*
- GASBS No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*
- GASBS No. 65, *Items Previously Reported as Assets and Liabilities*

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

Net position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Metro's assets and deferred outflows of resources exceed liabilities (defined as net position) by \$537,031,738 at June 30, 2013. The following table, restating fiscal year 2012 for the implementation of GASB statements No. 63 and 65 noted earlier (see note IV to the financial statements), reflects the condensed Government-wide Statement of Net Position.

Metro's Net Position						
	Governmental Activities		Business-type Activities		Total - Primary Government	
	2013	2012 restated	2013	2012 restated	2013	2012 restated
Current and other assets	\$ 247,541,046	284,875,288	80,503,726	74,865,509	328,044,772	359,740,797
Capital assets	373,377,735	352,662,918	192,949,042	197,513,974	566,326,777	550,176,892
Total assets	620,918,781	637,538,206	273,452,768	272,379,483	894,371,549	909,917,689
Total deferred outflows of resources	1,819,473	2,290,971	491,409	534,452	2,310,882	2,825,423
Long-term liabilities outstanding	305,473,089	346,791,732	23,157,290	25,159,313	328,630,379	371,951,045
Other liabilities	18,953,742	18,663,729	12,066,572	11,300,927	31,020,314	29,964,656
Total liabilities	324,426,831	365,455,461	35,223,862	36,460,240	359,650,693	401,915,701
Net position:						
Net investment in						
capital assets	271,978,616	237,849,839	182,360,721	186,405,139	454,339,337	424,254,978
Restricted	43,460,675	48,436,372	2,496,996	2,001,535	45,957,671	50,437,907
Unrestricted	(17,127,868)	(13,149,913)	53,862,598	47,918,522	36,734,730	34,768,609
Total net position	\$ 298,311,423	273,136,298	238,720,315	236,325,196	537,031,738	509,461,494

METRO

Management’s Discussion and Analysis, *continued*
For the fiscal year ended June 30, 2013

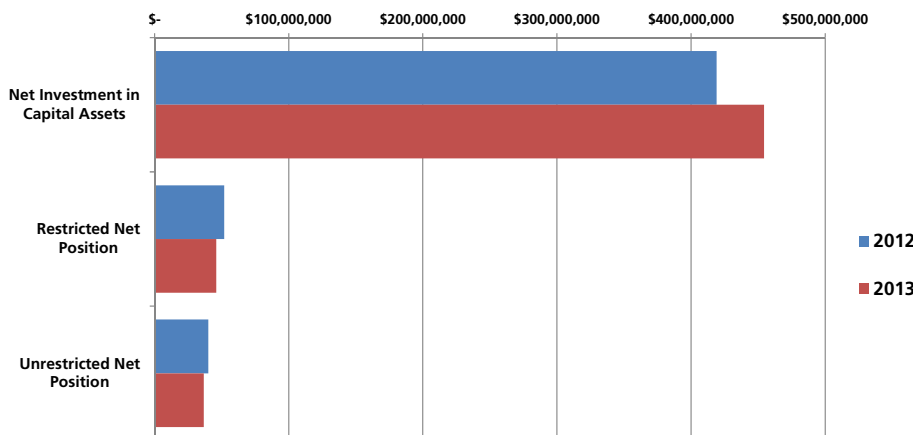
Metro’s governmental activities account for the most significant portion of total net position – totaling \$298,311,423 or 55.5 percent, whereas business-type activities account for \$238,720,315 or 44.5 percent.

Of Metro’s total net position, 84.6 percent of the total reflects its net investment in capital assets (e.g., headquarters offices, zoo exhibits, open spaces and natural areas property, parks, transfer stations, and other significant assets), less any related outstanding debt that was used to acquire those assets. Metro uses these capital assets to provide services to its citizens, therefore, this amount is not available for future spending. Although Metro’s investment in its capital assets is reported net of the related debt, it should be noted that the resources needed to repay this debt must come from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of Metro’s net position (8.6 percent) represents resources that are subject to external restrictions on how they may be used. External restrictions for specific purposes include Transit Oriented Development (TOD), Smith and Bybee Lakes management plan, capital projects funded by bond proceeds, donations or contractual requirements, community rehabilitation and enhancement, cemetery perpetual care, and debt service. The restricted component of net position decreased \$5,846,153 or 11.3 percent from the amount at June 30, 2012. Governmental activities restricted component of net position decreased primarily due to: a decline in the amount required for debt service (down \$10,282,051) resulting from debt activity where only one bond issue remains that has obligations due early in the next fiscal year prior to property taxes being received; an increase in TOD funds (up \$2,099,805); and an increase in the amount restricted for capital projects due to contractual requirements in the General Fund or unspent bond proceeds in the Oregon Zoo Infrastructure and Animal Welfare and Natural Areas bond funds, up \$2,071,930 combined at June 30, 2013. The restricted component of net position in Business-type activities increased \$366,962 over the prior fiscal year due to additional amounts restricted under contract for MERC related capital projects.

The remaining \$36,734,730 is unrestricted, which represents the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. Of this amount, \$53,862,598 is attributable to Metro’s business-type activities which cannot be used to make up for the deficit reported in governmental activities. Unrestricted net position decreased \$3,977,955 (to a total deficit of \$17,127,868) in governmental activities due primarily to the continued increase in the share of bonds payable associated with the local share component of the Natural Areas program where Metro is responsible for repayment of the bonds, but the associated assets were used to finance capital programs of other governmental entities. Unrestricted net position in business-type activities increased \$5,944,076 or 12.4 percent which is explained later in this analysis.

Metro Net Position, at June 30, 2012 and 2013



METRO

Management's Discussion and Analysis, *continued*

For the fiscal year ended June 30, 2013

Overall, Metro's net position increased 5.4 percent or \$27,570,244 over the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental and business-type activities.

Changes in net position. Governmental activities' net position increased \$25,175,125, while Business-type activities' net position increased \$2,395,119. 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. Included in this change was a decrease to net position of \$1,365,917 resulting from the implementation of *GASB Statement No. 65*, as noted earlier in this MD&A. Program revenues generated directly from Metro's operations increased \$8,806,115 or 6.7 percent from the prior fiscal year, while the share of total revenues derived from these sources decreased from the prior fiscal year, now 62.2 percent compared to 65.3 percent in the prior fiscal year. A significant portion, 54.5 percent, of Metro's revenues come from, or is based upon, its charges for services. Program expenses for Metro as a whole increased \$6,272,583 or 3.3 percent from the prior fiscal year. The reasons for the changes noted here are discussed in the following sections for governmental activities and business-type activities.

Changes in Metro's Net Position

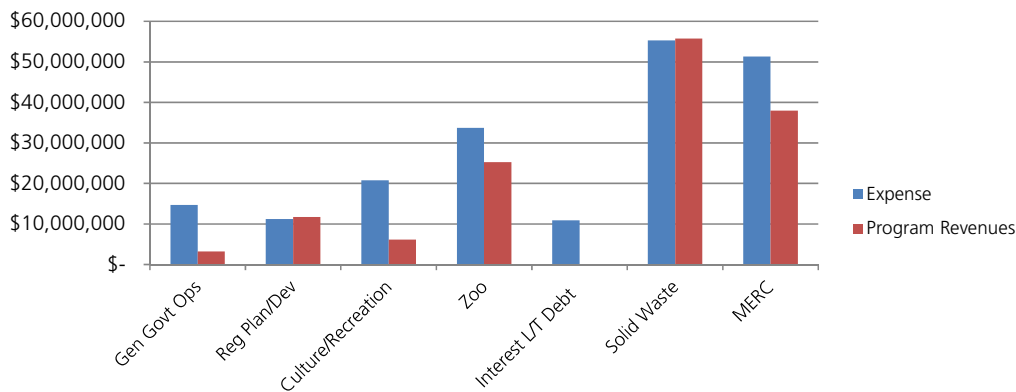
	Governmental Activities		Business-type Activities		Total - Primary Government	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues						
Charges for services	\$ 30,618,599	26,721,787	92,331,863	86,220,752	122,950,462	112,942,539
Operating grants and contributions	13,553,316	15,551,926	1,382,789	1,620,989	14,936,105	17,172,915
Capital grants and contributions	2,264,327	1,105,751	-	123,574	2,264,327	1,229,325
General revenues						
Property taxes	51,609,216	39,609,807	-	-	51,609,216	39,609,807
Excise taxes	17,704,339	16,175,975	-	-	17,704,339	16,175,975
Local government shared revenues	555,198	466,123	14,463,987	12,581,998	15,019,185	13,048,121
Other	783,464	540,393	231,302	391,598	1,014,766	931,991
Total revenues	117,088,459	100,171,762	108,409,941	100,938,911	225,498,400	201,110,673
Expenses:						
General government operations	14,704,292	16,417,342	-	-	14,704,292	16,417,342
Regional planning and development	11,234,615	13,908,730	-	-	11,234,615	13,908,730
Culture and recreation	20,788,176	22,695,565	-	-	20,788,176	22,695,565
Zoo	33,662,272	30,064,611	-	-	33,662,272	30,064,611
Interest on long-term debt	10,927,415	8,159,660	-	-	10,927,415	8,159,660
Solid Waste	-	-	55,266,458	51,020,053	55,266,458	51,020,053
MERC	-	-	51,344,928	49,389,612	51,344,928	49,389,612
Total expenses	91,316,770	91,245,908	106,611,386	100,409,665	197,928,156	191,655,573
Increase (decrease) in net position before transfers	25,771,689	8,925,854	1,798,555	529,246	27,570,244	9,455,100
Transfers	(596,564)	2,439,096	596,564	(2,439,096)	-	-
Increase (decrease) in net position	25,175,125	11,364,950	2,395,119	(1,909,850)	27,570,244	9,455,100
Net Position, July 1	273,136,298	263,008,766	236,325,196	238,363,545	509,461,494	501,372,311
Cumulative change in accounting principle	-	(1,237,418)	-	(128,499)	-	(1,365,917)
Net Position, June 30	\$ 298,311,423	273,136,298	238,720,315	236,325,196	537,031,738	509,461,494

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Management’s Discussion and Analysis, *continued*
 For the fiscal year ended June 30, 2013

As reflected in the chart below, program revenues did not cover all program costs in each of the functional and program areas - other than Planning and Development (governmental) and Solid Waste (business-type) during the fiscal year ending June 30, 2013. General revenues fund this difference as shown in the Statement of Activities.

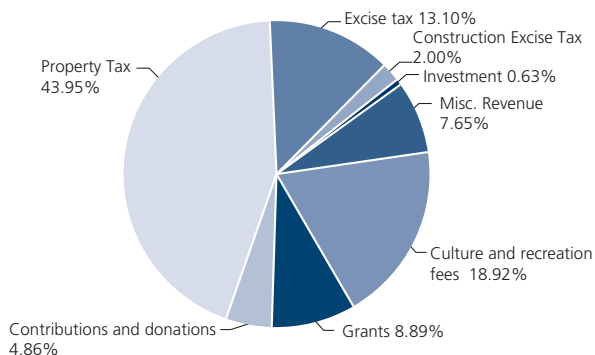
Metro Government-Wide Revenues and Expenses, Fiscal Year 2013



Governmental activities. Governmental activities program revenues were up \$3,056,778 or 7.0 percent and totaled \$46,436,242. Program revenues were up most significantly at the Oregon Zoo, up \$3,588,276 or 16.5 percent above the prior fiscal year. Bolstered by record March attendance, the zoo had a fiscal year record 1,683,442 visitors, up 5.4 percent over the prior year and, combined with the increase in ticket prices, overall revenues increased from \$10.91 to \$11.23 per visitor. The zoo remains the highest attended fee-based tourist attraction in Oregon. In addition, charges for services revenues were up \$920,542 in the culture and recreation category due primarily to a change in operations at the Glendoveer Golf Course. Under a new operations contract, Metro reports gross revenues and expenses from its operations, whereas in prior years this was recorded on a net basis.

Operating grants and contributions were \$1,998,610 lower in fiscal year 2013 primarily due to a return to normal annual TOD funding amounts, as the prior year reflected two years of support (for fiscal year 2011 and 2012). Governmental-activities capital grants and contributions were significantly higher, primarily in Metro’s zoo program, due to a large capital donation (\$1,400,000) received in January from the OZF for purchase of property to be used as an offsite elephant reserve.

Metro Governmental Activities Sources of Revenue, Fiscal Year 2013



Metro’s general government operations totaled \$14,704,292 or 7.4 percent of Metro’s total program expenses, which was a decrease of \$1,713,050 or 10.4 percent from that reported in the prior fiscal year. The most significant reduction resulted from other Metro functions and programs picking up a larger share of direct costs reflected in government

operations in the prior year – a \$1,791,565 drop. Maintenance and repair costs were lower by \$451,763 and payments to other governments for programs funded by the construction excise tax (CET) were down \$209,430 from the prior year, whereas various other costs, including personal services, generally reflected increases that offset some of the above declines. General government operations rely significantly on general revenues, primarily property taxes, excise taxes, and transfers, to offset its net expense of \$11,454,227.

Metro’s regional planning and development activities had total costs of \$11,234,615, down \$2,674,115 or 19.2 percent from the prior fiscal year. The level of grants received affects the level of work and expenditures incurred. This program eliminated several positions due to a two-year effort to reduce operating costs, resulting in an 8.2 percent or \$762,378 decrease in personal services costs. In addition, TOD program purchases declined \$796,102 from the prior year and other planning and research center project expenses declined \$701,943 due to grant project completion or changes in scope. The net revenue for regional planning and development of \$484,100 reflects an increase of \$8,664 over the prior fiscal year.

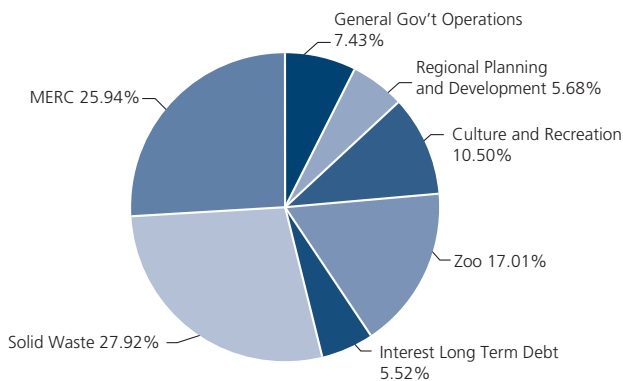
Culture and recreation activities, which include operation of Metro’s regional parks and management of natural areas, accounted for total expenses of \$20,788,176, down \$1,907,389 or 8.4 percent from the prior fiscal year. The decrease is due, in part, to decreased expenses for the local share and capital grant projects funded by the Natural Areas bond program, which totaled \$7,783,993, a decrease of \$1,433,002 from the prior fiscal year. The remaining net expense of Metro’s culture and recreation program, \$14,618,854, was funded from general revenues, including local government shared revenues (e.g., marine fuel taxes and recreational vehicle fees from the State of Oregon), excise taxes and interest, as well as the drawing down of assets provided from the Natural Areas bonds. This later component results in an increase in the deficit unrestricted net position for governmental activities as noted earlier.

Total expenses for zoo operations totaled \$33,662,272, an increase of \$3,597,661 or 12.0 percent from the prior fiscal year. Cost increases were primarily the result of management’s decision to consolidate all education programs at the Zoo, including funding of Outdoor School. These added education costs were reflected in culture and recreation and solid waste expenses in prior years. Those functions and programs were charged for these services, which also increased zoo internal charges for services revenues. Increased expenses for enterprise related activity were higher (e.g., cost of sales), corresponding to increased revenues noted earlier. The resulting net expense of \$8,364,132 is financed from general revenues, such as excise taxes, property taxes and investment earnings.

Interest on long-term debt increased by \$2,767,755 or 33.9 percent from the prior fiscal year and totaled \$10,927,415 or 5.5 percent of total costs, up from 4.3 percent in the prior fiscal year as a result of scheduled principal payments on bonded debt newly issued in the prior fiscal year.

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

Metro Function/Program Expenses, Fiscal Year 2013

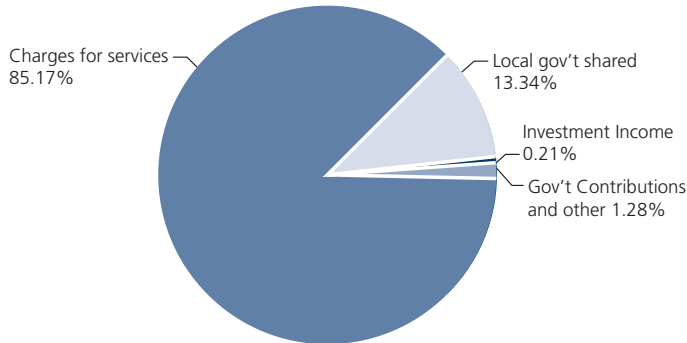


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Management's Discussion and Analysis, *continued* For the fiscal year ended June 30, 2013

Business-type activities. Revenues of Metro's business-type activities (Solid Waste and MERC operations) totaled \$108,409,941, up \$7,471,030 or 7.4 percent. Total expenses increased \$4,246,405 or 8.3 percent to a total of \$106,611,386. These operating activities resulted in an increase in the net position of business-type activities of \$2,266,620 for the fiscal year ended June 30, 2013. The reasons for these changes are discussed below:

Metro Business-type Activities Sources of Revenue, Fiscal Year 2013



Solid Waste program revenues increased \$2,455,470 or 4.6 percent over the prior fiscal year. Mixed waste tonnage delivered to Metro's transfer stations decreased 5.8 percent from tonnage delivered in the prior fiscal year, whereas tonnage to non-Metro facilities increased 8.2 percent over the prior fiscal year. However, in response to tonnage forecasts, the decrease in tonnage was offset somewhat by an increase in rates charged (tonnage charge rose to \$61.35 per ton, compared to \$58.35 per ton in the prior fiscal year) resulting in a net decrease of \$296,078. The tonnage downturn is greater at Metro transfer stations (5.8 percent) than in the region (an increase of 2.4 percent) mainly because waste continues to shift from Metro to private facilities, and also due to the City of Portland's residential organics program that went into effect October 1, 2011. Residential food waste tonnage delivered to Metro facilities increased 31.2 percent over the prior year and the fee increased to \$54.83 from \$51.14 on August 1, 2012, resulting in revenues from this source increasing \$1,293,120 over the prior year. With disposal of mixed waste to all facilities increasing as noted earlier, and the regional system fee being increased to \$18.56 per ton from \$17.64 per ton in the prior year, net revenue from this fee increased \$1,295,234 over the prior year. Metro's share of total regional tonnage continued to decline in fiscal year 2013, from 41.7 percent to 38.4 percent.

Solid Waste program expenses were up \$4,246,405, or 8.3 percent, primarily due to the previous year's more significant change in estimate for post-closure care costs, with the difference between fiscal year 2013 and the prior year estimate adjustment accounting for \$2,462,059 of this increase. Increased costs in facility operations for processing the organics noted above added \$1,313,719 to expenses over the prior fiscal year. Further discussion of Solid Waste program expenses is provided in the Propriety Funds section later in the MD&A. Solid Waste program revenues exceed program expenses by \$482,376 for the fiscal year ended June 30, 2013.

MERC operates the Metro-owned OCC and Portland Exposition Center (Expo). In addition, under terms of an intergovernmental agreement with the City of Portland, MERC operates the city-owned Portland Center for the Performing Arts (PCPA). MERC program revenues totaled \$37,965,818 in fiscal year 2013, up \$3,293,867 or 9.5 percent from the prior fiscal year. Each of the three venues had strong years, with the OCC contributing the largest share of this increase as it experienced record breaking revenues in several months during the fiscal year and benefited from the types of events booked.

Total expenses for MERC were \$51,344,928, up \$1,955,316 or 4.0 percent. Expenses were higher primarily attributable to costs that correspond to the increase in revenues and reflecting costs associated with the events held at MERC facilities, such as cost of sales for food and beverage and event labor costs. The resulting net expense of MERC

operations was \$13,379,110 for the fiscal year ended June 30, 2013, an improvement of 9.1 percent or \$1,338,551 over the prior fiscal year. General revenues used to support this net expense include local government shared revenues (transient lodging taxes) of \$14,463,987, discussed further below.

General revenues. The most significant general revenue, property taxes, accounts for 44.1 percent of all governmental activities revenues, up from 39.5 percent in the prior fiscal year. Property taxes are dedicated to repayment of general obligation bond debt or allocated by the Council in support of governmental activities (\$39,529,971 and \$12,079,245, respectively). Higher debt service requirements from the issuance of two additional bonds in June of the prior fiscal year resulted in higher property tax assessments for the fiscal year ended June 30, 2013.

Metro assesses excise taxes on users of its goods and services. Solid waste transactions were assessed at a flat rate of \$12.19 per ton effective August 1, 2012, which is up from \$11.80 in the prior fiscal year. All other subject revenues of Metro were assessed at 7.5 percent. Excise tax provides resources primarily for general government and planning functions. The excise tax provided \$15,354,852 in general revenue, up \$943,901 or 6.5 percent from the prior fiscal year. This increase is reflective of the net impact of the change in the tax rates noted earlier to achieve the yield prescribed in Metro Code, as well as the change in Metro enterprise revenues upon which it is assessed, discussed elsewhere in the MD&A.

Metro collected \$2,349,487 in construction excise tax (CET) during the fiscal year ended June 30, 2013, up \$584,463 or 33.1 percent from the prior fiscal year, reflective of the uptick in construction activity in the Metro region being experienced during the fiscal year. This tax is imposed on new construction within the region, with limited exceptions, and is intended to provide funds to local governments for planning of future expansion areas, future urban reserves and planning that enables redevelopment of centers, corridors and employment areas within the existing Urban Growth Boundary.

Local government shared revenues, primarily lodging taxes received in support of MERC operations, were up \$1,971,064 or 15.1 percent and reflective of returning occupancy and room rates in local hotels.

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, 2013, Metro's governmental funds reported *combined* fund balances of \$206,354,642. This is down \$36,560,838 or 15.1 percent from the prior fiscal year, due mainly to the spending of proceeds of Natural Areas and Oregon Zoo Infrastructure and Animal Welfare bonds on their respective projects. In addition, with the retirement of the Oregon Convention Center 2001 Series and Open Spaces Parks and Streams 2002 series debt, only one bond issue still has obligations due early in the fiscal year before property taxes are received resulting in a significantly smaller fund balance restricted for debt service at June 30, 2013. Of the total amount of governmental combined fund balance above, \$25,530,229 or 12.4 percent, is considered *unassigned* fund balance and available for spending at Metro's discretion.

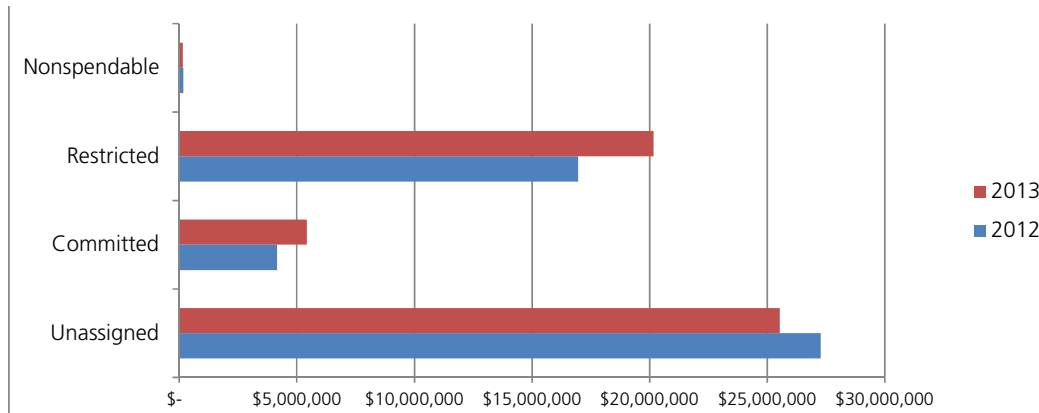
The remainder of the fund balance is either *nonspendable*, *restricted*, *committed* or *assigned*. *Nonspendable* fund balance represents amounts not in spendable form, which total \$541,665 at June 30, 2013. Fund balances *restricted* for particular purposes, such as bonded capital projects and debt service totaled \$174,827,430. Fund balance in the amount of \$5,427,647 is *committed* by the Metro Council for CET programs and represents amounts committed

from CET for local governments’ 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. *Assigned* fund balance totaled \$27,671 reflected in Metro’s permanent fund dedicated to cemetery programs.

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

The General Fund is the chief operating fund of Metro. At the end of fiscal year 2013, unassigned fund balance of the general fund was \$25,530,229. Total fund balance increased \$2,706,957 to a total of \$51,290,722 at June 30, 2013. 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 approximately 34.7 percent of total general fund expenditures, while total fund balance represents approximately 69.7 percent of that same amount.

Metro General Fund, Components of Fund Balance



The General Fund expended \$12,883,851 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. Culture and recreation and debt service expenditures within the general fund were relatively unchanged from the prior fiscal year.

The General Fund expenditures for regional planning and development totaled \$11,263,128 during fiscal year 2013, down \$2,641,166 or 19.0 percent from the prior fiscal year. A reduction in staff positions and completion of certain grant project work, as discussed earlier in this MD&A were the primary factors.

Zoo program expenditures totaled \$30,978,416, up \$3,400,085 or 12.3 percent from the prior fiscal year. Cost increases were primarily the result of the transfer of parks and waste reduction staffing and program costs, notably the funding of Outdoor School, to the Zoo as noted earlier. In addition, the timing of the zoo’s summer concert series and enterprise costs driven by higher attendance resulted in additional expenditures during the year.

Metro’s major governmental funds include the Natural Areas and the Oregon Zoo Infrastructure and Animal Welfare capital projects funds. Fund balance in both funds decreased significantly from the prior fiscal year due to expenditures on their capital projects as discussed more fully in the capital asset discussion later in this MD&A. Expenditures for Natural Areas capital outlay and local share and capital grant programs totaled \$21,598,461 in fiscal year 2013. Fund balance totaled \$78,247,452 at June 30, 2013. The Oregon Zoo Infrastructure and Animal Welfare Fund expended \$8,432,868 on capital projects and ended the fiscal year with a fund balance of \$69,528,793. The fund balance in

both of these capital projects funds is classified as restricted for these purposes under state law. Although the capital expenditures in both of these funds reduce fund balance, they create new assets for Metro as reported in the Statement of Net Position and discussed in note V.D in the financial statements.

The General Obligation Bond Debt Service Fund accounts for debt service requirements. During the fiscal year, property tax revenues used to pay debt service totaled \$39,459,384, up \$11,937,086 from the prior fiscal year due to higher assessments required for repayment of the outstanding general obligation bonds which had increased due to two additional issues in June 2012. Interest payments on all general obligation bonds totaled \$12,214,895, which was \$4,880,371 higher than the prior fiscal year reflecting the increase in outstanding principal. An additional \$37,810,000 was expended on principal payments. As a result of these activities, \$632,127 remained in fund balance at June 30, 2013, which is restricted by state law for future debt service.

As noted earlier in this analysis, in accordance with *GASB Statement No. 34*, Metro reports certain non-major funds in the Other Governmental Funds column. Total fund balances in these funds decreased \$127,439, primarily a result of expenditures for Smith and Bybee Lakes. The total fund balance of \$6,655,548 in these funds includes the following:

- Nonspendable corpus of the cemetery perpetual care fund, \$384,121
- Restricted by intergovernmental agreement for Smith and Bybee Lakes Management Plan, \$3,590,890
- Restricted by state law for Open Spaces programs, \$682,991
- Restricted by state law and Metro Code for rehabilitation and enhancement programs, \$1,969,875
- Assigned by Metro Council for cemetery perpetual care, \$27,671

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

Unrestricted net position of the Solid Waste Fund totaled \$29,150,369 at fiscal year-end, up 6.3 percent or \$1,717,701. Unrestricted net position for MERC totaled \$26,580,341 at June 30, 2013, up \$3,781,401 or 16.6 percent from the prior fiscal year. Unrestricted net position represents 46.8 percent and 52.5 percent, respectively, of annual operating expenses for the Solid Waste and MERC enterprise operations. Of the remaining net position, \$2,496,996 is restricted in the MERC Fund for capital projects.

The Solid Waste enterprise reflected higher charges for services revenues, up \$2,672,176 or 5.0 percent, due to the combination of tonnage variations at Metro and non-Metro facilities combined with rate increases as discussed earlier in the analysis of business-type activities. Operating expenses were higher primarily due to the difference in the change of the post-closure cost estimates as well as increased costs for facility operations caused by the new City of Portland organics program, both discussed earlier. Waste transport costs decreased by \$295,028 and disposal fees paid to Columbia Ridge Landfill decreased \$245,864 resulting from the lower tonnage delivered.

MERC charges for services revenues were up \$3,438,935 or 10.3 percent. OCC had a record breaking year for the reasons discussed earlier in the analysis of business-type activities. PCPA's strong results were due to strong food and beverage sales and the use of a new ticketing system which resulted in greater commissions than in the prior year. MERC operations reported higher food and beverage costs, up \$1,099,063, corresponding to higher sales.

The Risk Management Fund, an internal service fund that is incorporated in governmental activities for government-wide reporting, had unrestricted net position of \$3,181,812 at June 30, 2013. Significant liabilities included the actuarially determined accrued self-insurance claims which totaled \$430,927, down \$94,913 from the prior fiscal year. Risk Management Fund total net position increased \$449,467 from the prior fiscal year as charges to other Metro operations exceeded insurance and claims expenses during fiscal year 2013.

GENERAL FUND BUDGETARY HIGHLIGHTS

As noted earlier, Metro’s General Fund is used to account for general government operations and the programs of Planning, Parks and Environmental Services, and the Oregon Zoo. Over the course of the fiscal year, the Metro Council revised the budget for the General Fund nine times, with all but two of the revisions for relatively insignificant amounts, increasing the total appropriations by 1.7 percent or \$1,875,315 to bring total requirements to \$111,795,899.

The most significant amendment to the budget noted above included \$1,370,000 in additional revenues and \$1,200,000 in added expenditure appropriation for Parks and Environmental Services to convert the Glendoveer Golf Course operations from net to gross revenues and to reflect gross expenses, as part of implementing a new operations contract with a new vendor. In addition, this ordinance recognized a \$400,000 donation from OZF and the corresponding increase to Oregon Zoo expenditure appropriations for purchase of two elephants from a private party.

Other less significant budget revisions included appropriations to: demolish a derelict barge at the Gleason Boat Ramp; provide public involvement and outreach related to a proposed natural areas levy; additional staffing to support implementation of Title VI of the Civil Rights Act; planning and design work for the Tualatin River Canoe Launch; additional staffing for development of an agency-wide equity strategy; a change from contracted to in-house janitorial services; addition of staffing for a safety and security officer at Metro Regional Center; and a fee-based Tourist Specialist at the zoo.

Local budget law (ORS 294.100 and 294.435(4)) requires local governments to stay within the appropriations set for the fiscal year. There were no expenditures in excess of appropriations in the General Fund for the fiscal year ended June 30, 2013. However, expenditures exceeded appropriations in the General Revenue Bond Fund (a component of the General Fund for GAAP reporting) due to the refunding of the Full Faith and Credit Refunding Bonds 2003 Series. Oregon Local Budget Law (ORS 294.338) provides certain exemptions for overexpenditures due to the issuance of debt.

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

<u>Revenue Source</u>	<u>Estimated Revenues</u>	<u>Actuals</u>	<u>Variance</u>
Grants	\$ 10,792,958	9,002,313	(1,790,645)
Construction Excise Tax	1,760,000	2,349,487	589,487

Grant revenues came in lower compared to budget due to several factors, mostly within the Planning and Development Department. Most of Metro’s grants in this department are reimbursement based and the Greenhouse Gas Study (Climate Smart Communities) under an Oregon Department of Transportation (ODOT) grant, relied more heavily on other funding sources to conserve and extend the ODOT grant support through fiscal year 2014, leading to \$701,811 less in reimbursements under the grant agreement. The Southwest Corridor project was re-scoped during the first quarter of the fiscal year which reduced expected grant revenues. Metro experienced a delay in grant funding of \$218,000 for the Powell-Division Bus Rapid Transit project, which is now scheduled to begin in fiscal year 2014. In addition, there was a delay and underspending that resulted in lower grant reimbursements of \$576,000 in Regional Travel Options projects and a reduction of \$102,000 because of a staffing gap for the Streetcar Technical Methods project.

The most significant variance in General Fund expenditures occurred in the Planning and Development Department, where expenditures totaled \$7,419,602 against appropriations of \$14,456,370, for a favorable variance of \$7,036,768. Personal services in this department ended at 93.3 percent of budget, whereas materials and services came in at 24.8 percent. Materials and services were lower than budget primarily due to underspending of approximately \$3,600,000 in the TOD program as it carried forward amounts to fund projects in future years. In addition, the re-scoping of the

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Management's Discussion and Analysis, *continued* For the fiscal year ended June 30, 2013

Southwest Corridor project noted earlier resulted in underspending of approximately \$1,300,000. The Development Opportunity Fund spent approximately 21 percent of its materials and services budget, carrying forward into next fiscal year \$434,000 in small construction grants.

The General Fund's fund balance on a budgetary basis rose \$1,786,740 during the fiscal year, ending at \$33,583,482. This differs from the General Fund balance reported in the Governmental Fund statements due to the consolidation of the General Asset Management Fund and portions of the General Revenue Bond Fund as noted earlier in this analysis, which totaled \$1,069,106 and \$1,111, respectively. In addition, there were \$150,000 of budget resources for the sale of assets held for resale that do not qualify as revenues in the current fiscal year under governmental generally accepted accounting principles.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Metro's investment in capital assets for its governmental and business type activities amounts to \$566,326,777 (net of accumulated depreciation) as of June 30, 2013. 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 \$16,149,885 or 2.9 percent, net of accumulated depreciation. Metro reflects an increase of \$23,937,707 or 5.9 percent in capital assets attributable to governmental activities and a decrease of \$4,564,932 or 0.8 percent in business-type activity capital assets (additional capital assets, less increases in accumulated depreciation).

Metro's Capital Assets (net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Land	\$238,572,641	\$227,489,097	19,329,786	19,329,786	257,902,427	246,818,883
Intangible - easements	8,266,376	7,993,033	-	-	8,266,376	7,993,033
Artwork	557,423	489,025	823,121	823,121	1,380,544	1,312,146
Buildings and Exhibits	71,467,841	71,361,568	163,378,979	167,585,300	234,846,820	238,946,868
Improvements	16,788,291	17,609,995	1,909,888	1,975,928	18,698,179	19,585,923
Equipment and Vehicles	4,308,788	3,843,971	5,694,046	6,250,561	10,002,834	10,094,532
Intangible - software	1,203,144	861,225	590,095	94,947	1,793,239	956,172
Office furniture/equip	941,956	790,716	421,057	423,390	1,363,013	1,214,106
Railroad equip/facilities	13,367	14,125	-	-	13,367	14,125
Construction in Progress	31,257,908	22,210,163	802,070	1,030,941	32,059,978	23,241,104
Total	\$373,377,735	352,662,918	192,949,042	197,513,974	566,326,777	550,176,892

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

- Metro acquired ownership of 471 acres of additional natural areas from willing sellers from the proceeds of the Natural Areas general obligation bonds bringing the overall bond acquisition total to 4,586 acres. The total capitalized cost for the property and easements acquired and stabilized in the current fiscal year under this program was \$11,083,544. This amount included the acquisition of 147 acres in the Chehalem Ridgetop to Refuge target area, 68 acres in the Tualatin River Greenway target area, 25 acres for Fanno Creek linkages, 22 acres in the Willamette Narrows and Canemah Bluffs target area and several other acquisitions.

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Management's Discussion and Analysis, *continued*

For the fiscal year ended June 30, 2013

- The Oregon Zoo began construction for the Elephant Lands major capital project work under the Oregon Zoo Infrastructure and Animal Welfare Bond program during fiscal year 2013. The Tiger Plaza was demolished and converted into a catering area and picnic space, and the new Wild Life Live building renovation and construction of a new service road were underway as well during the fiscal year. These and other related projects are all funded by bond proceeds with total capitalized costs in fiscal year 2013 of \$8,432,868.
- The overall decline in business-type activities capital assets is primarily the result of depreciation expense in fiscal year 2013, which was greater than new additions to capital assets during the same period.

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

Long-term debt. At the end of the current fiscal year, Metro had total bonded debt outstanding of \$312,943,898 net of unamortized premiums and discounts. Prior periods were restated for the implementation of *GASB Statement No. 65* which reports deferred charges on refunding as a deferred outflow of resources in the Statement of Net Position, and which recognizes bond issuance costs as an expense in the period incurred. Of this amount, \$265,579,168 comprises debt backed by property tax assessments and the remainder of \$47,364,730 represents bonds secured by a broad pledge of Metro revenues, including property taxes used to support operations, and excise taxes levied on users of certain Metro services.

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

Metro's Outstanding Debt

	Governmental Activities		Business-type Activities		Total - Primary Government	
	2013	2012 restated	2013	2012 restated	2013	2012 restated
Gen. obligation bonds	\$265,579,168	\$305,658,410	-	-	265,579,168	305,658,410
Full Faith & Credit/Revenue	36,285,000	37,547,223	11,079,730	11,643,287	47,364,730	49,190,510
Total	\$301,864,168	343,205,633	11,079,730	11,643,287	312,943,898	354,848,920

Metro's total debt decreased \$41,905,022 or 11.8 percent during the current fiscal year. The key factor for this decrease was the regular payment of principal on the outstanding bonds during fiscal year 2013. In addition, on February 26, 2013, Metro issued Full Faith and Credit Refunding Bonds, 2013 series to refund the 2003 Series. This refunding defeased the bonds and resulted in a reduction in debt service of \$889,376 over 10 years and a present value savings of \$1,284,311.

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

In May 2012, Standard & Poor's reaffirmed its AAA rating on Metro bonds, while Moody's Investor Services reaffirmed its Aaa rating. The rating agencies' reports emphasized the strong financial reserves of the agency, the low debt ratio, significantly broad tax base and the strength of its financial policies. In January 2013, Standard & Poor's awarded Metro a AAA rating for its Full Faith and Credit obligation issue, reaffirming Metro's strong financial practices.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for Metro is \$18,211,587,780, 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.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Metro has relied on its financial discipline to weather the national recession. Operating revenues have been generally slow-growing or flat while costs have continued to increase. Focus and financial sustainability for the future have guided decision-making in Metro's budget and rates. The following economic factors affect Metro and were considered in developing the fiscal year 2014 budget.

Of importance to Metro's specific revenue sources, the economic forecasts show that overall employment gains in the region were led by the leisure and hospitality industry, as well as professional and business services – accounting for 56 percent of the job gains in the past year. In addition, construction is growing at above average rates, with a 2.5 percent growth rate, year-over-year from second quarter 2012 to second quarter 2013. New home construction has now rebounded to the point where builders need to hire additional workers and the average hours worked in the industry has effectively returned to pre-recession levels.

In recognition of this economic environment, the Metro fiscal year 2014 budget presents a prudent approach to managing public resources in fiscal year 2014 and into the future by avoiding disruptive service cutbacks, knowing that the citizens and communities of the region rely on Metro's wide range of services. By law, Metro must present a balanced budget; when accounting for all resources and requirements the budget totals \$490,635,507, down 8.4 percent from fiscal year 2013.

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

- Uncertainties about federal transportation funding are expected to persist. Discretionary federal funding for general system planning, the Regional Transportation Plan and the Metropolitan Transportation Improvement Program, has not increased. Project specific planning dollars for corridors is declining. Metro's forecasts include only those resources that are committed. With green house gas and corridor planning funding at or near completion, an overall 8 percent decrease is expected in grant revenues in fiscal year 2014.
- Charges for services program revenues in the General Fund are generated by the zoo and, to a lesser extent, by parks programs. The zoo continues to experience record attendance which will remain high over the period despite on-site construction. Per capita spending is forecast to improve modestly. The zoo will not increase fees for fiscal year 2014, but do so in fiscal year 2015. Parks revenues will remain flat, other than increased revenues resulting from the first full fiscal year under the new Glendoveer Golf Course operating contract.
- In fiscal year 2014, Solid Waste rates will be \$94.33 per ton, an increase of \$0.49 over fiscal year 2013. Metro is making a conscious decision to keep rates similar to the previous year after three years of \$4 dollar increases. A proposal to capture a portion of the fixed costs from recoverable solid waste, particularly organics processing, helps avoid a higher fee increase.
- National convention bookings for fiscal year 2014 are rebounding from prior year levels, helping OCC revenues. Resident companies using PCPA's facilities have shortened their performance runs or moved into smaller performance halls, which provides some additional opportunity for other commercial bookings and the Broadway season outlook currently has six and a half weeks.

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

- Property taxes are levied for both operations and debt service, and the rate of collection stood at 94.8 percent. The operating levy has a permanent rate of \$0.0966 per \$1,000 of assessed value. The new voter approved *natural areas operating levy* will have a rate of \$0.0960 per thousand and bring in an estimated additional \$10,200,000 to be used for improving water quality in local rivers and streams for salmon and native fish, restoring wildlife habitat, improving visitor services in Metro's parks, providing nature education programs, and supporting community partnership projects connecting people with nature in their neighborhoods. The levy for general obligation debt is scheduled to bring in \$37,679,497 based upon debt schedules and cash flow requirements.
- Transient lodging taxes receipts are projected to increase 3 percent.
- The excise tax yield is tied to CPI and for fiscal year 2013 increases to \$12.29 per ton, a rate increase of \$0.10 per ton. Excise tax on other Metro facilities and services remains at 7.5 percent.

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 2014 by a net 7.85 FTE, primarily due to increases in program staff funded by the voter approved Natural Areas Operating Levy.
- Agreements are in place with collective bargaining units through June 30, 2014 and provide for cost of living adjustments (COLA). The budget provides for increases ranging from 2.09 percent to 2.5 percent depending on bargaining unit for COLA and a merit pool of 2.25 percent.
- The Metro Council established a reserve in previous years which is now being used to reduce PERS related costs and results in a 3 percent offset to PERS rate increases through fiscal year 2014. Also, all newly hired employees pay their own PERS employee contributions. In prior years, this contribution was picked up by Metro. Metro provides health and welfare coverage on behalf of its employees with employees contributing 6 to 8 percent of the cost.

Metro's financial policies are the backbone of Metro's financial accountability and transparency. The fiscal year 2014 budget is a chance to prepare both for the coming fiscal year and for the longer term. Preparing for the future is a core element of Metro's charter and organizational culture.

REQUESTS FOR INFORMATION

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



Basic Financial Statements

METRO

**Statement of Net Position
June 30, 2013**

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Oregon Zoo Foundation
ASSETS				
Equity in internal cash and investment pool	\$ 42,648,679	64,314,997	106,963,676	3,267,510
Investments	-	-	-	9,064,899
Receivables (net of allowance for uncollectibles):				
Property taxes	701,382	-	701,382	-
Trade	445,129	6,072,727	6,517,856	940,439
Other	1,781,043	9,084,373	10,865,416	231,948
Interest	99,828	128,191	228,019	-
Grants	3,663,657	-	3,663,657	-
Internal balances	1,868,112	(1,868,112)	-	-
Inventories	107,997	273,228	381,225	-
Prepaid items	157,544	1,326	158,870	-
Net pension asset	15,808,838	-	15,808,838	-
Other assets	248,700	-	248,700	133,489
Restricted assets:				
Equity in internal cash and investment pool	28,258,733	2,496,996	30,755,729	-
Investments	140,059,099	-	140,059,099	-
Receivables (net of allowance for uncollectibles):				
Property taxes	2,145,060	-	2,145,060	-
Other	4,138	-	4,138	-
Interest	418,614	-	418,614	-
Assets held for resale	8,204,493	-	8,204,493	-
Loans receivable	920,000	-	920,000	-
Capital assets:				
Land, intangibles, artwork and construction in progress	278,654,348	20,954,977	299,609,325	-
Other capital assets (net of accumulated depreciation)	94,723,387	171,994,065	266,717,452	22,143
Total assets	620,918,781	273,452,768	894,371,549	13,660,428
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	1,819,473	491,409	2,310,882	-
Total deferred outflows of resources	1,819,473	491,409	2,310,882	-
LIABILITIES				
Accounts payable	7,497,549	6,189,136	13,686,685	225,929
Salaries, withholdings and payroll taxes payable	2,780,162	1,293,034	4,073,196	-
Contracts payable	327,981	-	327,981	1,286,878
Accrued interest payable	1,189,997	39,617	1,229,614	-
Accrued self-insurance claims	430,927	-	430,927	-
Unearned revenue	6,566,138	1,404,853	7,970,991	146,314
Deposits payable	155,923	2,464,808	2,620,731	-
Other liabilities	5,065	675,124	680,189	-
Payable from restricted assets:				
Contracts payable	-	-	-	70,326

(Continued)

METRO

Statement of Net Position, *continued*
June 30, 2013

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities		Oregon Zoo Foundation
LIABILITIES, Continued				
Non-current liabilities:				
Due within one year:				
Bonds payable	\$ 27,320,000	705,000	28,025,000	-
Post-closure costs payable	-	606,388	606,388	-
Compensated absences	2,297,492	1,050,323	3,347,815	-
Due in more than one year:				
Bonds payable (net of unamortized premium or discount)	274,544,168	10,374,730	284,918,898	-
Net other postemployment benefits obligation	1,069,805	831,964	1,901,769	-
Post-closure costs payable	-	8,574,601	8,574,601	-
Pollution remediation obligation	-	1,011,000	1,011,000	-
Compensated absences	241,624	3,284	244,908	-
Total liabilities	324,426,831	35,223,862	359,650,693	1,729,447
NET POSITION				
Net investment in capital assets	271,978,616	182,360,721	454,339,337	22,143
Restricted for:				
Transit oriented development projects	17,777,964	-	17,777,964	-
Smith and Bybee Lakes management plan	3,590,890	-	3,590,890	-
Rehabilitation and enhancement	1,969,875	-	1,969,875	-
Debt service	1,527,430	-	1,527,430	-
Capital projects	18,182,725	2,496,996	20,679,721	-
Perpetual care: non-expendable	411,791	-	411,791	-
Zoo purposes:				
Expendable	-	-	-	462,834
Non-expendable	-	-	-	50,000
Unrestricted	(17,127,868)	53,862,598	36,734,730	11,396,004
Total net position	\$ 298,311,423	238,720,315	537,031,738	11,930,981

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



METRO

Statement of Activities

For the fiscal year ended June 30, 2013

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS/PROGRAMS				
Primary Government:				
Governmental activities:				
General government operations	\$ 14,704,292	1,871,628	1,351,561	26,876
Regional planning and development	11,234,615	1,112,779	10,605,936	-
Culture and recreation	20,788,176	5,095,656	728,469	345,197
Zoo	33,662,272	22,538,536	867,350	1,892,254
Interest on long-term debt	10,927,415	-	-	-
Total governmental activities	91,316,770	30,618,599	13,553,316	2,264,327
Business-type activities:				
Solid Waste	55,266,458	55,661,225	87,609	-
MERC	51,344,928	36,670,638	1,295,180	-
Total business-type activities	106,611,386	92,331,863	1,382,789	-
Total primary government	\$ 197,928,156	122,950,462	14,936,105	2,264,327
Component Unit:				
Oregon Zoo Foundation	\$ 7,407,897	4,640,066	2,797,411	-

General revenues:

- Property taxes
- Excise taxes
- Construction excise tax
- Cemetery revenue surcharge
- Unrestricted local government shared revenues
- Unrestricted investment earnings

Transfers

Total general revenues and transfers

Change in net position

Net position - July 1, 2012, as previously stated

Change in accounting principle-implementation of GASB
Statement No. 65 (see Note IV)

Prior period adjustment (see Note II.A.2)

Net position - July 1, 2012, as restated

Net position-June 30, 2013

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
(11,454,227)	-	(11,454,227)	
484,100	-	484,100	
(14,618,854)	-	(14,618,854)	
(8,364,132)	-	(8,364,132)	
(10,927,415)	-	(10,927,415)	
<u>(44,880,528)</u>	<u>-</u>	<u>(44,880,528)</u>	
-	482,376	482,376	
<u>-</u>	<u>(13,379,110)</u>	<u>(13,379,110)</u>	
-	(12,896,734)	(12,896,734)	
<u>(44,880,528)</u>	<u>(12,896,734)</u>	<u>(57,777,262)</u>	
			<u>29,580</u>
51,609,216	-	51,609,216	-
15,354,852	-	15,354,852	-
2,349,487	-	2,349,487	-
28,792	-	28,792	-
555,198	14,463,987	15,019,185	-
754,672	231,302	985,974	717,720
(596,564)	596,564	-	-
<u>70,055,653</u>	<u>15,291,853</u>	<u>85,347,506</u>	<u>717,720</u>
<u>25,175,125</u>	<u>2,395,119</u>	<u>27,570,244</u>	<u>747,300</u>
274,373,716	236,453,695	510,827,411	9,163,286
(1,237,418)	(128,499)	(1,365,917)	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,020,395</u>
<u>273,136,298</u>	<u>236,325,196</u>	<u>509,461,494</u>	<u>11,183,681</u>
<u>\$ 298,311,423</u>	<u>238,720,315</u>	<u>537,031,738</u>	<u>11,930,981</u>



Fund Financial Statements

Governmental Funds

Major Funds

General Fund

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

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

Debt Service Fund

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

Capital Projects Funds

Zoo Infrastructure and Animal Welfare Fund

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

Natural Areas Fund

This fund accounts for activities to acquire and preserve natural areas and stream frontages, maintain and improve water quality, and protect fish and wildlife habitat. The principal resources are charges for services, capital contributions and donations, investment income and sale of capital assets.

Other Governmental Funds

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

METRO
Balance Sheet
Governmental Funds
June 30, 2013

	General	Debt Service
ASSETS		
Equity in internal cash and investment pool	\$ 50,067,201	385,460
Investments	-	-
Receivables:		
Property taxes	701,382	2,145,060
Trade	445,129	-
Other	1,717,654	-
Interest	97,509	26,832
Grants	3,663,657	-
Inventories	107,997	-
Prepaid items	157,544	-
Other assets	248,700	-
Assets held for resale	8,204,493	-
Loans receivable	920,000	-
Restricted assets:		
Equity in internal cash and investment pool	1	-
Total assets	\$ 66,331,267	2,557,352
LIABILITIES		
Accounts payable	\$ 4,920,491	-
Salaries, withholdings and payroll taxes payable	2,679,675	-
Contracts payable	74,860	-
Unearned revenue	6,566,138	-
Deposits payable	155,643	-
Other liabilities	5,065	-
Total liabilities	14,401,872	-
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue-property taxes	632,519	1,925,225
Unavailable revenue-other	6,154	-
Total deferred inflows of resources	638,673	1,925,225
FUND BALANCES		
Nonspendable	157,544	-
Restricted	20,175,302	632,127
Committed	5,427,647	-
Assigned	-	-
Unassigned	25,530,229	-
Total fund balances	51,290,722	632,127
Total liabilities, deferred inflows of resources and fund balances	\$ 66,331,267	2,557,352

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

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

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

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

An internal service fund is used by management to charge the costs of insurance and risk management to individual funds.

The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.

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

Net position of governmental activities

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

Capital Projects			
Oregon Zoo Infrastructure and Animal Welfare	Natural Areas	Other Governmental Funds	Total Governmental Funds
4,339,052	5,708,360	6,711,957	67,212,030
66,794,318	73,264,781	-	140,059,099
-	-	-	2,846,442
-	-	-	445,129
-	-	4,138	1,721,792
121,882	251,280	13,490	510,993
-	-	-	3,663,657
-	-	-	107,997
-	-	-	157,544
-	-	-	248,700
-	-	-	8,204,493
-	-	-	920,000
-	-	-	1
71,255,252	79,224,421	6,729,585	226,097,877
1,522,767	826,773	74,037	7,344,068
23,655	76,832	-	2,780,162
180,037	73,084	-	327,981
-	-	-	6,566,138
-	280	-	155,923
-	-	-	5,065
1,726,459	976,969	74,037	17,179,337
-	-	-	2,557,744
-	-	-	6,154
-	-	-	2,563,898
-	-	384,121	541,665
69,528,793	78,247,452	6,243,756	174,827,430
-	-	-	5,427,647
-	-	27,671	27,671
-	-	-	25,530,229
69,528,793	78,247,452	6,655,548	206,354,642
71,255,252	79,224,421	6,729,585	
			373,377,735
			15,808,838
			2,563,898
			5,049,923
			(304,843,613)
			\$ 298,311,423

METRO

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the fiscal year ended June 30, 2013

	General	Debt Service
REVENUES		
Property taxes	\$ 12,057,676	39,459,384
Excise taxes	15,357,373	-
Construction excise tax	2,349,487	-
Cemetery revenue surcharge	-	-
Local government shared revenues	555,198	-
Investment income	144,765	62,639
Government fees	127,590	-
Culture and recreation fees	22,172,112	-
Solid waste fees	-	-
Other fees	3,471,424	-
Internal charges for services	3,623,649	-
Licenses and permits	375,160	-
Miscellaneous revenue	347,128	-
Grants	10,316,725	-
Government contributions	2,924,250	-
Contributions and donations	689,406	-
Capital grants	26,876	-
Capital contributions and donations	1,900,254	-
Total revenues	76,439,073	39,522,023
EXPENDITURES		
Current:		
General government operations	12,883,851	-
Regional planning and development	11,263,128	-
Culture and recreation	10,379,629	-
Zoo	30,978,416	-
Debt service:		
Principal	1,865,000	37,810,000
Interest	1,692,194	12,214,895
Capital outlay	4,502,773	-
Total expenditures	73,564,991	50,024,895
Revenues over (under) expenditures	2,874,082	(10,502,872)
OTHER FINANCING SOURCES (USES)		
Refunding bonds issued	12,600,000	-
Premium on bonds issued	42,577	-
Sale of capital assets	31,116	-
Transfers in	355,757	-
Payment to refunded bond escrow agent	(12,515,811)	-
Transfers out	(680,764)	-
Total other financing sources (uses)	(167,125)	-
Net change in fund balances	2,706,957	(10,502,872)
Fund balances - July 1, 2012	48,583,765	11,134,999
Fund balances - June 30, 2013	\$ 51,290,722	632,127

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

Capital Projects			
Oregon Zoo		Other	Total
Infrastructure and	Natural	Governmental	Governmental
Animal Welfare	Areas	Funds	Funds
-	-	-	51,517,060
-	-	-	15,357,373
-	-	-	2,349,487
-	-	28,680	28,680
-	-	-	555,198
330,934	180,451	23,417	742,206
-	-	-	127,590
-	-	-	22,172,112
-	-	301,902	301,902
-	-	-	3,471,424
-	-	-	3,623,649
-	-	-	375,160
-	130,233	-	477,361
-	73,337	-	10,390,062
-	67,946	-	2,992,196
-	22	-	689,428
-	-	-	26,876
-	110,922	-	2,011,176
330,934	562,911	353,999	117,208,940
-	-	-	12,883,851
-	-	-	11,263,128
-	7,783,993	454,412	18,618,034
-	-	-	30,978,416
-	-	-	39,675,000
-	-	-	13,907,089
8,432,868	13,814,468	27,026	26,777,135
8,432,868	21,598,461	481,438	154,102,653
(8,101,934)	(21,035,550)	(127,439)	(36,893,713)
-	-	-	12,600,000
-	-	-	42,577
-	500,000	-	531,116
-	-	-	355,757
-	-	-	(12,515,811)
-	-	-	(680,764)
-	500,000	-	332,875
(8,101,934)	(20,535,550)	(127,439)	(36,560,838)
77,630,727	98,783,002	6,782,987	242,915,480
69,528,793	78,247,452	6,655,548	206,354,642

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, 2013**

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

Net change in fund balances-total governmental funds	\$	(36,560,838)
<p>Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlays exceeded depreciation expense in the current period.</p>		
Expenditures for capital assets	27,066,065	
Less current year depreciation	<u>(5,400,725)</u>	21,665,340
<p>In the statement of activities, only the gain or loss on the disposal of capital assets is reported, while in governmental funds, the entire proceeds from sales increase financial resources. The change in net position differs from the change in fund balance by the book values of the assets disposed.</p>		
		(950,523)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue-property taxes	92,156	
Change in unavailable revenue-other	<u>(520,778)</u>	(428,622)
<p>An internal service fund is used by management to charge the costs of insurance and risk management to individual funds. The net revenue of certain activities of the internal service fund is included in governmental activities in the statement of activities.</p>		
		4,492
<p>The issuance of long-term debt provides current financial resources to governmental funds, but issuance of debt increases long-term liabilities in the statement of net position. The repayment of principal on long-term debt uses current financial resources of governmental funds, but repayment of debt reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas premiums and discounts are deferred and amortized in the statement of activities. These are the effects of these differences in the treatment of long-term debt and related items.</p>		
Bonds issued	(12,600,000)	
Principal payments on bonds	39,675,000	
Payment to refunded bond escrow agent	12,515,811	
Amortization of unamortized premium or discount	3,228,884	42,819,695
<p>Expenses in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the funds.</p>		
Other postemployment benefits	(178,204)	
Compensated absences	155,382	
Amortization of deferred charge on refunding	(712,309)	
Amortization of net pension asset	(1,059,811)	
Accrued interest on long-term debt	<u>420,523</u>	<u>(1,374,419)</u>
Change in net position of governmental activities	\$	<u><u>25,175,125</u></u>

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

Fund Financial Statements

Proprietary Funds

Enterprise Funds

Major Funds

Solid Waste Fund

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

MERC Fund

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

Internal Service Fund

Risk Management Fund

This fund accounts for risk management and self-insurance programs performed for other organizational units within Metro. 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, 2013

	Business-type Activities- Enterprise Funds			Governmental Activities- Internal Service Fund
	Solid Waste	MERC	Total	Risk Management
ASSETS				
Current assets:				
Equity in internal cash and investment pool	\$ 37,861,203	26,453,794	64,314,997	3,695,382
Receivables:				
Trade	4,701,166	1,371,561	6,072,727	-
Other	1,380,055	7,704,318	9,084,373	63,389
Interest	77,300	50,891	128,191	7,449
Inventories	273,228	-	273,228	-
Other assets	1,256	70	1,326	-
Total current assets	44,294,208	35,580,634	79,874,842	3,766,220
Noncurrent assets:				
Restricted equity in internal cash and investment pool	-	2,496,996	2,496,996	-
Capital assets, net	30,736,748	162,212,294	192,949,042	-
Total noncurrent assets	30,736,748	164,709,290	195,446,038	-
Total assets	75,030,956	200,289,924	275,320,880	3,766,220
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	-	491,409	491,409	-
Total deferred outflows of resources	-	491,409	491,409	-
LIABILITIES				
Current liabilities:				
Accounts payable	3,831,778	2,357,358	6,189,136	153,481
Salaries, withholdings and payroll taxes payable	473,372	819,662	1,293,034	-
Accrued interest payable	-	39,617	39,617	-
Accrued self-insurance claims	-	-	-	430,927
Unearned revenue	440	1,404,413	1,404,853	-
Deposits payable	1	2,464,807	2,464,808	-
Other liabilities	-	675,124	675,124	-
Bonds payable-current	-	705,000	705,000	-
Post-closure costs payable-current	606,388	-	606,388	-
Compensated absences-current	417,593	632,730	1,050,323	-
Total current liabilities	5,329,572	9,098,711	14,428,283	584,408

(Continued)

METRO
Statement of Net Position
Proprietary Funds, *continued*
June 30, 2013

	Business-type Activities- Enterprise Funds		Total	Governmental Activities- Internal Service Fund
	Solid Waste	MERC		Risk Management
LIABILITIES, <i>Continued</i>				
Noncurrent liabilities:				
Bonds payable (net of unamortized premium or discount)	\$ -	10,374,730	10,374,730	-
Net other postemployment benefits obligation	306,666	525,298	831,964	-
Post-closure costs payable	8,574,601	-	8,574,601	-
Pollution remediation obligation	933,000	78,000	1,011,000	-
Compensated absences	-	3,284	3,284	-
Total non-current liabilities	9,814,267	10,981,312	20,795,579	-
Total liabilities	15,143,839	20,080,023	35,223,862	584,408
NET POSITION				
Net investment in capital assets	30,736,748	151,623,973	182,360,721	-
Restricted for:				
Capital projects	-	2,496,996	2,496,996	-
Unrestricted	29,150,369	26,580,341	55,730,710	3,181,812
Total net position	\$ 59,887,117	180,701,310	240,588,427	3,181,812
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(1,868,112)	
Net position of business-type activities			\$ 238,720,315	

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, 2013

	Business-type Activities- Enterprise Funds		Total	Governmental Activities- Internal Service Fund
	Solid Waste	MERC		Risk Management
OPERATING REVENUES				
Charges for services	\$ 55,627,760	36,670,638	92,298,398	264,656
Internal charges for services	33,465	-	33,465	2,118,369
Total operating revenues	55,661,225	36,670,638	92,331,863	2,383,025
OPERATING EXPENSES				
Payroll and fringe benefits	8,580,603	16,604,899	25,185,502	-
Depreciation and amortization	2,036,882	5,688,369	7,725,251	-
Administration	4,768,791	3,227,725	7,996,516	-
Facility operations	13,639,508	7,412,429	21,051,937	-
Marketing	-	4,016,406	4,016,406	-
Food and beverage	-	12,835,393	12,835,393	-
Disposal fees	8,952,439	-	8,952,439	-
Waste transport	9,341,042	-	9,341,042	-
Special waste disposal fees	835,732	-	835,732	-
Landfill post-closure (reduction)	(675,243)	-	(675,243)	-
Consulting services	2,405,771	734,912	3,140,683	-
Charges for services	2,990,598	134,090	3,124,688	-
Insurance	-	-	-	730,479
Claims	-	-	-	1,061,284
Actuarial claims (reduction)	-	-	-	(94,913)
Other materials and services	658,780	-	658,780	54,802
Total operating expenses	53,534,903	50,654,223	104,189,126	1,751,652
Operating income (loss)	2,126,322	(13,983,585)	(11,857,263)	631,373
NON-OPERATING REVENUES (EXPENSES)				
Local government shared revenue	-	14,463,987	14,463,987	-
Investment income	131,819	99,483	231,302	12,466
Grants	74,284	422,145	496,429	77,185
Government contributions	13,325	798,035	811,360	-
Contributions and donations	-	75,000	75,000	-
Contributions to other governments	-	(493,423)	(493,423)	-
Gain (loss) on disposal of capital assets	(1,366)	-	(1,366)	-
Waste reduction grants	(1,836,473)	-	(1,836,473)	-
Interest expense	-	(535,972)	(535,972)	-
Total non-operating revenues (expenses)	(1,618,411)	14,829,255	13,210,844	89,651
Income before transfers	507,911	845,670	1,353,581	721,024
Transfers in	112,131	568,633	680,764	-
Transfers out	(84,200)	-	(84,200)	(271,557)
Change in net position	535,842	1,414,303	1,950,145	449,467
Total net position - July 1, 2012, as previously stated	59,351,275	179,415,506		2,732,345
Change in accounting principle-implementation of GASB Statement No. 65	-	(128,499)		-
Total net position - July 1, 2012, as restated	59,351,275	179,287,007		2,732,345
Total net position - June 30, 2013	\$ 59,887,117	180,701,310		3,181,812
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			444,974	
Change in net position of business-type activities			\$ 2,395,119	

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, 2013

	Business-type Activities- Enterprise Funds		Total	Governmental Activities- Internal Service Fund Risk Management
	Solid Waste	MERC		
Cash flows from operating activities:				
Receipts from customers	\$ 56,742,849	36,049,074	92,791,923	530,292
Receipts from interfund services provided	-	-	-	1,588,077
Other operating receipts	-	-	-	278,644
Payments to suppliers for goods and services	(39,910,296)	(23,957,376)	(63,867,672)	(835,783)
Payments for claims	-	-	-	(1,061,284)
Payments to employees for services	(8,603,453)	(16,480,792)	(25,084,245)	-
Payments for interfund services used	(4,768,791)	(3,227,725)	(7,996,516)	-
Net cash provided by (used in) operating activities	3,460,309	(7,616,819)	(4,156,510)	499,946
Cash flows from noncapital financing activities:				
Local government shared revenues	-	13,500,456	13,500,456	-
Grants received	165,992	422,145	588,137	11,627
Government contributions	13,325	798,035	811,360	-
Contributions and donations	-	75,000	75,000	-
Payments and contributions to other governments	-	(493,422)	(493,422)	-
Grants to others	(1,836,472)	-	(1,836,472)	-
Transfers from other funds	112,131	568,633	680,764	-
Transfers to other funds	(84,200)	-	(84,200)	(271,557)
Net cash provided by (used in) noncapital financing activities	(1,629,224)	14,870,847	13,241,623	(259,930)
Cash flows from capital and related financing activities:				
Principal payment on bonds	-	(675,000)	(675,000)	-
Interest payments	-	(512,131)	(512,131)	-
Acquisition and construction of capital assets	(857,027)	(2,305,296)	(3,162,323)	-
Proceeds from sale of capital assets	637	-	637	-
Net cash used in capital and related financing activities	(856,390)	(3,492,427)	(4,348,817)	-
Cash flows from investing activities:				
Investment income	94,541	68,031	162,572	8,707
Net cash provided by investing activities	94,541	68,031	162,572	8,707
Net increase in cash including restricted amounts	1,069,236	3,829,632	4,898,868	248,723
Cash at beginning of year including restricted amounts	36,791,967	25,121,158	61,913,125	3,446,659
Cash at end of year including restricted amounts	\$ 37,861,203	28,950,790	66,811,993	3,695,382

(Continued)

METRO
Statement of Cash Flows
Proprietary Funds, *continued*
For the fiscal year ended June 30, 2013

	Business-type Activities- Enterprise Funds			Governmental Activities- Internal Service Fund Risk Management
	Solid Waste	MERC	Total	
Equity in internal cash and investment pool	\$ 37,861,203	26,453,794	64,314,997	3,695,382
Restricted equity in internal cash and investment pool	-	2,496,996	2,496,996	-
Total	\$ 37,861,203	28,950,790	66,811,993	3,695,382
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 2,126,322	(13,983,585)	(11,857,263)	631,373
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	2,036,882	5,688,369	7,725,251	-
Change in assets and liabilities:				
Trade/other accounts receivable	1,081,623	(621,564)	460,059	13,988
Inventory	141,298	-	141,298	-
Other assets	1,897	42,922	44,819	-
Accounts payable	(439,006)	1,302,040	863,034	(50,472)
Salaries, withholdings and payroll taxes payable/compensated absences	(22,850)	124,106	101,256	-
Contracts payable	(2,858)	-	(2,858)	-
Accrued self-insurance claims	-	-	-	(94,913)
Unearned revenue	440	(1,283,438)	(1,282,998)	-
Deposits payable	1	917,601	917,602	-
Other liabilities	-	196,730	196,730	(30)
Post-closure liability	(1,349,440)	-	(1,349,440)	-
Pollution remediation liability	(114,000)	-	(114,000)	-
Total adjustments	1,333,987	6,366,766	7,700,753	(131,427)
Net cash provided by (used in) operating activities	\$ 3,460,309	(7,616,819)	(4,156,510)	499,946
Noncash investing, capital, and financing activities:				
Investment income relating to the change in the fair value of investments	\$ (7,992)	(6,747)	(14,739)	(789)

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

I. HISTORICAL INTRODUCTION

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

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

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

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

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

2. Discretely Presented Component Unit

OZF – The legally separate OZF exists exclusively for the support and benefit of the Zoo. It is a public benefit corporation organized and operated under Section 501(c)(3) of the Internal Revenue Code. The OZF conducts fundraising efforts on behalf of the Zoo, receiving donations from both individuals and corporations that are provided as financial support to the Zoo. The OZF is included in Metro’s report under provisions of GASB Statement No. 39. During the fiscal year ended June 30, 2013, OZF recorded a prior period adjustment of \$2,020,395 to account for certain membership dues received in prior years recorded as deferred revenue that should have been recognized as unrestricted membership dues revenue. Complete financial statements for OZF can be obtained from the Finance Manager at 4001 SW Canyon Road, Portland, OR 97221-2799.

B. BASIC FINANCIAL STATEMENTS

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

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

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

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

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

Governmental fund financial statements are reported using a *current financial resources measurement focus* and the *modified accrual basis of accounting*. Governmental funds’ operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) of net current position during a period. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are both “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Metro considers revenue arising from federal and state grants to be available in the period when the underlying related expenditures for reimbursement based grants have been incurred, if it is known that all eligibility requirements that

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

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

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

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

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

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

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

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

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

Metro reports the following major proprietary funds:

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

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

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

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

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

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

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

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

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

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

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

1. Cash and Investments

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

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

As authorized by State statutes, policies recommended by Metro's Investment Advisory Board and adopted by the Metro Council authorize Metro to invest in obligations of U.S. government agencies, U.S. Government Sponsored Enterprises (USGSE), the U.S. Treasury, time 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." The residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Uncollected property taxes receivable collected and remitted to Metro by county treasurers within approximately 60 days of fiscal year-end are recognized as revenue. The remaining balance is recorded as 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 2013 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 Debt Service, Oregon Zoo Infrastructure and Animal Welfare, Natural Areas, and Open Spaces Funds are restricted by state law controlling the use of bond proceeds. Assets of the Smith and Bybee Lakes Fund and a portion of the General Fund related to the TOD program are restricted by contractual agreements with third parties. Assets of the Rehabilitation and Enhancement and the Cemetery Perpetual Care Funds are restricted by state law and/or Metro Code.

7. Capital Assets

Capital assets, which include land, intangible easements, artwork, construction in progress, buildings and exhibits, improvements, equipment and vehicles, intangible software, office furniture and equipment, and railroad equipment and facilities, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined as assets with an initial cost of \$10,000 or more, and an estimated useful life in excess of one year. Capital assets are recorded at cost, and donated capital assets are stated at estimated fair market value when received. Normal maintenance and repairs are charged to operations as incurred. Replacements exceeding \$10,000 that improve or extend the lives of property are capitalized.

Capital assets are recorded as capital outlay expenditures in the governmental funds statements when purchased. Capital assets in the enterprise and internal service funds are capitalized when purchased. Interest expense (net of interest earned on the invested proceeds over the period of construction) incurred during construction of capital assets of business-type activities is capitalized as part of the cost of the constructed asset. No interest was incurred or capitalized in fiscal year 2013.

METRO

Notes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2013

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

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

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

8. Deferred outflows/inflows of resources

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

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

9. Long-term Obligations

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

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

10. Liability for Compensated Absences

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

11. Fund Balances and Net Position

Fund balance is classified in the governmental fund financial statements in five components to give users information necessary to understand any constraints imposed upon the resources and how those constraints may be modified or eliminated. Fund balance is classified as *nonspendable* when amounts cannot be spent because they are either in nonspendable form, such as prepaid expenditures and 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. It is Metro's policy to use restricted resources first, then unrestricted resources as needed when both restricted and unrestricted resources are available for use. Within unrestricted amounts, committed amounts are considered to have been spent first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

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

III. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position**

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

	Capital assets	Other long-term assets	Long-term liabilities/deferred outflows
Capital assets	\$ 450,959,149	-	-
Accumulated depreciation	(77,581,414)	-	-
Unavailable property tax/other revenue	-	2,563,898	-
Net other postemployment benefits obligation	-	-	(1,069,805)
Compensated absences	-	-	(2,539,116)
Accrued interest payable	-	-	(1,189,997)
Bonds payable (net of unamortized premium/discount)	-	-	(301,864,168)
Deferred charge on refunding	-	-	1,819,473
Net adjustment to fund balance-total governmental funds to arrive at net position-governmental activities	\$ 373,377,735	2,563,898	(304,843,613)

METRO

Notes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2013

IV. ACCOUNTING CHANGES

During fiscal year 2013, Metro implemented *GASB Statement No. 65, Items Previously Reported as Assets and Liabilities*, which resulted in a restatement of beginning net position for the amount of previously deferred bond issuance costs which were recognized as an expense in accordance with the statement. Beginning net position for governmental activities was decreased by \$1,237,418 and beginning net position for business-type activities was decreased by \$128,499 to account for this change.

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, time 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).

There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year. Equity in internal cash and investment pool on the Statement of Net Position includes the internal pool reported below. The OZF component unit does not participate in the internal investment pool of Metro. As of June 30, 2013, Metro had the following investments and maturities:

Investment Type	Held by		Fair Value	Investment Maturities (in months)		
	Individual funds	Internal pool		Less than 3	3-17	18-59
Bankers' Acceptances	\$ 3,831,299	1,225,433	5,056,732	5,056,732	-	-
U.S. Treasuries	-	3,025,440	3,025,440	-	3,025,440	-
U.S. Government securities - USGSE	124,715,700	59,616,006	184,331,706	17,561,080	166,770,626	-
Municipal Bonds	-	482,619	482,619	-	482,619	-
State Treasurer's investment pool	11,512,100	30,344,395	41,856,495	41,856,495	-	-
Total Investments	140,059,099	94,693,893	234,752,992	64,474,307	170,278,685	-
Cash deposits	-	43,025,512				
Total cash and investments	140,059,099	137,719,405				
Per statement of net position:						
Unrestricted	-	106,963,676				
Restricted	140,059,099	30,755,729				
Total	\$ 140,059,099	137,719,405				

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

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

<u>Maturity</u>	<u>Minimum to mature</u>
Under 3 months	25 percent minimum
Under 18 months	75 percent minimum
Under 60 months	100 percent minimum

Credit Risk – Metro’s investment policy seeks to minimize credit risk through measures such as diversification, pre-qualification, and active monitoring of the portfolio. Neither Oregon Revised Statutes nor Metro investment policy limits investments as to credit rating for securities purchased from U.S. Government Agencies or from USGSE. Metro’s Investments in USGSE were rated AA+ by Standard & Poor’s and Aaa by Moody’s Investors Service (Moody’s). Metro’s investment in municipal bonds carries a rating of Aa1 by Moody’s. The State Investment Pool is unrated.

Oregon Revised Statutes require bankers’ acceptances to be guaranteed by and carried on the books of, a qualified financial institution, eligible for discount by 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, 2013, all of Metro’s deposits were insured as described above.

For investments, custodial credit risk is the risk that, in the event of failure of the counterparty, Metro will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Metro’s investment policy requires that all trades are executed by delivery vs. payment to ensure that securities are deposited for safekeeping in an eligible financial institution prior to the release of funds. As of June 30, 2013, Metro had no investments that were held by either counterparty or the counterparty’s trust department agent. Therefore, Metro has no outstanding investments that were exposed to custodial credit risk.

Concentration of Credit Risk – To avoid incurring unreasonable risks inherent in over-investing in specific instruments or in individual financial institutions, Metro’s investment policy sets maximum limits on the percentage of the portfolio that can be invested in any one type of security. In addition, Oregon Revised Statutes require no more than 25 percent

METRO

Notes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2013

of the moneys of a local government to be invested in bankers' acceptances of any qualified financial institution. At June 30, 2013 Metro was in compliance with all percentage restrictions. More than 5 percent of Metro's total investments are in securities by the following issuers:

Issuer	Percentage of Total Investments (Total Entity Concentration)	Policy Allowed Maximum	Fund Concentrations Exceeding Total Entity Concentration	
			Oregon Zoo Infrastructure Fund	Natural Areas Fund
Federal Farm Credit Bank (FFCB)	24.3%	40.0%	43.4%	-
Federal Home Loan Bank (FHLB)	16.3%	40.0%	-	40.2%
Federal Home Loan Mortgage Corp (FHLMC)	8.8%	40.0%	24.7%	-
Federal Agricultural Mortgage Corp (FAMC)	5.1%	40.0%	-	7.3%
Federal National Mortgage Association (FNMA)	19.1%	40.0%	-	33.2%
State Treasurer's Investment Pool	17.8%	100.0%	-	-

B. ASSETS HELD FOR RESALE

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

Property Name	Address	Amount
Westgate	3950 SW Cedar Hills Boulevard, Beaverton, OR	\$ 2,000,000
Milwaukie Town Center	10700 SE McLoughlin Boulevard, Milwaukie, OR	719,617
Gresham Civic	NW Civic Drive & NW 15th, Gresham, OR	5,129,026
The Crossings	Section 4, Township 1, South Range 3 East (Parcel 2), Gresham, OR	355,850
		<u>\$ 8,204,493</u>

C. LOANS RECEIVABLE

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

Maximum Term	Interest Rate	Loan Receivable	First Annual Payment	Last Annual Payment
50 years	0 to 1%	\$ 555,000	March 15, 2026	March 15, 2056
50 years	0 to 1%	365,000	March 1, 2028	March 1, 2058
	Total	<u>\$ 920,000</u>		

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

METRO

Notes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2013

D. CAPITAL ASSETS

Capital asset balances and activity for fiscal year 2013 were as follows:

	Balance July 1, 2012	Increases	Decreases	Transfers	Balance June 30, 2013
Governmental activities:					
Capital assets, non-depreciable:					
Land	\$ 227,489,097	12,126,595	(843,916)	(199,135)	238,572,641
Intangible-easements	7,993,033	79,321	-	194,022	8,266,376
Artwork	489,025	68,398	-	-	557,423
Construction in progress	22,210,163	12,135,821	(25,485)	(3,062,591)	31,257,908
Total non-depreciable	258,181,318	24,410,135	(869,401)	(3,067,704)	278,654,348
Capital assets, depreciable:					
Buildings and exhibits	118,029,718	514,898	(110,000)	2,370,996	120,805,612
Improvements	31,904,200	447,504	-	125,323	32,477,027
Equipment and vehicles	9,231,456	659,207	(169,269)	391,697	10,113,091
Intangible-software	3,574,111	633,476	-	109,783	4,317,370
Office furniture and equipment	2,249,479	400,845	(138,641)	69,905	2,581,588
Railroad equipment and facilities	2,010,113	-	-	-	2,010,113
Total depreciable	166,999,077	2,655,930	(417,910)	3,067,704	172,304,801
Accumulated depreciation:					
Buildings and exhibits	(46,668,150)	(2,700,354)	30,733	-	(49,337,771)
Improvements	(14,294,205)	(1,404,373)	9,842	-	(15,688,736)
Equipment and vehicles	(5,387,485)	(578,725)	161,907	-	(5,804,303)
Intangible-software	(2,712,886)	(401,340)	-	-	(3,114,226)
Office furniture and equipment	(1,458,763)	(315,175)	134,306	-	(1,639,632)
Railroad equipment and facilities	(1,995,988)	(758)	-	-	(1,996,746)
Total accumulated depreciation	(72,517,477)	(5,400,725)	336,788	-	(77,581,414)
Total capital assets, depreciable, net	94,481,600	(2,744,795)	(81,122)	3,067,704	94,723,387
Governmental activities					
capital assets, net	\$ 352,662,918	21,665,340	(950,523)	-	373,377,735

METRO

Notes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2013

	Balance July 1, 2012	Increases	Decreases	Transfers	Balance June 30, 2013
Business-type activities:					
Capital assets, non-depreciable:					
Land	\$ 19,329,786	-	-	-	19,329,786
Artwork	823,121	-	-	-	823,121
Construction in progress	1,030,941	630,019	-	(858,890)	802,070
Total non-depreciable	21,183,848	630,019	-	(858,890)	20,954,977
Capital assets, depreciable:					
Buildings and exhibits	277,179,985	1,647,960	-	102,846	278,930,791
Improvements	17,510,577	72,350	(86,301)	16,348	17,512,974
Equipment and vehicles	18,567,607	554,234	(72,775)	24,081	19,073,147
Intangible-software	558,371	248,893	-	634,383	1,441,647
Office furniture and equipment	718,205	8,867	(20,063)	81,232	788,241
Total depreciable	314,534,745	2,532,304	(179,139)	858,890	317,746,800
Accumulated depreciation:					
Buildings and exhibits	(109,594,685)	(5,957,127)	-	-	(115,551,812)
Improvements	(15,534,649)	(154,255)	85,818	-	(15,603,086)
Equipment and vehicles	(12,317,046)	(1,133,310)	71,255	-	(13,379,101)
Intangible-software	(463,424)	(388,128)	-	-	(851,552)
Office furniture and equipment	(294,816)	(92,431)	20,063	-	(367,184)
Total accumulated depreciation	(138,204,620)	(7,725,251)	177,136	-	(145,752,735)
Total capital assets, depreciable, net	176,330,125	(5,192,947)	(2,003)	858,890	171,994,065
Business-type activities					
capital assets, net	\$ 197,513,973	(4,562,928)	(2,003)	-	192,949,042

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, 2013.

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

METRONotes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2013

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government operations	\$ 952,420
Culture and recreation	1,781,644
Zoo	2,666,661
<u>Total depreciation expense - governmental activities</u>	<u>\$ 5,400,725</u>
Business-type activities:	
Solid Waste	\$ 2,036,882
MERC	5,688,369
<u>Total depreciation expense - business-type activities</u>	<u>\$ 7,725,251</u>

E. UNEARNED REVENUE

Unearned revenue is reported for resources that have been received, but not yet earned. The details of these amounts at June 30, 2013 were:

	Governmental Activities	Business-type Activities
Advance ticket sales/registrations	\$ 1,627,242	942,807
Advance lease revenue	-	274,105
Unredeemed gift certificates	8,676	187,941
Grant and contract drawdowns prior to meeting all eligibility requirements	4,930,220	-
<u>Total</u>	<u>\$ 6,566,138</u>	<u>1,404,853</u>

F. DEFERRED COMPENSATION PLAN

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

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

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

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

2. Funding Policy

Employer contributions to both the OPSRP and PERS plans are required by state statute and are made at actuarially determined rates as adopted by the OPERB. Actuarial valuations are performed at least every two years. Metro participates in the PERS state and local government rate pool as created by the Legislature. Under the provisions of state statutes, all covered employees, except elected officials, are required to contribute 6.0 percent of their gross earnings to OPSRP/PERS. The required employee contribution is paid by Metro for some employees in conformance with personnel policies and labor agreements. Metro's current required employer contribution rates, based on the 2009 valuation, are 7.04 percent of covered employees' salaries for the OPSRP plan, and 8.67 percent for the PERS plan.

3. Annual Pension Cost/Pension Asset

For fiscal year 2013, Metro's annual pension cost was \$5,088,057. This amount consisted of Metro's actual required contributions of \$1,402,830 to the OPSRP plan and \$2,625,417 for the PERS plan, as well as \$1,059,810 in amortization of pension assets of the PERS plan. In addition, Metro paid \$2,513,360 for the 6.0 percent employee contribution as described above. The pension asset is the result of issuance in prior years of limited tax pension obligation bonds to finance Metro's unfunded actuarial accrued liability. Metro's pension asset equaled \$15,808,838 at June 30, 2013. Metro's required employer contribution was determined as part of an actuarial valuation at December 31, 2009.

Three-year historical trend information:

Fiscal year ended June 30:	OPSRP Plan		PERS Plan	
	Annual Pension Cost (APC)	Percentage of APC Contributed	Annual Pension Cost (APC)	Percentage of APC Contributed
2011	565,353	100%	1,899,249	100%
2012	1,387,930	100%	3,881,097	100%
2013	1,402,830	100%	3,685,227	100%

H. OTHER POSTEMPLOYMENT BENEFITS

1. Plan Description

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

2. Funding Policy

Metro has not established a trust fund for future net OPEB obligations. At June 30, 2013, 23 retirees and spouses were paying premiums through Metro for health insurance coverage. Metro's required contribution is based on projected pay-as-you-go financing requirements. The Metro Council is the authority for setting and modifying the funding policy. Metro contributed an estimated \$149,733 of implicit subsidies in postemployment health care in fiscal year 2013.

3. Annual OPEB Cost/Net OPEB Obligation

Metro's annual OPEB cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the guidance of GASB Statement No. 45. The ARC is equal to the normal cost plus an amount to amortize the unfunded actuarial accrued liability (UAAL) as a level dollar amount over 15 years. A schedule of Metro's annual OPEB Obligation for the fiscal year ended June 30, 2013 is:

Annual Required Contribution (ARC)	\$ 500,794
Interest on prior year Net OPEB Obligation	57,242
Adjustment to ARC	(142,000)
Annual OPEB cost	416,036
Estimated benefits payments	(149,733)
Increase in Net OPEB Obligation	266,303
Net OPEB Obligation – beginning of year	1,635,466
Net OPEB Obligation – end of year	\$ 1,901,769
Percentage of annual OPEB cost contributed	36%

Additional information for fiscal year 2013 and the two preceding years is:

Fiscal year ended June 30:	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2011	\$426,608	37%	\$1,365,751
2012	401,430	33%	1,635,466
2013	416,036	36%	1,901,769

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

4. Funding Status/Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$2,907,891, and the actuarial value of assets was zero, resulting in an UAAL of \$2,907,891. The covered payroll was \$50,208,189 for fiscal year 2013, and the UAAL as a percentage of covered payroll was 5.8 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations

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

5. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the July 1, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. This method attempts to track the actual economic pattern of benefit accrual over an employee's working lifetime. Significant actuarial assumptions used in the valuation include an inflation rate of 2.75 percent, a discount rate of 3.5 percent, and health care cost trend rate of 7.25 percent initially, decremented to an ultimate rate of 5.25 percent in the 27th year and after for the major medical component, which is representative of the entire plan. Metro's UAAL is being amortized using the level-dollar method with an open 15 year amortization methodology. The remaining amortization period at June 30, 2013 is 15 years.

I. COMMITMENTS

1. Columbia Ridge Landfill

Metro has a waste disposal services contract with the owner and operator of Columbia Ridge Landfill in Gilliam County, Oregon for disposal of solid waste from the transfer stations owned by Metro. This contract expires December 31, 2019. The contract specifies a per ton unit price schedule that is adjusted annually on July 1 in an amount equivalent to 90 percent of the CPI, minus one-half of a percentage point. For fiscal year 2013, this resulted in a contracted per ton unit price of \$25.46 for the first 550,000 tons and a declining incremental price scale for each ton of waste in excess of 550,000 tons.

2. Waste Transport

Solid waste transport from Metro facilities to Columbia Ridge Landfill and other disposal sites is privately contracted through December 31, 2019. The contract specifies a per load unit price that is adjusted annually on July 1 in an amount equivalent to 75 percent of the CPI. In addition, the contract calls for Metro to reimburse the contractor for the cost of shuttle fuel used at the transfer stations. The fuel price is highly variable and tied to a weekly index, but historically has added \$10 to \$15 to the cost of each load. For fiscal year 2013, the unit load price equated to a rate of \$618.88 (equivalent to about \$17.94 per ton). Metro has a separate contract with a fuel provider for over-the-road diesel fuel. This contract sets a price per gallon that is tied to a national weekly fuel index. The current fuel contract expires on September 30, 2015.

In fiscal year 2012, Metro and the transport contractor amended the contract to include supplemental payments to the contractor and rebates to Metro based on annual waste volumes delivered to Columbia Ridge Landfill. The contractor receives a supplemental payment equal to 3.5 percent of the contract amount paid during the previous calendar year if landfilled tonnage was 450,000 tons or less during the same calendar year. Metro receives a 3.5 percent rebate on those payments if tonnage was greater than 500,000 tons. Total supplemental payments and bonuses are both capped at \$1,500,000 over the life of the contract. Metro made a supplemental payment of \$202,374 in fiscal year 2013.

METRONotes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2013

3. Metro South Station

The operation of Metro South, a solid waste transfer station and materials recovery facility, is privately contracted through March 31, 2017. For fiscal year 2013, the agreement sets an annual fixed payment of \$969,004, a price of \$4.98 per ton of putrescible waste, a price of \$11.33 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. During fiscal year 2012, the parties amended the contract to address 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 2013 Metro paid \$50.76 per ton for the first 40,000 tons of residential organics, and a declining rate for greater quantities. This figure includes the cost of transfer, transport and processing at a remote composting site. The contractor provides transfer services and arranges for transport and processing. All contract rates are adjusted annually on July 1 in an amount equivalent to 85 percent of the CPI.

4. Metro Central Station

The operation of Metro Central, a solid waste transfer station and materials recovery facility, is privately contracted through March 31, 2017. For fiscal year 2013, the agreement sets an annual fixed payment of \$2,135,254, a price of \$3.28 per ton of putrescible waste, a price of \$14.81 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. During fiscal year 2012, the parties amended the contract to address 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 2013 Metro paid \$54.06 per ton for the first 10,000 tons of residential organics, and a declining rate for greater quantities. This figure includes the cost of transfer, transport and processing at remote composting sites. The contractor provides transfer services and arranges for transport and processing. All payments are adjusted annually on July 1 in an amount equivalent to 87 percent of the CPI.

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

Fiscal year ending June 30:	Columbia Ridge Landfill	Waste Transport	Metro South	Metro Central
2014	\$ 8,325,269	7,252,362	5,348,915	6,992,710
2015	8,722,188	7,801,161	5,634,847	7,215,498
2016	9,119,114	8,399,203	5,933,077	7,481,630
2017	9,418,480	8,860,490	4,579,841	5,736,836
2018	9,670,234	9,025,304	-	-
Thereafter	14,833,536	13,747,404	-	-
Total	\$ 60,088,821	55,085,924	21,496,680	27,426,674

5. Construction Projects

Metro is committed under a number of contracts for construction services. The amount of uncompleted contracts totals \$7,920,334 at June 30, 2013.

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

The Portland Center for the Performing Arts Theater Complex leases the grounds for the Complex under an operating lease expiring in 2083. The term of the original agreement may be extended in ten-year increments for a total of 50 additional years. Rent adjustments may be negotiated every five years commencing on November 1, 1994. The scheduled lease payments are \$11,234 per month through October 31, 2014. \$134,814 was paid on the lease in fiscal year 2013.

The future minimum lease payments are as follows:

<u>Fiscal year ending June 30:</u>		<u>Fiscal year ending June 30:</u>		<u>Fiscal year ending June 30:</u>	
2014	\$ 134,814	2029-33	\$ 674,070	2064-68	\$ 674,070
2015	134,814	2034-38	674,070	2069-73	674,070
2016	134,814	2039-43	674,070	2074-78	674,070
2017	134,814	2044-48	674,070	2079-83	674,070
2018	134,814	2049-53	674,070	2084	44,938
2019-23	674,070	2054-58	674,070		
2024-28	674,070	2059-63	674,070		
				<u>Total</u>	<u>\$9,481,918</u>

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

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

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

METRO

Notes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2013

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

Fiscal year ending June 30:	Principal	Interest
2014	\$ 1,890,000	387,400
2015	1,995,000	292,900
2016	2,095,000	193,150
2017	2,210,000	88,400
	8,190,000	961,850
Unamortized premium	373,394	
Per statement of net position	\$8,563,394	

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

In prior years, Metro issued \$124,295,000 of 2007 Series Natural Areas General Obligation Bonds. The Natural Areas Bonds were issued by Metro under authority granted by voters for a total of \$227.4 million in general obligation bonds to fund activities to acquire and preserve natural areas and stream frontages, maintain and improve water quality, and protect fish and wildlife habitat. Subsequently, Metro issued an additional \$75,000,000 of bonds, the 2012A Series. The remaining portion of bonds under the authorization is anticipated to be issued in 2015.

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

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

Fiscal year ending June 30:	2007 Series		2012A Series	
	Principal	Interest	Principal	Interest
2014	\$ 4,400,000	3,739,750	4,610,000	3,404,350
2015	4,620,000	3,519,750	5,350,000	3,219,950
2016	4,850,000	3,288,750	2,230,000	2,952,450
2017	5,095,000	3,046,250	2,790,000	2,840,950
2018	5,350,000	2,791,500	3,350,000	2,701,450
2019-23	31,025,000	9,668,750	26,755,000	10,354,000
2024-26	22,375,000	2,043,450	25,835,000	2,390,100
	77,715,000	28,098,200	70,920,000	27,863,250
Unamortized premium	4,301,836		13,853,949	
Per statement of net position	\$82,016,836		84,773,949	

3. 2012A Series Oregon Zoo General Obligation Bond

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

METRONotes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2013

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

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

<u>Fiscal year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 5,165,000	2,758,425
2015	5,670,000	2,551,825
2016	2,000,000	2,268,325
2017	2,260,000	2,168,325
2018	2,510,000	2,055,325
2019-23	16,835,000	8,119,375
2024-28	25,725,000	3,197,150
	60,165,000	23,118,750
Unamortized premium	9,980,610	
<u>Per statement of net position</u>	<u>\$70,145,610</u>	

4. 2012B Series General Obligation Refunding Bonds

In prior years, Metro issued \$27,575,000 of General Obligation Refunding Bonds, 2012B Series to refund the portion of the General Obligation Refunding Bonds, 2002 Series callable without premium. The net proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent. The defeased bonds were called and paid on September 1, 2012 and the escrow account for the defeasance was closed.

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

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

<u>Fiscal year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 9,150,000	842,750
2015	9,535,000	476,750
	18,685,000	1,319,500
Unamortized premium	1,394,379	
<u>Per statement of net position</u>	<u>\$20,079,379</u>	

5. Full Faith and Credit Refunding Bonds 2003 and 2013 Series

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

On February 26, 2013, Metro issued \$12,600,000 of Full Faith and Credit Refunding Bonds, 2013 Series to refund the portion of the Full Faith and Credit Refunding Bonds, 2003 Series callable without premium. The net proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent until the bonds' optional redemption date of August 1, 2013. At June 30, 2013, \$12,275,000 of the refunded bonds were outstanding.

METRONotes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2013

As a result of these actions, the callable portion of 2003 Series bonds are considered defeased and the liability for those bonds has been removed from the government-wide statement of net position. The refunding resulted in a reduction of debt service of \$889,376 over 10 years and a net present value savings of \$1,284,311. The remaining non-callable portion will be paid in August, 2013 as scheduled.

The bonds are payable from all legally available taxes and other revenues of Metro. Interest rates on individual bonds range from 1.0 percent to 3.3 percent.

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

Fiscal year ending June 30:	2003 Series		2013 Series	
	Principal	Interest	Principal	Interest
2014	\$1,385,000	24,238	105,000	166,433
2015	-	-	1,595,000	170,393
2016	-	-	1,610,000	154,367
2017	-	-	1,410,000	139,268
2018	-	-	1,270,000	125,867
2019-23	-	-	6,610,000	333,966
Per statement of net position	\$1,385,000	24,238	12,600,000	1,090,294

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 4.665 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
2014	\$ 615,000	1,105,071
2015	710,000	1,076,381
2016	820,000	1,041,882
2017	930,000	1,002,039
2018	1,055,000	956,850
2019-23	7,455,000	3,874,040
2024-28	10,715,000	1,570,505
Per statement of net position	\$22,300,000	10,626,768

METRONotes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2013

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

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

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

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

Fiscal year ending June 30:	Principal	Interest
2014	705,000	483,650
2015	735,000	453,050
2016	765,000	421,175
2017	795,000	387,528
2018	830,000	349,387
2019-23	4,810,000	1,080,506
2024-25	2,245,000	100,688
	10,885,000	3,275,984
Unamortized premium	194,730	
Per statement of net position	\$11,079,730	

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Notes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2013

L. CHANGES IN LONG-TERM LIABILITIES

The following changes occurred during fiscal year 2013 in long-term liabilities:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 273,485,000	-	(37,810,000)	235,675,000	25,215,000
Full faith and credit bonds	15,000,000	12,600,000	(13,615,000)	13,985,000	1,490,000
Pension obligation bonds	22,825,000	-	(525,000)	22,300,000	615,000
Less unamortized amounts:					
For premium or discount	31,895,633	-	(1,991,465)	29,904,168	-
Total bonds payable	343,205,633	12,600,000	(53,941,465)	301,864,168	27,320,000
Net other postemployment benefits	891,601	239,015	(60,811)	1,069,805	-
Compensated absences	2,694,498	2,539,116	(2,694,498)	2,539,116	2,297,492
Governmental activity					
Long-term liabilities	\$ 346,791,732	15,378,131	(56,696,774)	305,473,089	29,617,492
Business-type activities:					
Bonds payable:					
Full faith and credit bonds	\$ 11,560,000	-	(675,000)	10,885,000	705,000
Less unamortized amounts:					
For premium or discount	83,287	-	111,443	194,730	-
Total bonds payable	11,643,287	-	(563,557)	11,079,730	705,000
Post-closure costs payable	10,530,429	-	(1,349,440)	9,180,989	606,388
Pollution remediation obligation	1,125,000	14,333	(128,333)	1,011,000	-
Net other postemployment benefits	743,865	177,021	(88,922)	831,964	-
Compensated absences	1,116,732	1,053,607	(1,116,732)	1,053,607	1,050,323
Business-type activity					
Long-term liabilities	\$ 25,159,313	1,244,961	(3,246,984)	23,157,290	2,361,711

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

M. POLLUTION REMEDIATION OBLIGATION

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

Two Metro properties have pollution remediation obligations where obligating events have occurred and amounts are estimable using the expected cash flows technique. At the St. Johns Landfill, work associated with pollution remediation for sediment located adjacent to the landfill levees and potentially shallow groundwater includes: completion of a remedial investigation (RI)/feasibility study (FS) and remedial design; remedial action implementation; and remedial action performance monitoring. The work associated with the RI was completed during fiscal year 2012 and the

final RI report was accepted by the Oregon Department of Environmental Quality (DEQ) on May 30, 2012. The work associated with the FS component was completed during fiscal year 2013. Metro paid \$128,333 in remediation costs (\$531,936 cumulative to date) reducing the estimated liability to \$933,000 at June 30, 2013. Actual cost may vary due to inflation or deflation, changes in technology, or changes in regulations. The second Metro property with estimable pollution remediation obligations is the Expo Center. Current information on this site, which is adjacent to a designated Superfund site, is limited. Therefore, the cost associated with work beyond the initial preliminary study is not yet estimable. The pollution remediation obligation estimate for the preliminary assessment which is recorded in the MERC Fund is \$78,000.

Metro owns other properties that fall within the Initial Study Area of the Portland Harbor Superfund site and adjacent to the Portland Harbor. The area is being investigated by the Lower Willamette Group (LWG) under a 2001 Environmental Protection Agency (EPA) Administrative Order on Consent. For the entire Portland Harbor Superfund site, the LWG has been conducting a remedial investigation in the Willamette River (in water) since 2001 with oversight from EPA. Costs associated with these investigations and studies as they pertain to Metro properties and the allocation of such costs among participating responsible parties (PRPs) has not yet been determined. The PRPs are engaging an allocator to develop a method for allocation of costs associated with the remedial investigation and feasibility study. Costs associated with work beyond the feasibility study also are not estimable and therefore none of these costs have been included in Metro's pollution remediation obligation as of June 30, 2013.

N. 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, 2013, there were 13 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, 2013 is estimated to be \$51,215,442 under current Federal and state regulations, a decrease of \$675,243 in the current year in the estimated total liability. Actual cost may vary due to inflation or deflation, changes in technology, or changes in regulations. During the fiscal year, Metro paid \$674,197 in closure costs as the closure process continued (\$42,034,453 cumulative to date); reducing the remaining estimated liability to \$9,180,989 at June 30, 2013.

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 DEQ and consists of its Solid Waste Fund, a post-closure funding guarantee of future revenues to cover these costs and a Landfill Post-Closure Account. Metro is required to submit annual re-certifications of this mechanism. DEQ approved the February 26, 2013 annual recertification.

METRO

Notes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2013

O. FUND BALANCE CLASSIFICATIONS

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

	General Fund	Debt Service Fund	Major Capital Project Funds			Total
			Oregon ZIAW Fund	Natural Areas Fund	Other Funds	
Fund balances:						
Nonspendable:						
Prepays	\$ 157,544	-	-	-	-	157,544
Corpus of permanent fund	-	-	-	-	384,121	384,121
Total nonspendable	157,544	-	-	-	384,121	541,665
Restricted for:						
TOD projects	17,777,964	-	-	-	-	17,777,964
Debt service on GO bonds	-	632,127	-	-	-	632,127
Smith & Bybee Lakes management plan	-	-	-	-	3,590,890	3,590,890
Rehabilitation/Enhancement	-	-	-	-	1,969,875	1,969,875
Capital projects:						
OZF donations	2,391,789	-	-	-	-	2,391,789
Glendoveer operations	5,549	-	-	-	-	5,549
Bond funded programs	-	-	69,528,793	78,247,452	682,991	148,459,236
Total restricted	20,175,302	632,127	69,528,793	78,247,452	6,243,756	174,827,430
Committed to:						
Construction excise tax for development planning	5,427,647	-	-	-	-	5,427,647
Assigned to:						
Permanent fund programs	-	-	-	-	27,671	27,671
Unassigned:	25,530,229	-	-	-	-	25,530,229
Total fund balances	\$ 51,290,722	632,127	69,528,793	78,247,452	6,655,548	206,354,642

P. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances at June 30, 2013 were due to the consolidation of internal service fund activities for the government-wide statements:

Receivable Entity	Payable Entity	Amount
Governmental activities	Business-type activities	<u>\$1,868,112</u>

METRONotes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2013

Interfund transfers for the fiscal year by fund were:

Transfers out	Transfers in			
	General	Solid Waste	MERC	Total
General	-	112,131	568,633	680,764
Solid Waste	84,200	-	-	84,200
Risk Management	271,557	-	-	271,557
Total	355,757	112,131	568,633	1,036,521

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

Q. INSURED RISKS

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

- **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 \$600,000 per claim and \$1,200,000 per occurrence. These statutory limits are indexed and change every year on July 1. Metro carries an excess liability policy of \$7 million, with a \$1 million deductible, which is intended to insure possible liability outside the Oregon Tort Claims Act.
- **Property damage to Metro owned facilities:** this risk is covered with a commercial property insurance policy. The property policy insures \$662,127,000 of property values with a \$500,000,000 limit blanket policy and a \$500,000 deductible.
- **Workers' compensation, bodily injury or illness to an employee while in the course of employment:** this risk is covered through a retrospectively rated program from SAIF Corporation, a commercial carrier, in amounts that meet statutory requirements.

Metro has not experienced settlements in excess of insurance coverage in any of the last three fiscal years. An independent actuary prepared an actuarial valuation and estimate of liabilities for unpaid claims as of June 30, 2013. 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 \$430,927 reported as accrued self-insurance claims in the Risk Management Fund at June 30, 2013 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

METRONotes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2013

of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. A portion of the loss reserves have been discounted, using an assumed average investment rate of 1.0 percent in preparing the estimates. Metro does not purchase annuity contracts from commercial insurers to pay any aggregate amount of outstanding claims liabilities.

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

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
2011-2012	\$ 554,010	779,886	808,056	525,840
2012-2013	525,840	966,371	1,061,284	430,927

R. CONTINGENT LIABILITIES**1. Reviews by Grantor Agencies**

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

2. Legal Matters

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

Supplementary Information

Required Supplementary Information

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

General Fund

Schedule of Funding Progress

Other Postemployment Benefits

Notes to Required Supplementary Information



METRO

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances-
Budget and Actual (Non-GAAP Basis of Budgeting)
For the fiscal year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with final budget
	Original	Final		
REVENUES				
Program revenues:				
Charges for services:				
Government fees	\$ 164,558	164,558	127,590	(36,968)
Culture and recreation fees	20,385,930	21,755,930	22,172,112	416,182
Other fees	3,811,063	3,832,003	3,471,424	(360,579)
Licenses and permits	380,000	380,000	375,160	(4,840)
Miscellaneous revenue	173,881	173,881	467,983	294,102
Operating grants and contributions:				
Grants	10,738,583	10,792,958	9,002,313	(1,790,645)
Government contributions	2,929,628	2,959,628	2,924,250	(35,378)
Contributions and donations	500,927	900,927	689,406	(211,521)
Capital grants and contributions:				
Capital contributions and donations	-	-	18,126	18,126
General revenues:				
Taxes:				
Property taxes	12,081,132	12,081,132	12,057,676	(23,456)
Excise taxes	15,639,971	15,639,971	15,357,373	(282,598)
Construction excise tax	1,760,000	1,760,000	2,349,487	589,487
Local government shared revenue	539,087	539,087	555,198	16,111
Investment income	31,000	31,000	115,405	84,405
Total revenues	69,135,760	71,011,075	69,683,503	(1,327,572)
EXPENDITURES				
Communications	2,601,585	2,627,325	2,547,339	79,986
Council office	3,964,829	4,155,240	3,585,722	569,518
Finance and regulatory services	4,218,275	4,140,619	3,665,877	474,742
Human resources	2,167,032	2,134,833	2,034,937	99,896
Information services	3,640,353	3,586,823	3,281,322	305,501
Metro auditor	708,748	717,764	655,508	62,256
Office of Metro attorney	1,927,172	1,913,205	1,786,305	126,900
Oregon Zoo	30,862,025	31,227,511	30,725,552	501,959
Parks and environmental services	6,681,825	7,965,869	7,512,386	453,483
Planning and development	14,477,196	14,456,370	7,419,602	7,036,768
Research center	3,880,935	3,945,655	3,792,545	153,110
Sustainability center	4,086,762	4,332,136	4,106,361	225,775

(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, 2013

	Budgeted Amounts		Actual Amounts	Variance with final budget
	Original	Final		
Expenditures, continued:				
Special appropriations	\$ 4,896,187	4,986,187	2,072,269	2,913,918
Non-departmental:				
Debt service	1,654,290	1,654,290	1,654,289	1
Contingency	3,771,000	1,684,319	-	1,684,319
Total expenditures	89,538,214	89,528,146	74,840,014	14,688,132
Revenues under expenditures	(20,402,454)	(18,517,071)	(5,156,511)	13,360,560
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	13,230	13,230
Transfers in	13,163,117	13,163,117	12,487,013	(676,104)
Transfers out	(7,721,525)	(7,814,625)	(5,556,992)	2,257,633
Total other financing sources (uses)	5,441,592	5,348,492	6,943,251	1,594,759
Revenues and other sources over (under) expenditures and other uses	(14,960,862)	(13,168,579)	1,786,740	14,955,319
Beginning fund balance available for appropriation - July 1, 2012	27,621,707	27,621,707	31,796,742	4,175,035
Unappropriated ending fund balance - June 30, 2013	\$ 12,660,845	14,453,128	33,583,482	19,130,354
Reconciliation to Governmental GAAP basis:				
Excess of revenues and other financing sources over (under) expenditures and other financing uses on the basis of budgeting:				
General Fund, as presented above			\$ 1,786,740	
General Revenue Bond Fund-General, from page 111			1,111	
General Asset Management Fund, from page 112			1,069,106	
Budget resources not qualifying as revenues under Governmental GAAP:				
Sale of assets held for resale			(150,000)	
General Fund net change in fund balance as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds			\$ 2,706,957	

METRO
 Schedule of Funding Progress
 Other Postemployment Benefits
 June 30, 2013

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Percentage</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
July 1, 2007	\$ -	\$ 3,364,684	\$ 3,364,684	0%	\$ 43,483,110	8%
July 1, 2009	-	3,007,784	3,007,784	0%	49,864,609	6%
July 1, 2011	-	2,907,891	2,907,891	0%	52,255,709	6%

BUDGETARY INFORMATION**1. BUDGETS**

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

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

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

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

Metro adopted ten budget amendments during the fiscal year ended June 30, 2013. Two of the amendments would be considered significant. In February 2013, the Council adopted a budget amendment with several components, including acknowledging \$1.37 million in addition revenue and providing \$1.2 million in additional appropriation expenditure to account for the implementation of a new operating agreement for the Glendoveer golf course. Under the previous contract, the operator remitted net revenues owed to Metro under the contract. The new contract is consistent with Metro's other concession-style agreements where Metro receives gross revenues and remits payment for approved expenses to the operator. In addition, the Oregon Zoo recognized \$2.26 million in donations from the Oregon Zoo Foundation for a variety of dedicated projects. In June 2013, the Metro Council acknowledged the receipt of \$2.5 million in additional food and beverage revenue at the MERC Venues and provided for additional associated expenditure appropriation as a result of the increased revenue.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the fiscal year ended June 30, 2013, expenditures exceeded appropriations in the General Revenue Bond Fund due to the refunding of the Full Faith and Credit Refunding Bonds 2003 Series. Oregon Local Budget Law (ORS 294.338) provides certain exemptions for overexpenditures due to the issuance of debt.

3. RECONCILIATION OF BASIS OF BUDGETING TO GAAP BASIS

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

Other Supplementary Information

Combining Statements

Nonmajor Governmental Funds

Budgetary Comparison Schedules

Combining Statements

Nonmajor Governmental Funds

Special Revenue Funds

Smith and Bybee Lakes Fund

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

Rehabilitation and Enhancement Fund

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

Capital Projects Fund

Open Spaces Fund

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

Permanent Fund

Cemetery Perpetual Care Fund

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

METRO
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

	Special Revenue			Capital	Permanent	Total
	Smith	Rehabilitation		Projects	Cemetery	Nonmajor
	and	and	Total	Open	Perpetual	Governmental
	Bybee Lakes	Enhancement		Spaces	Care	Funds
ASSETS						
Equity in internal cash and investment pool	\$ 3,587,303	2,032,047	5,619,350	681,632	410,975	6,711,957
Receivables:						
Other	-	4,138	4,138	-	-	4,138
Interest	7,257	4,057	11,314	1,359	817	13,490
Total assets	3,594,560	2,040,242	5,634,802	682,991	411,792	6,729,585
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	3,670	70,367	74,037	-	-	74,037
Total liabilities	3,670	70,367	74,037	-	-	74,037
FUND BALANCES						
Nonspendable	-	-	-	-	384,121	384,121
Restricted	3,590,890	1,969,875	5,560,765	682,991	-	6,243,756
Assigned	-	-	-	-	27,671	27,671
Total fund balances	3,590,890	1,969,875	5,560,765	682,991	411,792	6,655,548
Total liabilities and fund balances	\$ 3,594,560	2,040,242	5,634,802	682,991	411,792	6,729,585

METRO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the fiscal year ended June 30, 2013

	Special Revenue			Capital	Permanent	Total Nonmajor Governmental Funds
	Smith and Bybee Lakes	Rehabilitation and Enhancement	Total	Projects Open Spaces	Cemetery Perpetual Care	
REVENUES						
Cemetery revenue surcharge	\$ -	-	-	-	28,680	28,680
Investment income	12,753	6,938	19,691	2,385	1,341	23,417
Solid waste fees	-	301,902	301,902	-	-	301,902
Total revenues	12,753	308,840	321,593	2,385	30,021	353,999
EXPENDITURES						
Current:						
Culture and recreation	162,325	292,087	454,412	-	-	454,412
Capital outlay	-	-	-	27,026	-	27,026
Total expenditures	162,325	292,087	454,412	27,026	-	481,438
Net change in fund balances	(149,572)	16,753	(132,819)	(24,641)	30,021	(127,439)
Fund balances - July 1, 2012	3,740,462	1,953,122	5,693,584	707,632	381,771	6,782,987
Fund balances - June 30, 2013	\$ 3,590,890	1,969,875	5,560,765	682,991	411,792	6,655,548

Budgetary Comparison Schedules

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

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



Other Major Governmental Funds

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

Debt Service Fund

General Obligation Bond Debt Service Fund

Capital Projects Funds

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with final budget
	Original	Final		
REVENUES				
General revenues:				
Taxes:				
Property taxes	\$ 39,076,596	39,076,596	39,459,384	382,788
Investment income	75,000	75,000	62,639	(12,361)
Total revenues	39,151,596	39,151,596	39,522,023	370,427
EXPENDITURES				
Debt service:				
Principal	37,810,000	37,810,000	37,810,000	-
Interest	12,214,896	12,214,896	12,214,895	1
Total expenditures	50,024,896	50,024,896	50,024,895	1
Revenues under expenditures	(10,873,300)	(10,873,300)	(10,502,872)	370,428
Beginning fund balance available for appropriation - July 1, 2012	11,067,000	11,067,000	11,134,999	67,999
Unappropriated ending fund balance - June 30, 2013	\$ 193,700	193,700	632,127	438,427

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with final budget
	Original	Final		
REVENUES				
General revenues:				
Investment income	\$ 225,000	225,000	330,934	105,934
Total revenues	225,000	225,000	330,934	105,934
EXPENDITURES				
Oregon Zoo	19,526,002	19,511,765	8,140,191	11,371,574
Contingency	3,963,195	3,963,195	-	3,963,195
Total expenditures	23,489,197	23,474,960	8,140,191	15,334,769
Revenues under expenditures	(23,264,197)	(23,249,960)	(7,809,257)	15,440,703
OTHER FINANCING USES				
Transfers out	(292,677)	(292,677)	(292,677)	-
Revenues under expenditures and other uses	(23,556,874)	(23,542,637)	(8,101,934)	15,440,703
Beginning fund balance available for appropriation - July 1, 2012	78,374,866	78,374,866	77,630,727	(744,139)
Unappropriated ending fund balance - June 30, 2013	\$ 54,817,992	54,832,229	69,528,793	14,696,564

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with final budget
	Original	Final		
REVENUES				
Program revenues:				
Charges for services:				
Miscellaneous revenue	\$ -	-	130,233	130,233
Operating grants and contributions:				
Grants	-	-	73,337	73,337
Government contributions			67,946	67,946
Contributions and donations	866,000	866,000	22	(865,978)
Capital grants and contributions:				
Capital contributions and donations	-	-	110,922	110,922
General revenues:				
Investment income	416,894	416,894	180,451	(236,443)
Total revenues	1,282,894	1,282,894	562,911	(719,983)
EXPENDITURES				
Sustainability center	45,179,080	45,177,698	19,849,321	25,328,377
Contingency	25,000,000	25,000,000	-	25,000,000
Total expenditures	70,179,080	70,177,698	19,849,321	50,328,377
Revenues under expenditures	(68,896,186)	(68,894,804)	(19,286,410)	49,608,394
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	500,000	500,000
Transfers in	19,681	19,681	-	(19,681)
Transfers out	(1,783,226)	(1,783,226)	(1,749,140)	34,086
Total other financing sources (uses)	(1,763,545)	(1,763,545)	(1,249,140)	514,405
Revenues and other sources under expenditures and other uses	(70,659,731)	(70,658,349)	(20,535,550)	50,122,799
Beginning fund balance available for appropriation - July 1, 2012	98,184,870	98,184,870	98,783,002	598,132
Unappropriated ending fund balance - June 30, 2013	\$ 27,525,139	27,526,521	78,247,452	50,720,931

Nonmajor Governmental Funds

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

Special Revenue Funds

Smith and Bybee Lakes Fund

Rehabilitation and Enhancement Fund

Capital Projects Funds

Open Spaces Fund

Permanent Fund

Cemetery Perpetual Care Fund

METRO

Smith and Bybee Lakes Fund

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

For the fiscal year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with final budget
	Original	Final		
REVENUES				
General revenues:				
Investment income	\$ 18,715	18,715	12,753	(5,962)
Total revenues	18,715	18,715	12,753	(5,962)
EXPENDITURES				
Parks and environmental services	65,000	65,000	62,754	2,246
Contingency	200,000	200,000	-	200,000
Total expenditures	265,000	265,000	62,754	202,246
Revenues under expenditures	(246,285)	(246,285)	(50,001)	196,284
OTHER FINANCING USES				
Transfers out	(104,841)	(104,841)	(99,571)	5,270
Revenues under expenditures and other uses	(351,126)	(351,126)	(149,572)	201,554
Beginning fund balance available for appropriation - July 1, 2012	3,743,012	3,743,012	3,740,462	(2,550)
Unappropriated ending fund balance - June 30, 2013	\$ 3,391,886	3,391,886	3,590,890	199,004

METRO

Rehabilitation and Enhancement Fund

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

For the fiscal year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with final budget
	Original	Final		
REVENUES				
Program revenues:				
Charges for services:				
Solid waste fees	\$ 383,597	383,597	301,902	(81,695)
General revenues:				
Investment income	9,661	9,661	6,938	(2,723)
Total revenues	393,258	393,258	308,840	(84,418)
EXPENDITURES				
Sustainability center	358,641	358,641	258,622	100,019
Contingency	280,000	280,000	-	280,000
Total expenditures	638,641	638,641	258,622	380,019
Revenues over (under) expenditures	(245,383)	(245,383)	50,218	295,601
OTHER FINANCING USES				
Transfers out	(33,465)	(33,465)	(33,465)	-
Revenues over (under) expenditures and other uses	(278,848)	(278,848)	16,753	295,601
Beginning fund balance available for appropriation - July 1, 2012	1,932,141	1,932,141	1,953,122	20,981
Unappropriated ending fund balance - June 30, 2013	\$ 1,653,293	1,653,293	1,969,875	316,582

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with final budget
	Original	Final		
REVENUES				
General revenues:				
Investment income	\$ 3,676	3,676	2,385	(1,291)
Total revenues	3,676	3,676	2,385	(1,291)
EXPENDITURES				
Sustainability center	738,934	738,934	27,026	711,908
Total expenditures	738,934	738,934	27,026	711,908
Revenues under expenditures	(735,258)	(735,258)	(24,641)	710,617
Beginning fund balance available for appropriation - July 1, 2012	735,258	735,258	707,632	(27,626)
Unappropriated ending fund balance - June 30, 2013	\$ -	-	682,991	682,991

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with final budget
	Original	Final		
REVENUES				
General revenues:				
Taxes:				
Cemetery revenue surcharge	\$ 75,000	75,000	28,680	(46,320)
Investment income	1,966	1,966	1,341	(625)
Total revenues	76,966	76,966	30,021	(46,945)
Beginning fund balance available for appropriation -				
July 1, 2012	393,221	393,221	381,771	(11,450)
Unappropriated ending fund balance -				
June 30, 2013	\$ 470,187	470,187	411,792	(58,395)



Proprietary Funds

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

Enterprise Funds

Solid Waste Revenue Fund

MERC Fund

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

Internal Service Fund

Risk Management Fund

METRO

Solid Waste Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances-

Budget and Actual (Non-GAAP Basis of Budgeting)

For the fiscal year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with final budget
	Original	Final		
REVENUES				
Program revenues:				
Charges for services:				
Government fees	\$ 990,700	990,700	1,140,669	149,969
Culture and recreation fees	-	-	18,660	18,660
Solid waste fees	59,450,858	59,450,858	54,294,573	(5,156,285)
Other fees	38,000	38,000	2,289	(35,711)
Miscellaneous revenue	33,000	33,000	39,167	6,167
Operating grants and contributions:				
Grants	231,200	231,200	74,284	(156,916)
Government contributions	-	-	13,325	13,325
General revenues:				
Investment income	197,749	197,749	131,819	(65,930)
Total revenues	60,941,507	60,941,507	55,714,786	(5,226,721)
EXPENDITURES				
Finance and regulatory services	2,145,570	2,160,378	2,036,870	123,508
Sustainability center	6,402,794	6,352,539	5,088,206	1,264,333
Parks and environmental services	49,662,045	49,645,731	40,667,253	8,978,478
Contingency	15,105,279	15,075,279	-	15,075,279
Total expenditures	73,315,688	73,233,927	47,792,329	25,441,598
Revenues over (under) expenditures	(12,374,181)	(12,292,420)	7,922,457	20,214,877
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	637	637
Transfers in	208,778	208,778	145,596	(63,182)
Transfers out	(8,157,903)	(8,187,903)	(7,829,256)	358,647
Total other financing sources (uses)	(7,949,125)	(7,979,125)	(7,683,023)	296,102
Revenues and other sources over (under) expenditures and other uses	(20,323,306)	(20,271,545)	239,434	20,510,979
Beginning fund balance available for appropriation - July 1, 2012	40,199,273	40,199,273	39,731,933	(467,340)
Unappropriated ending fund balance - June 30, 2013	\$ 19,875,967	19,927,728	39,971,367	20,043,639

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with final budget
	Original	Final		
REVENUES				
Program revenues:				
Charges for services:				
Culture and recreation fees	\$ 26,768,434	29,285,263	33,446,461	4,161,198
Other fees	3,003,059	3,003,059	3,156,837	153,778
Miscellaneous revenue	122,060	122,060	125,800	3,740
Operating grants and contributions:				
Grants	220,000	220,000	422,145	202,145
Government contributions	793,408	793,408	798,035	4,627
Contributions and donations	75,000	75,000	75,000	-
General revenues:				
Local government shared revenue	13,132,633	13,132,633	14,463,987	1,331,354
Investment income	135,412	135,412	99,479	(35,933)
Total revenues	44,250,006	46,766,835	52,587,744	5,820,909
EXPENDITURES				
MERC	45,252,653	47,488,420	44,354,781	3,133,639
Contingency	7,838,268	5,549,137	-	5,549,137
Total expenditures	53,090,921	53,037,557	44,354,781	8,682,776
Revenues over (under) expenditures	(8,840,915)	(6,270,722)	8,232,963	14,503,685
OTHER FINANCING SOURCES (USES)				
Transfers in	2,768,633	2,768,633	568,633	(2,200,000)
Transfers out	(4,806,913)	(4,806,913)	(4,548,947)	257,966
Total other financing sources (uses)	(2,038,280)	(2,038,280)	(3,980,314)	(1,942,034)
Revenues and other sources over (under) expenditures and other uses	(10,879,195)	(8,309,002)	4,252,649	12,561,651
Beginning fund balance available for appropriation - July 1, 2012	23,776,767	23,776,767	26,161,716	2,384,949
Unappropriated ending fund balance - June 30, 2013	\$ 12,897,572	15,467,765	30,414,365	14,946,600

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, 2013**

	Solid Waste	MERC	Total
Excess of revenues and other financing sources over expenditures and other financing uses on the basis of budgeting:			
Solid Waste Revenue Fund	\$ 239,434	-	239,434
MERC Fund	-	4,252,649	4,252,649
General Revenue Bond Fund-Expo	-	5	5
Budget resources not qualifying as revenues under GAAP:			
Revenue deferred	(6,941)	(58,460)	(65,401)
Sale of capital assets	(637)	-	(637)
Budget requirements not qualifying as expenses under GAAP:			
Payment of post-closure liability	674,197	-	674,197
Payment of pollution remediation liability	128,333	-	128,333
Capital assets additions	857,027	2,305,296	3,162,323
Principal and interest payments on bonds	-	716,762	716,762
Decrease to (additional) expenses required by GAAP:			
Decrease in post-closure liability estimate	675,243	-	675,243
Increase in pollution remediation liability estimate	(14,333)	-	(14,333)
Depreciation and amortization	(2,036,882)	(5,688,369)	(7,725,251)
Loss on disposal of capital assets	(1,366)	-	(1,366)
Amortization of bond discount and deferred charge on refunding	-	(27,222)	(27,222)
Other postemployment benefits	(38,765)	(49,334)	(88,099)
Vacation benefits	60,532	2,593	63,125
Accrued interest on bonds	-	(39,617)	(39,617)
Change in net position presented in the statement of revenues, expenses and changes in net position for proprietary funds	\$ 535,842	1,414,303	1,950,145

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with final budget
	Original	Final		
REVENUES				
Program revenues:				
Charges for services:				
Other fees	\$ -	-	10,487	10,487
Internal charges for services	530,292	530,292	530,292	-
Miscellaneous revenue	5,000	5,000	254,169	249,169
Operating grants and contributions:				
Grants	50,000	50,000	77,185	27,185
General revenues:				
Investment income	10,000	10,000	12,466	2,466
Total revenues	595,292	595,292	884,599	289,307
EXPENDITURES				
Finance and regulatory services	2,641,276	2,641,276	1,751,652	889,624
Contingency	500,000	500,000	-	500,000
Total expenditures	3,141,276	3,141,276	1,751,652	1,389,624
Revenues under expenditures	(2,545,984)	(2,545,984)	(867,053)	1,678,931
OTHER FINANCING SOURCES (USES)				
Transfers in	1,591,592	1,591,592	1,588,077	(3,515)
Transfers out	(295,207)	(295,207)	(271,557)	23,650
Total other financing sources (uses)	1,296,385	1,296,385	1,316,520	20,135
Revenues and other sources over (under) expenditures and other uses	(1,249,599)	(1,249,599)	449,467	1,699,066
Beginning fund balance available for appropriation - July 1, 2012	2,344,251	2,344,251	2,732,345	388,094
Unappropriated ending fund balance - June 30, 2013	\$ 1,094,652	1,094,652	3,181,812	2,087,160



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.

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with final budget
	Original	Final		
REVENUES				
General revenues:				
Investment income	\$ 27	27	44	17
Total revenues	27	27	44	17
EXPENDITURES				
Debt service account:				
Materials and services	-	-	125,695	(125,695)
Debt service-Metro Regional Center	1,499,585	1,499,585	1,499,585	-
Debt service-Washington Park Parking Lot	403,320	403,320	403,320	-
Debt service-Expo Center Hall D	1,187,132	1,187,132	1,187,131	1
Total expenditures	3,090,037	3,090,037	3,215,731	(125,694)
Revenues under expenditures	(3,090,010)	(3,090,010)	(3,215,687)	(125,677)
OTHER FINANCING SOURCES (USES)				
Refunding bonds issued	-	-	12,600,000	12,600,000
Premium on refunding bonds issued	-	-	42,577	42,577
Payment to refunded bond escrow agent	-	-	(12,515,811)	(12,515,811)
Transfers in	3,090,037	3,090,037	3,090,037	-
Total other financing sources (uses)	3,090,037	3,090,037	3,216,803	126,766
Revenues and other sources over expenditures and other uses	27	27	1,116	1,089
Beginning fund balance available for appropriation - July 1, 2012	5,334	5,334	5,340	6
Unappropriated ending fund balance - June 30, 2013	\$ 5,361	5,361	6,456	1,095

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

METRO
 General Revenue Bond Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances-
 (Non-GAAP Basis of Budgeting)
 For the fiscal year ended June 30, 2013

	Allocated to:		Total
	General	MERC	
REVENUES			
General revenues:			
Investment income	\$ 40	4	44
Total revenues	40	4	44
EXPENDITURES			
Debt service account:			
Materials and services	125,695	-	125,695
Debt service-Metro Regional Center	1,499,585	-	1,499,585
Debt service-Washington Park Parking Lot	403,320	-	403,320
Debt service-Expo Center Hall D	-	1,187,131	1,187,131
Total expenditures	2,028,600	1,187,131	3,215,731
Revenues under expenditures	(2,028,560)	(1,187,127)	(3,215,687)
OTHER FINANCING SOURCES (USES)			
Refunding bonds issued	12,600,000	-	12,600,000
Premium on refunding bonds issued	42,577	-	42,577
Payment to refunded bond escrow agent	(12,515,811)	-	(12,515,811)
Transfers in	1,902,905	1,187,132	3,090,037
Total other financing sources (uses)	2,029,671	1,187,132	3,216,803
Revenues and other sources over expenditures and other uses	1,111	5	1,116
Beginning fund balance available for appropriation - July 1, 2012	4,984	356	5,340
Unappropriated ending fund balance - June 30, 2013	\$ 6,095	361	6,456

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

METRO

General Asset Management Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances-

Budget and Actual (Non-GAAP Basis of Budgeting)

For the fiscal year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with final budget
	Original	Final		
REVENUES				
Program revenues:				
Charges for services:				
Miscellaneous revenue	\$ -	6,320	24,370	18,050
Operating grants and contributions:				
Grants	1,033,900	1,033,900	1,314,412	280,512
Capital grants and contributions:				
Grants	-	-	8,750	8,750
Capital contributions and donations	30,000	1,892,254	1,900,254	8,000
General revenues:				
Investment income	27,800	27,800	29,320	1,520
Total revenues	1,091,700	2,960,274	3,277,106	316,832
EXPENDITURES				
Asset Management Program	5,923,769	8,119,798	4,728,135	3,391,663
Contingency	4,379,897	4,169,222	-	4,169,222
Total expenditures	10,303,666	12,289,020	4,728,135	7,560,885
Revenues under expenditures	(9,211,966)	(9,328,746)	(1,451,029)	7,877,717
OTHER FINANCING SOURCES				
Sale of capital assets	-	-	17,886	17,886
Transfers in	2,373,600	2,496,700	2,502,249	5,549
Transfers out	(19,681)	(19,681)	-	19,681
Total other financing sources (uses)	2,353,919	2,477,019	2,520,135	43,116
Revenues and other sources over (under) expenditures and other uses	(6,858,047)	(6,851,727)	1,069,106	7,920,833
Beginning fund balance available for appropriation - July 1, 2012	7,058,047	7,058,047	7,507,546	449,499
Unappropriated ending fund balance - June 30, 2013	\$ 200,000	206,320	8,576,652	8,370,332

Other Financial Schedules



METRO

Schedule of Property Tax Transactions and Outstanding Receivable
For the fiscal year ended June 30, 2013

Fiscal Year	Original levy or balance of receivable July 1, 2012	Add (deduct)				Property taxes receivable June 30, 2013
		Discounts	Adjustments	Interest	Collections	
2012-13	\$ 53,097,952	(1,351,382)	(77,629)	5,723	(50,317,145)	1,357,519
2011-12	1,183,385	-	(147,151)	11,607	(450,482)	597,359
2010-11	804,407	-	(83,911)	13,623	(234,747)	499,372
2009-10	540,291	-	(6,784)	18,362	(233,249)	318,620
2008-09	124,306	-	(3,736)	5,856	(94,510)	31,916
2007-08	26,796	-	(2,684)	1,377	(10,423)	15,066
2006-07 & prior	38,902	-	(7,701)	1,230	(5,841)	26,590
Total	\$ 55,816,039	(1,351,382)	(329,596)	57,778	(51,346,397)	2,846,442

Reconciliation to property tax revenue presented in the Statement of Activities:	Governmental Activities
Cash collections July 1, 2012 to June 30, 2013	\$ 51,346,397
Accrual of receivables:	
July 1, 2012 to August 31, 2012	(252,499)
July 1, 2013 to August 31, 2013	288,698
Timing difference between county tax collector and county treasurer	(8,415)
Payments in lieu of property taxes	142,879
Taxes earned but not available:	
June 30, 2012	(2,465,588)
June 30, 2013	2,557,744
Property tax revenue per Statement of Activities	\$ 51,609,216

METRO
Schedule of Future Bonded Debt Service Requirements
General Obligation Bonds
June 30, 2013

Year of maturity	2005 Series General Obligation Refunding Bonds		2007 Series Natural Areas General Obligation Bonds		2012A Series Natural Areas General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
	2013-14	\$ 1,890,000	387,400	4,400,000	3,739,750	4,610,000
2014-15	1,995,000	292,900	4,620,000	3,519,750	5,350,000	3,219,950
2015-16	2,095,000	193,150	4,850,000	3,288,750	2,230,000	2,952,450
2016-17	2,210,000	88,400	5,095,000	3,046,250	2,790,000	2,840,950
2017-18	-	-	5,350,000	2,791,500	3,350,000	2,701,450
2018-19	-	-	5,615,000	2,524,000	3,960,000	2,533,950
2019-20	-	-	5,895,000	2,243,250	4,610,000	2,335,950
2020-21	-	-	6,190,000	1,948,500	5,300,000	2,105,450
2021-22	-	-	6,500,000	1,639,000	6,045,000	1,840,450
2022-23	-	-	6,825,000	1,314,000	6,840,000	1,538,200
2023-24	-	-	7,130,000	1,006,875	7,690,000	1,196,200
2024-25	-	-	7,455,000	686,025	8,590,000	811,700
2025-26	-	-	7,790,000	350,550	9,555,000	382,200
2026-27	-	-	-	-	-	-
2027-28	-	-	-	-	-	-
Total	\$ 8,190,000	961,850	77,715,000	28,098,200	70,920,000	27,863,250

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

2012A Series		2012B Series		Total	
Oregon Zoo Infrastructure and Animal Welfare General Obligation Bonds		General Obligation Refunding Bonds			
Principal	Interest	Principal	Interest	Principal (1)	Interest
5,165,000	2,758,425	9,150,000	842,750	25,215,000	11,132,675
5,670,000	2,551,825	9,535,000	476,750	27,170,000	10,061,175
2,000,000	2,268,325	-	-	11,175,000	8,702,675
2,260,000	2,168,325	-	-	12,355,000	8,143,925
2,510,000	2,055,325	-	-	11,210,000	7,548,275
2,770,000	1,929,825	-	-	12,345,000	6,987,775
3,050,000	1,791,325	-	-	13,555,000	6,370,525
3,350,000	1,638,825	-	-	14,840,000	5,692,775
3,665,000	1,471,325	-	-	16,210,000	4,950,775
4,000,000	1,288,075	-	-	17,665,000	4,140,275
4,360,000	1,088,075	-	-	19,180,000	3,291,150
4,740,000	870,075	-	-	20,785,000	2,367,800
5,145,000	633,075	-	-	22,490,000	1,365,825
5,525,000	427,275	-	-	5,525,000	427,275
5,955,000	178,650	-	-	5,955,000	178,650
60,165,000	23,118,750	18,685,000	1,319,500	235,675,000	81,361,550

METRO

Schedule of Future Bonded Debt Service Requirements

Full Faith and Credit and Pension Obligation Bonds

June 30, 2013

Year of maturity	Full Faith and Credit Bonds						Pension Obligation Bonds	
	Refunding Bonds		Refunding Bonds		Oregon Local		Metro Limited Tax Pension	
	2003 Series		2013 Series		Governments 2006 Series		Obligation Bonds Series 2005	
	Principal (2)	Interest	Principal (2)	Interest	Principal (1)	Interest	Principal (2)	Interest
2013-14	\$ 1,385,000	24,238	105,000	166,433	705,000	483,650	615,000	1,105,071
2014-15	-	-	1,595,000	170,393	735,000	453,050	710,000	1,076,381
2015-16	-	-	1,610,000	154,367	765,000	421,175	820,000	1,041,882
2016-17	-	-	1,410,000	139,268	795,000	387,528	930,000	1,002,039
2017-18	-	-	1,270,000	125,867	830,000	349,387	1,055,000	956,850
2018-19	-	-	1,280,000	111,198	870,000	306,887	1,185,000	905,587
2019-20	-	-	1,295,000	92,841	915,000	262,262	1,325,000	848,008
2020-21	-	-	1,320,000	70,595	960,000	215,388	1,480,000	783,626
2021-22	-	-	1,345,000	44,262	1,010,000	169,925	1,645,000	709,567
2022-23	-	-	1,370,000	15,070	1,055,000	126,044	1,820,000	627,251
2023-24	-	-	-	-	1,095,000	76,250	2,010,000	536,179
2024-25	-	-	-	-	1,150,000	24,438	2,210,000	435,598
2025-26	-	-	-	-	-	-	2,430,000	325,010
2026-27	-	-	-	-	-	-	2,660,000	203,413
2027-28	-	-	-	-	-	-	1,405,000	70,306
Total	\$ 1,385,000	24,238	12,600,000	1,090,294	10,885,000	3,275,984	22,300,000	10,626,768

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

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

METRO

Schedule of Long-term Bonded Debt Transactions

General Obligation Bonds

For the fiscal year ended June 30, 2013

	Principal			Outstanding June 30, 2013	Interest Expenditure
	Outstanding July 1, 2012	Issued During Year	Matured and Paid During Year		
DEBT SERVICE FUND					
2001 Series A					
General Obligation Refunding Bonds with interest rate of 5%, final maturity 1/1/13	\$ 5,290,000	-	5,290,000	-	264,500
2002 Series					
General Obligation Refunding Bonds with interest rate of 5%, final maturity 9/1/12	8,690,000	-	8,690,000	-	217,250
2005 Series					
General Obligation Refunding Bonds with interest rates from 4.0 to 5.0%, final maturity 1/15/17	9,985,000	-	1,795,000	8,190,000	477,150
2007 Series Natural Areas					
General Obligation Bonds with interest rates from 4.5 to 5.0%, final maturity 6/1/26	81,945,000	-	4,230,000	77,715,000	3,908,950
2012A Series Natural Areas					
General Obligation Bonds with interest rates from 4.0 to 5.0%, final maturity 6/1/26	75,000,000	-	4,080,000	70,920,000	3,437,534
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	65,000,000	-	4,835,000	60,165,000	2,815,470
2012B Series B					
General Obligation Refunding Bonds with interest rates from 4.0 to 5.0%, final maturity 6/1/15	27,575,000	-	8,890,000	18,685,000	1,094,041
Total	\$ 273,485,000	-	37,810,000	235,675,000	12,214,895

METRO

Schedule of Long-term Bonded Debt Transactions
 Full Faith and Credit and Pension Obligation Bonds
 For the fiscal year ended June 30, 2013

	Principal			Outstanding June 30, 2013	Interest Expenditure
	Outstanding July 1, 2012	Issued During Year	Matured and Paid During Year		
GENERAL FUND					
<u>Full Faith and Credit</u>					
Refunding Bonds 2003 Series,					
with callable portion refunded					
by Series 2013 on 2/26/13.					
Remaining bonds with interest rate of 3.3%,					
final maturity 8/1/13	\$ 15,000,000	-	13,615,000	1,385,000	562,905
Refunding Bonds 2013 Series					
with interest rates from 1.0 to 2.2%,					
final maturity 8/1/22	\$ -	12,600,000	-	12,600,000	-
<u>Pension Obligation</u>					
Metro Limited Tax Series 2005					
with interest rates from 4.665 to 5.004%,					
final maturity 6/1/28	22,825,000	-	525,000	22,300,000	1,129,289
Total	\$ 37,825,000	12,600,000	14,140,000	36,285,000	1,692,194
ENTERPRISE FUNDS					
MERC FUND:					
<u>Full Faith and Credit</u>					
Oregon Local Governments 2006 Series					
with interest rates from 4.25 to 5.0%,					
final maturity 12/1/24	\$ 11,560,000	-	675,000	10,885,000	512,131

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.

	<u>Page</u>
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.	122-134
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.	135-137
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.	138-146
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.	147-148
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.	149-156
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.	157-160

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

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

	Fiscal Year		
	2004	2005	2006
GOVERNMENTAL ACTIVITIES			
Net investment in capital assets (2) (3)	\$ (6,201,885)	4,684,793	72,055,226
Restricted	17,989,881	16,795,028	21,244,741
Unrestricted	9,811,543	16,612,577	35,400,215
Total governmental activities net position	21,599,539	38,092,398	128,700,182
BUSINESS-TYPE ACTIVITIES			
Net investment in capital assets (3)	268,249,663	264,571,719	204,536,894
Restricted	13,096,821	11,651,127	12,415,936
Unrestricted	42,589,111	48,598,316	39,548,688
Total business-type activities net position	323,935,595	324,821,162	256,501,518
PRIMARY GOVERNMENT			
Net investment in capital assets (2)	262,047,778	269,256,512	276,592,120
Restricted	31,086,702	28,446,155	33,660,677
Unrestricted	52,400,654	65,210,893	74,948,903
Total primary government net position	\$ 345,535,134	362,913,560	385,201,700

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

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

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

2007	2008	2009	2010	2011	2012 Restated	2013
70,472,572	101,632,452	142,681,077	161,033,641	219,717,752	237,849,839	271,978,616
24,458,851	27,246,181	41,383,007	47,868,259	47,802,264	49,673,790	43,460,675
57,456,789	59,035,445	38,868,189	39,949,912	(4,511,250)	(13,149,913)	(17,127,868)
152,388,212	187,914,078	222,932,273	248,851,812	263,008,766	274,373,716	298,311,423
199,184,754	198,109,226	197,896,445	193,123,523	189,929,698	186,405,139	182,360,721
12,688,488	16,295,656	14,548,959	2,652,250	1,591,637	2,130,034	2,496,996
43,989,254	45,547,649	41,293,389	41,363,765	46,842,210	47,918,522	53,862,598
255,862,496	259,952,531	253,738,793	237,139,538	238,363,545	236,453,695	238,720,315
269,657,326	299,741,678	320,942,522	339,047,164	399,322,450	418,964,978	454,339,337
37,147,339	43,541,837	55,931,966	50,520,509	49,393,901	50,437,907	45,957,671
101,446,043	104,583,094	99,796,578	96,423,677	52,655,960	40,058,609	36,734,730
408,250,708	447,866,609	476,671,066	485,991,350	501,372,311	509,461,494	537,031,738

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

	Fiscal Year		
	2004	2005	2006
EXPENSES			
Governmental activities:			
General government operations (2)	\$ 2,546,034	3,158,675	10,128,233
Regional planning and development	10,599,654	11,367,579	10,580,855
Culture and recreation	7,774,128	8,582,520	6,515,693
Zoo (2)	-	-	23,159,685
Interest on long-term debt	8,324,767	7,679,504	8,421,370
Total governmental activities expenses	29,244,583	30,788,278	58,805,836
Business-type activities:			
Solid Waste (3)	48,612,392	47,697,124	50,565,165
Zoo (2)	25,296,229	24,158,065	-
MERC	45,514,394	41,363,806	42,799,786
Total business-type activities expenses	119,423,015	113,218,995	93,364,951
Total primary government expenses	\$ 148,667,598	144,007,273	152,170,787
PROGRAM REVENUES			
Governmental activities:			
Charges for services:			
General government operations (2)	\$ 9,470	2,593	1,377,281
Regional planning and development	972,578	1,215,077	1,547,604
Culture and recreation	2,942,318	2,699,983	2,568,418
Zoo (2)	-	-	14,417,730
Operating grants and contributions	7,582,801	8,552,429	12,015,598
Capital grants and contributions (2)	-	-	959,676
Total governmental activities program revenues	11,507,167	12,470,082	32,886,307
Business-type activities:			
Charges for services:			
Solid Waste	50,315,937	51,574,923	53,814,957
Zoo (2)	12,782,768	13,184,305	-
MERC	25,520,211	27,268,341	26,296,316
Operating grants and contributions (2)	2,087,784	3,774,815	984,284
Capital grants and contributions (2)	1,763,235	786,534	-
Total business-type activities program revenues	92,469,935	96,588,918	81,095,557
Total primary government program revenues	\$ 103,977,102	109,059,000	113,981,864

2007	2008	2009	2010	2011	2012	2013
11,724,680	14,464,735	14,198,441	12,779,417	14,456,222	16,417,342	14,704,292
11,633,709	15,998,524	13,023,497	14,978,447	14,816,800	13,908,730	11,234,615
6,906,903	12,040,343	13,350,232	17,316,051	20,351,578	22,695,565	20,788,176
25,165,745	27,268,768	29,426,286	28,311,531	27,400,337	30,064,611	33,662,272
9,626,880	13,228,648	12,121,270	10,888,841	9,538,172	8,159,660	10,927,415
65,057,917	83,001,018	82,119,726	84,274,287	86,563,109	91,245,908	91,316,770
52,805,117	53,514,858	52,014,903	64,228,318	51,721,806	51,020,053	55,266,458
-	-	-	-	-	-	-
45,069,117	44,148,046	46,239,579	46,229,249	48,048,265	49,389,612	51,344,928
97,874,234	97,662,904	98,254,482	110,457,567	99,770,071	100,409,665	106,611,386
162,932,151	180,663,922	180,374,208	194,731,854	186,333,180	191,655,573	197,928,156
1,359,684	1,440,462	1,394,695	1,741,850	2,120,491	1,875,695	1,871,628
1,024,612	1,271,625	1,682,136	1,214,423	1,364,601	925,904	1,112,779
2,519,340	2,824,138	2,648,864	3,696,310	3,985,483	4,175,114	5,095,656
15,699,595	15,991,730	18,040,150	17,606,196	18,150,234	19,745,074	22,538,536
9,674,387	14,963,194	13,889,920	14,446,031	10,973,394	15,551,926	13,553,316
1,378,075	2,163,915	8,457,258	2,725,497	1,866,808	1,105,751	2,264,327
31,655,693	38,655,064	46,113,023	41,430,307	38,461,011	43,379,464	46,436,242
54,108,083	53,238,401	50,478,290	50,904,000	50,782,440	52,989,049	55,661,225
-	-	-	-	-	-	-
29,064,019	30,451,878	30,007,172	29,650,854	31,597,534	33,231,703	36,670,638
692,146	861,851	830,902	1,378,076	1,144,867	1,620,989	1,382,789
-	-	265,740	2,000,000	584,808	123,574	-
83,864,248	84,552,130	81,582,104	83,932,930	84,109,649	87,965,315	93,714,652
115,519,941	123,207,194	127,695,127	125,363,237	122,570,660	131,344,779	140,150,894

(Continued)

METRO

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

	Fiscal Year		
	2004	2005	2006
NET (EXPENSE)/REVENUE			
Governmental activities	\$ (17,737,416)	(18,318,196)	(25,919,529)
Business-type activities	(26,953,080)	(16,630,077)	(12,269,394)
Total primary government net expense	\$ (44,690,496)	(34,948,273)	(38,188,923)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION			
Governmental activities:			
Property taxes (2)	\$ 17,481,813	17,545,652	27,804,374
Excise taxes	10,506,081	13,577,891	14,243,252
Construction excise tax	-	-	-
Cemetery revenue surcharge	33,086	25,270	21,395
Unrestricted local government shared revenues	476,514	540,690	547,512
Unrestricted investment earnings	412,610	839,350	2,315,910
Special items	-	-	357,921
Transfers	-	306,009	533,324
Total governmental activities	28,910,104	32,834,862	45,823,688
Business-type activities:			
Property taxes (2)	8,605,342	8,941,517	-
Unrestricted local government shared revenues	7,893,216	7,683,769	8,852,246
Unrestricted investment earnings	684,156	1,196,367	2,078,669
Special items	-	-	(357,921)
Transfers	-	(306,009)	(533,324)
Total business-type activities	17,182,714	17,515,644	10,039,670
Total primary government	\$ 46,092,818	50,350,506	55,863,358
CHANGE IN NET POSITION			
Governmental activities	\$ 11,172,688	14,516,666	19,904,159
Business-type activities	(9,770,366)	885,567	(2,229,724)
Total primary government	\$ 1,402,322	15,402,233	17,674,435
Prior period adjustment/cumulative change in accounting principle	\$ -	1,976,193	4,613,707

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

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

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

2007	2008	2009	2010	2011	2012	2013
(33,402,224)	(44,345,954)	(36,006,703)	(42,843,980)	(48,102,098)	(47,866,444)	(44,880,528)
(14,009,986)	(13,110,774)	(16,672,378)	(26,524,637)	(15,660,422)	(12,444,350)	(12,896,734)
<u>(47,412,210)</u>	<u>(57,456,728)</u>	<u>(52,679,081)</u>	<u>(69,368,617)</u>	<u>(63,762,520)</u>	<u>(60,310,794)</u>	<u>(57,777,262)</u>
28,686,523	46,901,621	45,447,596	51,668,586	49,624,399	39,609,807	51,609,216
14,834,721	14,367,409	12,976,156	12,945,697	14,066,453	14,410,951	15,354,852
1,806,012	2,483,137	1,734,579	1,427,730	1,440,755	1,765,024	2,349,487
33,000	23,267	24,168	25,670	27,056	33,619	28,792
519,463	545,550	500,473	509,323	468,776	466,123	555,198
4,945,208	9,182,961	4,996,270	1,632,756	885,490	506,774	754,672
-	-	-	-	-	-	-
(289,417)	275,192	120,655	553,757	(4,913,239)	2,439,096	(596,564)
<u>50,535,510</u>	<u>73,779,137</u>	<u>65,799,897</u>	<u>68,763,519</u>	<u>61,599,690</u>	<u>59,231,394</u>	<u>70,055,653</u>
-	-	-	-	-	-	-
9,976,554	11,156,012	10,702,508	9,941,144	11,558,961	12,581,998	14,463,987
3,104,993	2,828,289	1,714,787	537,995	412,229	391,598	231,302
-	-	-	-	-	-	-
289,417	(275,192)	(120,655)	(553,757)	4,913,239	(2,439,096)	596,564
<u>13,370,964</u>	<u>13,709,109</u>	<u>12,296,640</u>	<u>9,925,382</u>	<u>16,884,429</u>	<u>10,534,500</u>	<u>15,291,853</u>
<u>63,906,474</u>	<u>87,488,246</u>	<u>78,096,537</u>	<u>78,688,901</u>	<u>78,484,119</u>	<u>69,765,894</u>	<u>85,347,506</u>
17,133,286	29,433,183	29,793,194	25,919,539	13,497,592	11,364,950	25,175,125
(639,022)	598,335	(4,375,738)	(16,599,255)	1,224,007	(1,909,850)	2,395,119
<u>16,494,264</u>	<u>30,031,518</u>	<u>25,417,456</u>	<u>9,320,284</u>	<u>14,721,599</u>	<u>9,455,100</u>	<u>27,570,244</u>
<u>6,554,744</u>	<u>9,584,383</u>	<u>-</u>	<u>-</u>	<u>659,362</u>	<u>(1,365,917)</u>	<u>-</u>

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

	Fiscal Year		
	2004	2005	2006
General Fund (1) (2)			
Nonspendable	\$ -	-	-
Restricted	-	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Reserved	-	-	7,333,324
Unreserved	2,561,919	4,443,897	25,630,402
Total General Fund	2,561,919	4,443,897	32,963,726
All other governmental funds (1) (2)			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Reserved	10,451,417	10,155,731	10,680,405
Unreserved, reported in:			
Special Revenue Funds	10,476,628	12,592,408	5,679,471
Capital Projects Funds	5,564,935	4,413,313	9,151,671
Permanent Funds	-	-	178,943
Total all other governmental funds	\$ 26,492,980	27,161,452	25,690,490

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

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

2007	2008	2009	2010	2011	2012	2013
-	-	-	-	800,367	181,891	157,544
-	-	-	-	13,412,488	16,962,147	20,175,302
-	-	-	-	3,661,469	4,169,918	5,427,647
-	-	-	-	-	-	-
-	-	-	-	27,140,104	27,269,809	25,530,229
8,518,324	9,088,951	9,462,022	9,637,987	-	-	-
34,564,077	28,607,477	35,517,221	36,817,500	-	-	-
43,082,401	37,696,428	44,979,243	46,455,487	45,014,428	48,583,765	51,290,722
-	-	-	-	330,288	355,441	384,121
-	-	-	-	66,436,156	193,949,944	154,652,128
-	-	-	-	-	-	-
-	-	-	-	503,681	26,330	27,671
-	-	-	-	-	-	-
12,082,430	13,661,489	13,133,831	13,041,477	-	-	-
5,930,679	6,052,654	6,221,690	6,000,611	-	-	-
131,173,017	110,314,883	85,037,915	60,882,128	-	-	-
222,452	256,340	288,683	317,158	-	-	-
149,408,578	130,285,366	104,682,119	80,241,374	67,270,125	194,331,715	155,063,920

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

	Fiscal Year		
	2004	2005	2006
REVENUES (1)			
Property taxes	\$ 17,536,825	17,653,137	27,850,826
Excise taxes	10,506,081	13,577,891	14,243,252
Construction excise tax	-	-	-
Cemetery revenue surcharge	33,086	25,270	21,395
Local government shared revenues	476,514	540,690	547,512
Investment income	267,466	625,190	2,068,326
Government fees	244,119	352,195	490,892
Culture and recreation fees	1,204,030	1,125,860	14,712,855
Solid waste fees	-	-	-
Other fees	1,617,773	1,438,929	3,237,906
Internal charges for services	875,511	790,222	514,885
Licenses and permits	-	-	402,300
Miscellaneous revenue	95,673	235,784	573,107
Grants	7,061,492	6,871,101	10,682,649
Government contributions	104,508	46,865	-
Contributions and donations	416,801	1,634,463	1,332,949
Capital grants	-	-	-
Capital contributions and donations	-	-	959,676
Total revenues	40,439,879	44,917,597	77,638,530
EXPENDITURES (1)			
General government operations	2,625,450	3,541,419	8,853,776
Regional planning and development	10,453,513	11,624,509	10,553,489
Culture and recreation	7,714,121	9,085,680	6,349,345
Zoo	-	-	20,908,177
Debt service:			
Principal	11,586,058	10,640,155	12,478,037
Interest	8,007,626	7,534,732	8,304,109
Capital outlay	3,861,065	2,425,758	5,210,036
Total expenditures	44,247,833	44,852,253	72,656,969
Excess of revenues over (under) expenditures	(3,807,954)	65,344	4,981,561

2007	2008	2009	2010	2011	2012	2013
28,669,525	46,312,638	44,897,096	51,457,062	49,747,025	39,333,293	51,517,060
14,834,721	14,341,764	12,971,067	12,964,535	14,068,190	14,413,338	15,357,373
1,806,012	2,483,137	1,734,579	1,427,730	1,440,755	1,765,024	2,349,487
33,000	23,267	24,168	25,497	26,861	33,195	28,680
519,463	545,550	500,473	509,323	468,776	466,123	555,198
4,536,529	8,802,118	4,715,238	1,545,284	853,253	488,586	742,206
441,531	576,342	481,480	389,643	301,329	109,500	127,590
15,860,633	16,728,873	17,893,774	17,402,009	17,890,108	19,553,150	22,172,112
-	-	-	-	-	270,856	301,902
3,012,834	2,569,892	3,246,604	3,086,589	3,309,488	3,452,403	3,471,424
661,007	849,709	917,250	2,629,198	2,797,314	2,740,228	3,623,649
409,332	405,408	388,375	385,155	379,485	373,675	375,160
221,369	397,731	838,365	366,185	943,084	221,974	477,361
8,015,836	13,961,401	12,382,032	11,622,037	9,611,840	9,743,878	10,390,062
342,540	12,500	266,319	1,505,000	65,505	4,427,539	2,992,196
1,316,011	1,391,471	1,241,569	1,318,994	1,296,050	862,141	689,428
-	-	1,851,255	1,226,124	10,617	38,334	26,876
1,378,075	2,163,915	6,606,003	1,499,373	991,105	1,027,495	2,011,176
82,058,418	111,565,716	110,955,647	109,359,738	104,200,785	99,320,732	117,208,940
9,634,211	12,752,353	12,251,458	11,575,042	12,432,590	14,142,072	12,883,851
11,896,946	15,951,042	12,974,517	14,909,242	14,797,588	13,904,294	11,263,128
7,737,303	13,218,846	12,057,905	14,670,631	17,415,303	19,350,637	18,618,034
22,974,261	25,527,960	26,112,124	24,623,138	25,030,953	27,860,285	30,978,416
12,703,945	24,181,585	26,447,275	32,203,540	30,393,356	24,980,000	39,675,000
8,469,032	14,847,345	12,745,812	11,653,488	10,367,591	9,093,066	13,907,089
12,320,285	29,890,673	31,911,433	23,298,304	24,231,381	28,910,761	26,777,135
85,735,983	136,369,804	134,500,524	132,933,385	134,668,762	138,241,115	154,102,653
(3,677,565)	(24,804,088)	(23,544,877)	(23,573,647)	(30,467,977)	(38,920,383)	(36,893,713)

(Continued)

METRO

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

	Fiscal Year		
	2004	2005	2006
OTHER FINANCING SOURCES (USES)			
Bonds issued	-	-	24,290,000
Refunding bonds issued	-	18,085,000	-
Premium on bonds issued	-	1,230,005	23,286
Loan proceeds	-	-	-
Sale of capital assets	-	-	-
Transfers in	7,056,279	10,306,075	4,288,434
Payment to refunded bond escrow agent	-	(19,112,101)	-
Transfers out	(7,099,034)	(10,000,066)	(3,752,514)
Total other financing sources (uses)	(42,755)	508,913	24,849,206
Special item	-	-	(24,022,369)
Net change in fund balances	(3,850,709)	574,257	5,808,398
Prior period adjustment/cumulative change in accounting principle	\$ -	1,976,193	4,613,707
 Debt service as a percentage of noncapital expenditures	 49.5%	 43.9%	 31.2%

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

2007	2008	2009	2010	2011	2012	2013
124,295,000	-	5,000,000	-	15,000,000	140,000,000	-
-	-	-	-	-	27,575,000	12,600,000
6,383,369	-	-	-	-	27,903,859	42,577
592,500	-	-	-	-	-	-
-	16,000	100,000	50,000	78,716	440,934	531,116
2,933,742	8,574,992	9,390,120	1,901,669	1,027,878	5,343,680	355,757
-	-	-	-	-	(29,679,329)	(12,515,811)
(3,695,027)	(8,296,089)	(9,265,675)	(1,342,523)	(710,287)	(2,032,834)	(680,764)
130,509,584	294,903	5,224,445	609,146	15,396,307	169,551,310	332,875
-	-	-	-	-	-	-
126,832,019	(24,509,185)	(18,320,432)	(22,964,501)	(15,071,670)	130,630,927	(36,560,838)
7,004,744	-	-	-	659,362	-	-
29.4%	37.4%	38.2%	40.0%	37.6%	31.2%	42.2%



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)	Regional Total All Waste Types
	Metro-Owned Facilities	Total Per Ton Rate	Privately-Owned Facilities	Total Per Ton Rate	Metro-Owned Facilities	Privately-Owned Facilities	
2004	564,337	\$ 67.18	655,514	\$ 22.89	7,800	312,583	1,540,234
2005	572,611	70.96	713,051	23.67	8,902	309,636	1,604,200
2006	589,140	71.41	750,933	22.87	17,581	351,367	1,709,021
2007	610,853	69.86	783,314	21.92	21,639	183,291	1,599,097
2008	592,950	71.14	745,684	22.31	26,003	146,652	1,511,289
2009	514,710	75.75	675,518	25.01	27,832	151,488	1,369,548
2010	483,471	80.75	631,459	27.36	26,604	168,104	1,309,638
2011	453,790	85.85	617,902	27.66	23,143	142,515	1,237,350
2012	422,746	89.53	590,114	29.44	84,375	192,604	1,289,839
2013	398,139	93.84	638,606	30.75	101,386	233,527	1,371,658

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

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

METRO
Solid Waste Disposal Rates
Last Ten Fiscal Years
Unaudited

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
METRO FACILITIES										
Disposal fee (1)	\$ 42.55	45.55	46.80	46.20	47.09	49.00	51.65	56.45	58.35	61.35
Regional system fee	16.57	15.09	14.54	13.57	14.08	16.04	17.53	16.72	17.64	18.56
Excise tax	6.32	8.58	8.33	8.35	8.23	8.97	9.83	10.94	11.80	12.19
Rehabilitation & enhancement and host fee	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
DEQ fees - orphan sites	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13
DEQ fees - promotion	1.11	1.11	1.11	1.11	1.11	1.11	1.11	1.11	1.11	1.11
Total rate per ton (1)	\$ 67.18	70.96	71.41	69.86	71.14	75.75	80.75	85.85	89.53	93.84
Transaction fee-scalehouse	\$ 6.00	7.50	7.50	8.50	8.50	8.50	10.00	11.00	12.00	12.00
Transaction fee-automated	\$ -	-	-	3.00	3.00	3.00	3.00	3.00	3.00	3.00
PRIVATELY-OWNED FACILITIES										
Regional system fee	\$ 16.57	15.09	14.54	13.57	14.08	16.04	17.53	16.72	17.64	18.56
Excise tax	6.32	8.58	8.33	8.35	8.23	8.97	9.83	10.94	11.80	12.19
Total rate per ton	\$ 22.89	23.67	22.87	21.92	22.31	25.01	27.36	27.66	29.44	30.75

(1) Rates are per ton of mixed waste disposal. For fiscal year 2013, minimum charge is \$28.00 for 340 pounds or less.

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

Source: Metro Parks and Environmental Services Department.

METRO

Principal Solid Waste Fee Payers

Current Year and Nine Years Ago (1)

Unaudited

Customer/Payer	2013			2004		
	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	\$ 10,655,292	1	21.47 %	\$ 8,726,979	1	18.06 %
Portland Disposal & Recycling	3,028,950	2	6.10	1,974,286	3	4.08
Oregon City Garbage Company	2,610,785	3	5.26	1,995,214	2	4.13
AGG	2,374,007	4	4.78	1,816,167	4	3.76
Arrow Sanitary Services	1,914,257	5	3.86	-	-	-
Trashco Services Inc.	1,879,937	6	3.79	1,463,986	5	3.03
Heiberg Garbage Service	1,560,886	7	3.14	798,240	10	1.65
Oak Grove Disposal Company Inc.	1,263,058	8	2.54	998,785	8	2.07
Keller Drop Box Inc.	1,220,961	9	2.46	1,277,108	6	2.64
Walker Garbage Services Inc.	990,985	10	2.00	-	-	-
Gresham Sanitary Service Inc.	-	-	-	1,110,248	7	2.30
River City Disposal Company Inc.	-	-	-	857,701	9	1.77
Total	\$ 27,499,118		55.40 %	\$ 21,018,714		43.49 %

(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 page 136 for rate detail.

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

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

Fiscal year ended June 30,	Governmental Activities			
	General Obligation Bonds	Full Faith and Credit Refunding Bonds	Pension Obligation Bonds	Loans Payable
2004	\$ 156,196,074	\$ 17,689,875	\$ -	\$ 106,844
2005	145,361,215	17,023,638	-	82,550
2006	133,778,271	19,616,423 (2)	24,032,908	507,151
2007	252,287,497	18,652,639	24,044,639	1,072,239
2008	229,338,399	17,658,856	23,896,369	592,500
2009	209,351,110	16,640,072	23,688,100	-
2010	178,115,055	15,591,289	23,409,830	-
2011	163,799,185	14,502,505	23,061,561	-
2012	304,897,649	13,378,722	22,638,291	-
2013	265,579,168	13,985,000	22,300,000	-

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

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

(3) See page 147 for personal income and population data.

* Not available

Business-type Activities

	<u>Revenue Bonds</u>	<u>Full Faith and Credit Bonds</u>	<u>Loans Payable</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income (3)</u>	<u>Per Capita (3)</u>
\$	14,989,652	\$ 3,714,114	\$ 15,121,263	\$ 207,817,822	0.29 %	\$ 136.51
	9,331,529	3,541,568	14,620,186	189,960,686	0.25	123.04
	7,461,729	14,030,822 (2)	164,470	199,591,774	0.25	127.20
	5,475,094	13,937,157	154,191	315,623,456	0.37	198.09
	4,417,547	13,418,493	143,911	289,466,075	0.32	179.30
	-	12,874,828	133,632	262,687,742	0.31	160.99
	-	12,311,164	-	229,427,338	0.26	139.51
	-	11,722,499	-	213,085,750	0.23	128.61
	-	11,108,835	-	352,023,497	N/A *	210.42
	-	11,079,730	-	312,943,898	N/A *	184.78



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

Fiscal year ended June 30,	General Bonded Debt Outstanding			Real Market Value (1)	Percentage of Actual Real Market Value of Property	Per Capita (2)
	General Obligation Bonds	Less: Amounts Restricted to Repaying Principal	Net General Bonded Debt			
2004	\$ 156,196,074	\$ 10,328,133	\$ 145,867,941	\$ 138,455,070,187	0.11 %	\$ 95.81
2005	145,361,215	10,004,443	135,356,772	146,360,729,671	0.09	87.67
2006	133,778,271	10,680,405	123,097,866	156,666,228,799	0.08	78.45
2007	252,287,497	12,082,430	240,205,067	181,787,247,525	0.13	150.75
2008	229,338,399	13,661,489	215,676,910	207,455,843,980	0.10	133.59
2009	209,351,110	13,133,831	196,217,279	218,478,090,509	0.09	120.26
2010	178,115,055	13,041,458	165,073,597	208,123,520,973	0.08	100.38
2011	163,799,185	14,086,438	149,712,747	196,930,643,603	0.08	90.36
2012	304,897,649	11,134,999	293,762,650	186,113,692,723	0.16	175.59
2013	265,579,168	632,127	264,947,041	182,115,877,804	0.15	156.44

Sources:

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

(2) See page 147 for population data.

METRO

Direct and Overlapping Governmental Activities Debt

As of June 30, 2013

Unaudited

Overlapping government	Net property tax backed debt	Percent within Metro	Share of Overlapping Debt
Banks Fire District 13	\$ 755,000	0.07 %	\$ 494
City of Cornelius	2,249,000	94.47	2,124,687
City of Durham	1,035,000	100.00	1,035,000
City of Forest Grove	1,440,000	99.68	1,435,395
City of Gresham	19,415,268	100.00	19,415,268
City of Happy Valley	4,170,000	100.00	4,170,000
City of Hillsboro	36,330,000	98.68	35,848,918
City of Lake Oswego	31,726,913	100.00	31,726,913
City of Oregon City	1,425,000	99.92	1,423,849
City of Portland	125,555,000	100.00	125,554,498
City of Sherwood	5,423,939	99.97	5,422,312
City of Tigard	28,805,000	99.83	28,755,801
City of Troutdale	13,000,000	100.00	13,000,000
City of Tualatin	8,005,000	100.00	8,005,000
City of West Linn	19,415,000	100.00	19,415,000
Clackamas Community College	27,365,000	73.77	20,187,845
Clackamas County	108,260,000	74.03	80,144,337
Clackamas County ESD	2,093,395	74.32	1,555,899
Clackamas County RFPD 1	1,790,000	87.18	1,560,520
Clackamas County SD 115 (Gladstone)	50,968,229	100.00	50,968,229
Clackamas County SD 12 (N Clackamas)	341,589,382	98.63	336,905,508
Clackamas County SD 3J (West Linn-Wilsonville)	198,367,238	94.03	186,515,390
Clackamas County SD 46 (Oregon Trail)	111,350,487	6.71	7,471,395
Clackamas County SD 62 (Oregon City)	86,200,000	68.00	58,619,707
Clackamas County SD 7J (Lake Oswego)	102,979,109	100.00	102,979,109
Clackamas County SD 86 (Canby)	82,430,881	14.13	11,647,896
Columbia County SD 1J (Scappoose)	31,505,000	7.53	2,371,633
Forest Grove RFPD	40,000	5.60	2,242
Lusted Water District	850,000	97.50	828,753
Mt. Hood Community College	26,100,000	86.35	22,537,715
Multnomah County	201,275,000	99.02	199,310,757
Multnomah County Drainage District 1	110,000	100.00	110,000
Multnomah County SD 10J (Gresham-Barlow)	92,204,188	94.78	87,387,902
Multnomah County SD 1J (Portland)	587,997,948	99.66	586,004,047
Multnomah County SD 28J (Centennial)	31,001,858	100.00	31,001,858
Multnomah County SD 3 (Parkrose)	61,450,000	100.00	61,450,000
Multnomah County SD 40 (David Douglas)	105,987,481	100.00	105,987,481
Multnomah County SD 51J (Riverdale)	26,523,197	100.00	26,523,197
Multnomah County SD 7 (Reynolds)	133,986,549	100.00	133,986,549
Oak Lodge Water District	215,000	100.00	215,000
Pleasant Home Water District	1,875,000	61.61	1,155,191
Portland Community College	176,450,000	91.96	162,271,007
Tualatin Hills Park & Rec. District	101,682,100	99.96	101,639,394
Tualatin Valley Fire & Rescue District	45,050,000	96.95	43,677,867

(Continued)

METRO

Direct and Overlapping Governmental Activities Debt, *continued*

As of June 30, 2013

Unaudited

Overlapping government	Net property tax backed debt	Percent within Metro	Share of Overlapping Debt
Washington County	\$ 26,765,000	93.12 %	\$ 24,923,407
Washington County SD 13 (Banks)	17,782,495	0.06	10,012
Washington County SD 15 (Forest Grove)	119,227,148	77.34	92,208,727
Washington County SD 1J (Hillsboro)	297,468,096	84.51	251,395,047
Washington County SD 23J (Tigard-Tualatin)	122,453,239	99.31	121,613,944
Washington County SD 48J (Beaverton)	450,175,000	99.80	449,288,155
Washington County SD 88J (Sherwood)	115,473,374	81.90	94,577,543
Subtotal, overlapping debt	4,185,791,514		3,756,366,398
Metro direct debt (1)			235,675,000
Total direct and overlapping debt			\$ 3,992,041,398

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

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of Metro. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of Metro.
 "Net property tax backed debt" is gross property tax backed debt less self-supporting unlimited-tax general obligation, self-supporting full faith and credit debt, and revenue bonds.

METRO
Legal Debt Margin Information
Last Ten Fiscal Years
Unaudited

Legal Debt Margin Calculation for Fiscal Year 2013

True cash value		\$ 182,115,877,804
Debt limit (10% of true cash value)		18,211,587,780
Debt applicable to limit:		
Gross bonded debt principal	\$ 282,845,000	
Less legal deductions from debt limit:		
Full Faith and Credit Refunding Bonds 2003 Series	(1,385,000)	
Full Faith and Credit Refunding Bonds 2013 Series	(12,600,000)	
Full Faith and Credit Oregon Local Governments Bonds 2006 Series	(10,885,000)	
Metro Limited Tax Pension Obligation Bonds Series 2005	(22,300,000)	
Total net debt applicable to limit		235,675,000
Legal debt margin		\$ 17,975,912,780

	Fiscal Year		
	2004	2005	2006
Debt limit	\$ 13,845,507,019	14,636,072,967	15,666,622,880
Total net debt applicable to limit	153,820,393	143,000,238	131,647,201
Legal debt margin	\$ 13,691,686,626	14,493,072,729	15,534,975,679
Total net debt applicable to the limit as a percentage of the debt limit	1.11%	0.98%	0.84%

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

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

Fiscal Year						
2007	2008	2009	2010	2011	2012	2013
18,178,724,753	20,745,584,398	21,847,809,051	20,812,352,097	19,693,064,360	18,611,369,272	18,211,587,780
244,378,256	221,976,671	202,536,896	171,848,356	158,080,000	273,485,000	235,675,000
<u>17,934,346,497</u>	<u>20,523,607,727</u>	<u>21,645,272,155</u>	<u>20,640,503,741</u>	<u>19,534,984,360</u>	<u>18,337,884,272</u>	<u>17,975,912,780</u>
1.34%	1.07%	0.93%	0.83%	0.80%	1.47%	1.29%

METRO
Pledged Revenue Coverage
Last Ten Fiscal Years
Unaudited

Fiscal year ended June 30,	Solid Waste Revenue Bonds						Coverage
	Solid Waste operating revenue	Less: operating expenses	Net available revenue	Debt service (1)			
				Principal	Interest		
2004	\$ 50,652,679	\$ 44,068,880	\$ 6,583,799	\$ 256,944	\$ 117,060	17.60	
2005	51,935,277	44,695,266	7,240,011	830,493	1,501,060	3.11	
2006	55,276,659	47,332,824	7,943,835	781,768	1,555,221	3.40	
2007	56,198,701	49,919,528	6,279,173	640,903	1,600,400	2.80	
2008	55,134,283	50,918,534	4,215,749	2,265,000	108,963	1.78	
2009 (2)	-	-	-	-	-	-	
2010	-	-	-	-	-	-	
2011	-	-	-	-	-	-	
2012	-	-	-	-	-	-	
2013	-	-	-	-	-	-	

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

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

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

METRO
Demographic and Economic Statistics
Last Ten Fiscal Years
Unaudited

Fiscal year ended June 30,	Population (1)	Total Personal income (in thousands) (2)	Per capita personal income (2)	Portland metropolitan unemployment rate (2)
2004	1,522,400	\$ 70,926,559	\$ 34,780	7.0 %
2005	1,543,910	74,750,223	36,158	5.9
2006	1,569,170	80,794,459	38,416	5.0
2007	1,593,370	85,305,093	39,903	4.9
2008	1,614,465	89,977,158	41,410	6.0
2009	1,631,665	85,103,428	38,565	10.7
2010	1,644,535	87,940,255	39,384	10.5
2011	1,656,775	93,449,170	41,302	9.3
2012	1,672,970	N/A *	N/A *	8.2
2013	1,693,600 (3)	N/A *	N/A *	N/A *

* Not available

(1) For Clackamas, Multnomah and Washington counties.

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

(3) Preliminary estimate

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

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

Employer	2013			2004		
	Employees	Rank	Percentage of Total Metropolitan Area Employment	Employees	Rank	Percentage of Total Metropolitan Area Employment
State of Oregon	23,100	1	2.27 %	20,400	1	2.17 %
US Government	17,800	2	1.75	18,400	2	1.96
Intel Corporation	16,700	3	1.64	14,890	3	1.58
Providence Health System	14,132	4	1.39	13,496	4	1.44
Oregon Health & Science University	14,106	5	1.39	11,400	5	1.21
Fred Meyer Stores	10,176	6	1.00	10,500	6	1.12
Kaiser Foundation Health Plan of the NW	9,896	7	0.97	8,000	7	0.85
Legacy Health System	9,835	8	0.97	7,972	8	0.85
City of Portland	9,318	9	0.92	7,845	9	0.83
Regence BlueCross BlueShield of Oregon	9,200	10	0.90			
Safeway, Inc.	-	-	-	6,000	10	0.64
Total	134,263		13.20 %	118,903		12.65 %

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

Sources: Oregon Employment Department and Portland Business Journal.

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
FUNCTIONS/PROGRAMS										
Primary Government:										
<i>Governmental activities:</i>										
General government operations	119.85	122.20	125.50	134.70	142.96	149.78	169.50	172.75	176.15	174.04
Regional planning and development	80.10	73.15	78.60	81.40	82.08	83.65	88.78	89.87	87.43	76.05
Culture and recreation	42.10	44.10	45.15	42.40	55.65	63.65	59.63	54.40	53.20	58.30
Zoo	-	-	149.13	149.13	151.96	155.98	157.98	155.98	159.31	168.20
Total governmental activities	242.05	239.45	398.38	407.63	432.65	453.06	475.89	473.00	476.09	476.59
<i>Business-type activities:</i>										
Solid Waste	108.70	106.20	106.20	106.75	106.75	109.00	92.95	93.60	93.55	91.05
Zoo	160.23	151.85	-	-	-	-	-	-	-	-
MERC	180.25	157.00	156.00	163.00	186.00	191.00	194.00	190.00	185.85	181.50
Total business-type activities	449.18	415.05	262.20	269.75	292.75	300.00	286.95	283.60	279.40	272.55
Total primary government	691.23	654.50	660.58	677.38	725.40	753.06	762.84	756.60	755.49	749.14
		(2)			(3)	(4)	(5)			

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

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

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

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

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

Source: Metro Adopted Budget documents.

METRO

Operating Indicators by Function/Program

Last Ten Fiscal Years

Unaudited

	Fiscal Year		
	2004	2005	2006
FUNCTIONS/PROGRAMS			
Primary Government:			
<i>Governmental activities:</i>			
General government operations:			
Business licenses issued	2,939	3,003	2,980
Live broadcast of Metro Council meetings (1)	40	40	38
Presentations to citizens, business, and other groups by Councilors and COO (1)	315	322	461
Percentage of public meetings and events that have materials posted on line (5)	-	-	-
General obligation bond rating:			
Moody's	Aa1	Aa1	Aa1
Standard and Poor's	AA+	AAA	AAA
Regional planning and development:			
Data Resource Center sales of maps and aerials	\$ 145,649	177,211	185,182
Culture and recreation:			
Visitors to Blue Lake Park, Oxbow Park and Chinook Landing	728,910	721,800	656,616
Volunteer visits (2)	1,575	1,421	1,100
Volunteer hours	20,100	30,519	22,570
Acres acquired in Open Spaces and Natural Areas land target areas	80	116	42
Zoo:			
Adult admission price	\$ 9.00	9.50	9.50
Annual attendance	1,318,458	1,336,287	1,365,459
Volunteer hours	122,000	143,500	151,533
Enterprise revenue as percentage of operating revenue	57.9%	58.7%	61.1%
Contributions and donations as percent of total revenue	3.3%	5.3%	4.9%
<i>Business-type activities:</i>			
Solid Waste:			
Recycling Information Center calls/hits on website	126,245	126,949	139,830
Students reached in elementary and secondary school presentations	41,055	44,314	43,692
Regional recovery rate (3)	56.1%	57.0%	58.6%
Hazardous waste net cost per pound	\$ 0.72	0.87	0.89
Gallons of recycled paint produced	167,040	137,075	102,196
Latex paint revenue	\$ 693,774	755,560	809,484
PaintCare revenue (4)	\$ -	-	-

2007	2008	2009	2010	2011	2012	2013
3,032	3,011	2,876	2,851	2,811	2,768	2,779
36	34	N/A	N/A	N/A	N/A	N/A
562	630	N/A	N/A	N/A	N/A	N/A
-	-	-	90.0%	90.0%	90.0%	92.0%
Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa
AAA	AAA	AAA	AAA	AAA	AAA	AAA
178,972	175,897	137,344	146,199	102,727	73,091	75,279
695,176	711,009	824,375	743,546	704,430	754,351	813,194
1,687	5,169	4,780	5,457	5,278	4,101	2,634
14,642	18,196	17,000	19,497	20,328	15,664	10,357
316	426	312	1,438	392	1,117	398
9.75	9.75	9.75	10.50	10.50	10.50	11.50
1,508,564	1,500,570	1,621,567	1,634,978	1,536,303	1,597,475	1,683,442
156,839	168,795	183,711	166,890	156,997	150,035	130,993
60.2%	56.0%	61.8%	62.9%	64.0%	64.1%	62.4%
4.6%	5.0%	7.0%	6.0%	7.0%	4.0%	3.0%
134,489	147,186	148,465	136,178	135,789	138,438	130,110
43,420	57,189	41,045	58,413	42,767	46,636	31,636
55.4%	55.1%	56.8%	56.5%	57.9%	59.3%	N/A*
0.78	0.82	0.87	0.95	0.77	0.93	0.93
92,982	119,536	99,253	121,207	134,548	157,957	158,421
955,802	1,009,012	1,159,152	1,037,583	948,328	997,290	1,147,907
-	-	-	-	1,097,559	1,382,882	1,303,797

(Continued)

METRO

Operating Indicators by Function/Program, *continued*

Last Ten Fiscal Years

Unaudited

	2004	2005	2006
MERC:			
Annual attendance			
Oregon Convention Center	668,911	700,360	633,575
Expo Center	501,670	469,943	470,984
Portland Center for the Performing Arts	900,000	797,752	953,863
Number of events/performances			
Oregon Convention Center	91	93	85
Expo Center	92	100	102
Portland Center for the Performing Arts	978	937	980
Capacity			
Occupancy rate (75% considered maximum)			
Oregon Convention Center	37%	48%	39%

*Not available

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

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

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

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

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

Source: Various Metro departments.

2007	2008	2009	2010	2011	2012	2013
608,673	639,000	574,199	505,371	524,388	732,982	661,283
477,072	510,141	454,005	420,616	390,333	506,508	429,613
862,897	817,637	930,841	778,691	769,468	844,750	785,277
91	104	92	98	88	80	95
98	107	110	98	93	114	110
1,113	827	1,061	931	877	878	952
42%	46%	41%	43%	46%	42%	46%

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

	Fiscal Year		
	2004	2005	2006
FUNCTIONS/PROGRAMS			
Primary Government:			
<i>Governmental activities:</i>			
General government operations:			
Regional Center facilities	1	1	1
Square footage	110,000	110,000	110,000
Parking spaces - Regional Center garage	162	162	162
Parking spaces - Irving Street garage	485	485	485
Culture and recreation:			
Regional park facilities	5	5	5
Acres	1,572	1,572	1,572
Cemeteries	14	14	14
Acres	67	67	67
Golf facilities	1	1	1
Acres	232	232	232
18-hole courses	2	2	2
Marine facilities	3	3	3
Natural areas acquired from Multnomah County	7	7	7
Acres	2,422	2,422	2,422
Open Spaces land target areas	20	20	20
Acres	8,015	8,131	8,173
Natural areas acquired using bond proceeds	-	-	-
Acres	-	-	-
Zoo:			
Acres	65	65	65
Buildings and exhibits	62	63	65
Railways	1	1	1
<i>Business-type activities:</i>			
Solid Waste:			
Transfer stations (including hazardous waste facilities)	2	2	2
Latex paint facilities	1	1	1
Closed landfills maintained	1	1	1
MERC:			
Convention Centers	1	1	1
Square footage	907,000	907,000	907,000
Parking spaces	800	800	800
Exposition Centers	1	1	1
Square footage	330,000	330,000	330,000
Parking spaces	2,200	2,200	2,200

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

Source: Various Metro departments.

	2007	2008	2009	2010	2011	2012	2013
	1	1	1	1	1	1	1
	110,000	110,000	110,000	110,000	110,000	110,000	110,000
	162	162	162	162	162	162	162
	485	485	485	485	485	485	485
	5	5	6	7	7	8	8
	1,572	1,572	1,701	1,957	1,957	2,207	2,207
	14	14	14	14	14	14	14
	67	67	67	67	67	67	67
	1	1	1	1	1	1	1
	232	232	232	232	232	232	232
	2	2	2	2	2	2	2
	3	3	3	3	3	3	3
	7	7	7	7	7	7	7
	2,422	2,422	2,422	2,422	2,422	2,422	2,422
	20	20	20	20	20	20	20
	8,185	8,185	8,001	7,745	7,745	7,668	7,668
	27	27	27	27	27	27	27
	304	730	1,037	2,465	2,838	4,032	4,430
	65	65	65	65	65	65	65
	70	70	70	71	73	73	71
	1	1	1	1	1	1	1
	2	2	2	2	2	2	2
	1	1	1	1	1	1	1
	1	1	1	1	1	1	1
	907,000	907,000	907,000	907,000	907,000	907,000	907,000
	800	800	800	800	800	800	800
	1	1	1	1	1	1	1
	330,000	330,000	330,000	330,000	330,000	330,000	330,000
	2,200	2,200	2,200	2,200	2,200	2,200	2,256



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

Fiscal year ended June 30,	Taxes levied by assessor	Current tax collections	Current tax collections as percent of current levy	Delinquent tax collections	Total tax collections	Total collections as percent of current levy	Total Uncollected taxes
2004	\$ 26,872,963	\$ 25,350,559	94.3 %	\$ 743,803	\$ 26,094,362	97.1 %	\$ 1,310,504
2005	27,379,364	25,852,468	94.4	713,792	26,566,260	97.0	1,170,866
2006	28,618,145	27,115,918	94.8	668,916	27,784,834	97.1	1,100,030
2007	29,415,279	27,895,188	94.8	650,052	28,545,240	97.0	1,140,509
2008	48,123,417	45,437,777	94.4	676,085	46,113,862	95.8	1,815,332
2009	46,756,581	43,824,192	93.7	927,952	44,752,144	95.7	2,427,570
2010	53,137,308	49,982,313	94.1	1,319,728	51,302,041	96.5	2,699,142
2011	51,113,288	48,209,584	94.3	1,490,893	49,700,477	97.2	2,524,787
2012	40,461,529	38,168,544	94.3	981,992	39,150,536	96.8	2,718,087
2013	53,097,952	50,317,145	94.8	1,029,252	51,346,397	96.7	2,846,442

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

METRO

Assessed and Real Market Value of Taxable Property

Last Ten Fiscal Years

Unaudited

Fiscal year ended June 30,	Real property		Personal property	
	Assessed value	Real market value	Assessed value	Real market value
2004	\$ 83,831,528,669	\$ 129,455,074,198	\$ 4,953,228,970	\$ 5,027,676,572
2005	87,594,182,912	137,358,990,439	4,844,569,951	4,933,679,306
2006	91,988,728,939	147,912,179,454	4,818,026,408	4,927,283,069
2007	96,689,252,140	172,711,048,668	4,957,074,851	5,044,779,069
2008	101,956,444,799	197,962,560,247	5,205,212,864	5,295,350,718
2009	106,884,314,269	208,683,033,872	5,461,575,352	5,562,877,902
2010	110,633,008,438	197,889,829,108	5,337,576,261	5,438,484,913
2011	114,498,699,986	186,840,459,956	5,068,544,598	5,184,960,128
2012	118,087,095,940	175,920,808,830	4,962,502,374	5,075,340,667
2013	121,033,991,441	171,744,962,351	5,051,262,562	5,156,461,065

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

Public utility property		Total		Ratio of total assessed to total real market value
Assessed value	Real market value	Assessed value	Real market value	
\$ 3,953,101,838	\$ 3,972,319,417	\$ 92,737,859,477	\$ 138,455,070,187	67.0 %
4,047,402,277	4,068,059,926	96,486,155,140	146,360,729,671	65.9
3,796,815,443	3,826,766,276	100,603,570,790	156,666,228,799	64.2
3,968,232,130	4,031,419,788	105,614,559,121	181,787,247,525	58.1
4,053,406,742	4,197,933,015	111,215,064,405	207,455,843,980	53.6
4,168,433,884	4,232,178,735	116,514,323,505	218,478,090,509	53.3
4,696,890,236	4,795,206,952	120,667,474,935	208,123,520,973	58.0
4,787,221,228	4,905,223,519	124,354,465,812	196,930,643,603	63.1
4,863,683,259	5,117,543,226	127,913,281,573	186,113,692,723	68.7
4,750,118,205	5,214,454,388	130,835,372,208	182,115,877,804	71.8

METRO

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

June 30, 2013

Unaudited

<u>Taxpayer account</u>	<u>Type of business</u>	<u>Assessed valuation</u>	<u>Percent of total valuation</u>
MULTNOMAH COUNTY			
Port of Portland	Marine and aviation facilities	\$ 538,039	0.93 %
Portland General Electric Co.	Electric utility	417,318	0.72
Comcast Corporation	Telecommunications	352,631	0.61
Pacificorp (PP&L)	Electric utility	332,182	0.57
Weston Investment Co. LLC	Nonresidential construction	251,667	0.43
Evraz Inc NA	Steel manufacturing	217,362	0.38
LC Portland LLC	Commercial rental partnership	178,598	0.31
Boeing Company	Aircraft manufacturing	178,209	0.31
Alaska Airlines, Inc.	Air travel	173,934	0.30
Fred Meyer Stores, Inc.	Retailer	167,173	0.29
All other taxpayers	-	55,108,430	95.15
	Total	\$ 57,915,543	100.00 %
WASHINGTON COUNTY			
Intel Corporation	Computer electronics	\$ 1,317,485	2.88 %
Nike, Inc.	Athletic apparel	458,135	1.00
Portland General Electric Co.	Electric utility	344,606	0.75
Pacific Realty Associates	Real estate	301,544	0.66
Comcast Corporation	Telecommunications	236,470	0.52
Frontier Communications	Telecommunications	238,603	0.52
Northwest Natural Gas Co.	Natural gas utility	236,051	0.52
Fred Meyer Stores, Inc.	Retailer	149,533	0.33
Maxim Integrated Products, Inc.	Semiconductor manufacturing	142,777	0.31
PS Business Parks LP	Commercial property manager	112,151	0.24
All other taxpayers	-	42,287,566	92.27
	Total	\$ 45,824,921	100.00 %
CLACKAMAS COUNTY			
Shorenstein Properties LLC	Real estate	\$ 259,667	0.96 %
Portland General Electric Co.	Electric utility	240,599	0.89
General Growth Properties, Inc.	Real estate	206,271	0.76
Clackamas Baking Plant (Fred Meyer, Inc.)	Retailer	167,221	0.62
Comcast Corporation	Telecommunications	156,987	0.58
Northwest Natural Gas Co.	Natural gas utility	114,933	0.42
PCC Structurals, Inc.	Metal castings and machining	86,534	0.32
Xerox Corporation	Document management	83,863	0.31
Blount, Inc.	Equipment manufacturer	67,625	0.25
Mentor Graphics Corp.	Electronics	58,705	0.22
All other taxpayers	-	25,652,503	94.67
	Total	\$ 27,094,908	100.00 %

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

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

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

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

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



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

Metro Council and Metro Auditor
 Portland, Oregon

We have audited the basic financial statements of Metro as of and for the year ended June 30, 2013 and have issued our report thereon dated November 19, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

Compliance

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

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

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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 one instance of noncompliance that is required to be reported under Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State:

During our testing of contracts, we noted one instance where Metro did not comply with ORS 279C.345. Specifically, Under ORS 279C.345, the specifications for a public improvement may not either expressly or implicitly require any product by brand name or mark, or the product of a particular manufacturer or seller unless the product or class of products is exempted by the Metro Council. This instance of noncompliance has also been documented in Section III of the *Schedule of Findings and Questioned Costs*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001 that we consider to be a significant deficiency.

Purpose of this Report

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



For Moss Adams LLP
Eugene, Oregon
November 19, 2013

**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, 2013, 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, 2013. Our report includes a reference to other auditors who audited the financial statements of the Oregon Zoo Foundation, as described in our report on Metro's financial statements. The financial statements of the Oregon Zoo Foundation were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Oregon Zoo Foundation.

Internal Control Over Financial Reporting

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

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

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

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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*.

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, 2013

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

Metro Council and Metro Auditor
Portland, Oregon

Report on Compliance for Each Major Federal Program

We have audited Metro's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Metro's major federal programs for the year ended June 30, 2013. Metro's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Metro's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each 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 each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2013-001. Our opinion on each major federal program is not modified with respect to these matters.

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Metro's response to the noncompliance 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 compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2013-001, which we consider to be significant deficiency.

Metro's response to the internal control over compliance 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 compliance and, accordingly, we express no opinion on the response.

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

Moss Adams, LLP

Eugene, Oregon
November 19, 2013

METRO

**Schedule of Expenditures of Federal Awards
For the fiscal year ended June 30, 2013**

<u>Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE			
Natural Resources Conservation Service- Direct Programs: Wetlands Reserve Program-Gotter Prairie	10.072	66-0436-8-035	\$ (335)
Forest Service- Direct Programs: UNO Program	10.XXX	09-CS-11062200-010 Mod #4	12,000
Total U. S. Department of Agriculture			11,665
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 # 06-1337, Amend #8	57,000
Total U.S. Department of Defense			57,000
U.S. DEPARTMENT OF THE INTERIOR			
Bureau of Land Management- Direct Program: Fish, Wildlife and Plant Conservation Resource Management; Federal Land Policy and Management Act (FLPMA)	15.231	L07AC20271 Task order-HAF079Q05	40,000
U.S. Geological Survey Direct Program: U.S. Geological Survey - Research and Data Collection Digital Ortho-Imagery Grant	15.808	G12AC20115	66,260
Fish and Wildlife Service- Passed through Oregon Department of Fish & Wildlife Sport Fish Restoration Program	15.605	ODFW # 155-12	843,883
Passed through Oregon Department of Parks and Recreation Cooperative Endangered Species Conservation Fund	15.615	E28TW3 OZ	63,255
Passed through Oregon State Marine Board: Clean Vessel Act	15.616	N/A	1,800
Clean Vessel Act	15.616	OSMB # 1463	5,000
Total Clean Vessel Act			6,800
Passed through Ducks Unlimited North American Wetlands Conservation Fund	15.623	US-OR-209-1	46,196
Passed through Washington Department of Fish & Wildlife: State Wildlife Grants	15.634	WDFW #08-1424 Amend #6	4,095
Total U. S. Department of the Interior			1,070,489

METRO

**Schedule of Expenditures of Federal Awards
For the fiscal year ended June 30, 2013**

<u>Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Federal Highway Administration-			
Highway Planning and Construction Cluster-			
Highway Planning and Construction-			
Passed through Oregon Department of Transportation:			
Chimney Pier Park pedestrian/bike bridge	20.205	ODOT # 26482	53,392
Westside Trail Master Plan	20.205	ODOT # 27275	33,940
2013 Planning Fund	20.205	ODOT # 28624	1,212,581
2011 Planning Fund Carryover funds	20.205	ODOT # 28624	420,483
2013 STP funds	20.205	ODOT # 28624	927,740
2011 STP Carryover funds	20.205	ODOT # 28624	230,055
Loaned Planner Assignment - D.Kaempff	20.205	ODOT # 28383	55,857
TGM Regional Active Transportation Action Plan	20.205	ODOT # 28260	133,195
RCTO - Multimodal Arterial Performance Mgmt	20.205	ODOT # 28088	13,306
Passed through Washington Department of Transportation:			
Columbia River Crossing III Project	20.205	GCA 6667	42,786
<hr/> Subtotal Highway Planning and Construction			<hr/> 3,123,335
Recreational Trails Program			
Passed State of Oregon, Department of Parks and Recreation			
Bi-State Regional Trails Web Site and Map	20.219	RT10-012	(438)
<hr/> Total Highway Planning and Construction Cluster			<hr/> 3,122,897
Federal Transit Administration-			
Metropolitan Transportation Planning Grants-			
Passed through Oregon Department of Transportation :			
2013 Technical Studies (Sec 5303)	20.505	ODOT # 28815	313,518
2012 Technical Studies (Sec 5303)	20.505	ODOT # 27559	166,500
<hr/> Subtotal Metropolitan Transportation Planning Grants			<hr/> 480,018
Federal Transit - Formula Grants (Federal Transit Cluster)-			
Direct Programs:			
Congestion Mitigation & Air Quality Improvement Program (CMAQ)			
Regional Travel Options	20.507	OR-95-X010-03	356,515
Regional Travel Options	20.507	OR-95-X037	677,573
Surface Transportation Funds			
Regional Travel Options	20.507	OR-95-X051	194,139
<hr/> Subtotal Regional Travel Options Grants			<hr/> 1,228,227
Capital Investment Grants			
Passed through Tri-County Metropolitan Transportation District of Oregon (TriMet)			
Milwaukie Light Rail Final Design	20.500	GH120250TL	26,458
<hr/> Total Federal Transit - Formula Grants (Federal Transit Cluster)-			<hr/> 1,254,685
Alternative Analysis-			
Direct Programs:			
Streetcar/Eastside/LO-PDX (Sec 5339)	20.522	OR-39-0002	54,526
Southwest Corridor Plan (Sec 5339)	20.522	OR-39-0006	631,303
<hr/> Subtotal Alternatives Analysis Grants			<hr/> 685,829
<hr/> Total U.S. Department of Transportation			<hr/> 5,543,429

METRO

Schedule of Expenditures of Federal Awards
For the fiscal year ended June 30, 2013

<u>Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
NATIONAL SCIENCE FOUNDATION			
Passed through the New York Hall of Science Wild Minds	47.076	DRL-0840160	2,850
<u> Total National Science Foundation</u>			<u>2,850</u>
U.S. Environmental Protection Agency			
State Clean Diesel Grant Program-Recovery Act Passed through State of Oregon Department of Environmental Quality	66.040	DS-96077601	74,284
<u> Total U.S. Environmental Protection Agency</u>			<u>74,284</u>
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			
U.S. Centers for Disease Control and Prevention Passed through Oregon Health Authority Strengthening the Nation's Public Health System through a National Voluntary Accreditation Program for State, Tribal, Local and Territorial Health Departments Southwest Corridor Health Plan	93.507	140232	49,956
<u> Total U.S. Department of Health & Human Services</u>			<u>49,956</u>
<u> Total Expenditures of Federal Awards</u>			<u>\$ 6,809,673</u>

METRO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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, 2013. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because this Schedule presents only a selected portion of the operations of Metro, it is not intended to and does not present the financial position, changes in net position or cash flows of Metro.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 – SUBRECIPIENTS

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

SUBRECIPIENT	FEDERAL CFDA #	GRANT #	TOTAL EXPENDITURES
Bicycle Transportation Alliance (BTA)	20.507	FTA OR95-X010 & X051	\$ 13,750
City of Forest Grove	20.507	FTA OR95-X010 & X051	45,000
City of Portland	20.507	FTA OR95-X010 & X051	10,618
City of Tigard	20.507	FTA OR95-X010 & X051	9,060
City of Wilsonville	20.507	FTA OR95-X010 & X051	44,387
Community Cycling Center	20.507	FTA OR95-X010 & X051	21,630
Gresham Area Chamber of Commerce	20.507	FTA OR95-X010 & X051	39,468
Lloyd District TMA	20.507	FTA OR95-X010 & X051	46,852
Lloyd District TMA	20.507	FTA OR95-X010 & X051	13,830
OPAL Environmental Justice Oregon	20.507	FTA OR95-X010 & X051	63,000
South Waterfront Community Relations	20.507	FTA OR95-X010 & X051	50,133
Swan Island Business Association	20.507	FTA OR95-X010 & X051	53,700
Tri Met	20.507	FTA OR95-X010 & X051	10,000
Tri-Met	20.522	FTA OR-39-0006	22,396
Tualatin Hills Parks & Recreation Dist	20.507	FTA OR95-X010 & X051	48,210
Westside Transportation Alliance Inc	20.507	FTA OR95-X010 & X051	53,501
 Total Subrecipient Federal Expenditures			 <u><u>\$ 545,535</u></u>

**METRO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

Yes No

Identification of Major Programs

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor's Report Issued</i>
15.605	Sport Fish Restoration Program	<i>Unmodified</i>
20.500 20.507	Federal Transit Cluster Federal Transit – Capital Investment Grants Federal Transit – Formula Grants	<i>Unmodified</i>

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

Yes No

Section II - Financial Statement Findings

None reported

**METRO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Section III - Federal Award Findings and Questioned Costs

FINDING 2013-001 – Procurement, Suspension and Debarment - Significant Deficiency in Internal Control and Instances of Noncompliance

<i>CFDA Number</i>	<i>Federal Agency/Pass-through Entity - Program Name</i>	<i>Award Number</i>	<i>Award year</i>
15.605	U.S. Department of the Interior, Fish and Wildlife Service; Passed through Oregon Department of Fish & Wildlife - Sport Fish Restoration Program	ODFW # 155-12	2012-13

Criteria:

Title 2 §215.43 - Competition. All procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition. The recipient shall be alert to organizational conflicts of interest as well as noncompetitive practices among contractors that may restrict or eliminate competition or otherwise restrain trade. In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, invitations for bids and/or requests for proposals shall be excluded from competing for such procurements. Awards shall be made to the bidder or offeror whose bid or offer is responsive to the solicitation and is most advantageous to the recipient, price, quality and other factors considered. Solicitations shall clearly set forth all requirements that the bidder or offeror shall fulfill in order for the bid or offer to be evaluated by the recipient. Any and all bids or offers may be rejected when it is in the recipient’s interest to do so.

Additionally, per Title 2 CFR, Part 215.48 (e) All contracts, including small purchases, awarded by recipients and their contractors shall contain the procurement provisions of Appendix A to this part, as applicable. Part 8 of Appendix A establishes that certain contract awards shall not be made to parties listed on the government-wide Excluded Parties List System.

When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity and its principals are not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA) (available at <https://www.sam.gov/portal/public/SAM/>), (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity.

Metro’s policies included in Chapter 2.04 – *Metro Contract Policies*. Specifically, Chapter 2.04.062 – *Sole Source Procurements*, which states:

“A contract for good or services may be awarded without competition when the Metro Council, pursuant to ORS 279A.060 as a local Contract Review Board determines in writing by resolution and in accordance with the provision of ORS 279B.075 that the good or services or classes of goods or service are available from only one source.”

**METRO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Condition:

During our testing of procurement, suspension and debarment, we noted one contract tested in which Metro did not comply with the Criteria discussed above. Specifically, it was noted that the Request for Bid specifically identified the winning bidder's related party's product as the required product for the project. This specific identification limited other vendors from being able to bid and provided an unfair competitive advantage to winning bidder. Additionally, it was noted that other vendors requested substitution consideration. However, there was no evidence that any consideration of these other alternatives was made and no documentation to support the basis for the contractor selected. Further, it was noted that the winning bidder's contract did not include the required federal clauses and certifications and there was no evidence of verification that the vendor was not suspended or debarred.

Questioned Costs:

None to be reported.

Context:

Our finding above related to one contract tested from a total of three contracts subject to the requirements for this program, in which Metro did not comply with the Criteria discussed above for one of the tested contracts. The Request for Bid specifically identified a product that resulted in limiting the competitive bids.

Effect:

Federal funds are being expended under procurement contracts that are missing required certifications and evidence of Metro following required procurement procedures. If policies are not followed, Metro may not be receiving the most advantageous product at the best price. Additionally, without certifications – a contractor may be in direct violation of a federal compliance requirement and ineligible for contracting under federal laws.

Cause:

The cause appears to be due to insufficient controls to ensure that Metro's policies, including that the Contract Review Board determines in writing by resolution and in accordance with the provision of ORS 279B.075 that a good or service or class of goods or service are available from only one source, are being adhered to. Additionally, the evaluation process was only evaluated at the department level thereby circumventing provisions of Metro's contracting policies.

Recommendation:

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

Views of responsible officials and planned corrective actions:

Management acknowledges that this case did not follow Metro's policies. Prior to this finding being revealed Procurement had undertaken a project in which to further clarify and strengthen our policies and procedures, with a projected completion date of May of 2014. We believe that the clarifications and strengthening of our procedures will ensure that this type of event does not happen in the future.

