

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF METRO COUNCIL'S)	RESOLUTION NO. 16-4755
ACCEPTANCE OF THE RESULTS OF THE)	
INDEPENDENT AUDIT FOR FINANCIAL)	Introduced by Chief Operating Officer Martha
ACTIVITY DURING FISCAL YEAR ENDING)	Bennett in concurrence with Council
JUNE 30, 2016)	President Tom Hughes

WHEREAS, Oregon Revised Statute 297.425 requires an annual independent audit of Metro's financial statements; and

WHEREAS, Metro Code Section 2.15.80 requires the Metro Auditor to appoint the external certified public accountant to conduct certified financial statement audits as specified in state and local laws; and

WHEREAS, Metro engaged in Contract No. 933286 with Moss Adams LLP, independent Certified Public Accountants to provide the following audit services for each of the fiscal years ending June 30, 2015-17:

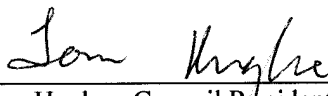
1. Audit of Metro's financial statements (including all costs associated with the Comprehensive Annual Financial Report and applicable management recommendations and comments);
2. Single Audit and applicable management recommendations and comments;
3. Metro Natural Areas Bond Measure Expenditures and applicable management recommendations and comments; and
4. Oregon Zoo Construction Bond Measure Expenditures and applicable management recommendations and comments.

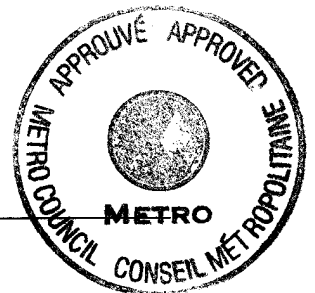
WHEREAS, the annual independent audit for fiscal year ended June 30, 2016 has been completed and an unmodified opinion received from Moss Adams LLP; and

WHEREAS, a separate letter was delivered to management and a management plan of action completed; now, therefore,


BE IT RESOLVED that the Metro Council hereby acknowledges and receive the results of the independent audit for fiscal year ended June 30, 2016 (Attachment A).

ADOPTED by the Metro Council this 26th day of January 2017.


Tom Hughes, Council President



Approved as to Form:


for Alison R. Kean, Metro Attorney

STAFF REPORT

IN CONSIDERATION OF RESOLUTION NO.16-4755 FOR THE PURPOSE OF METRO COUNCIL'S ACCEPTANCE OF THE RESULTS OF THE INDEPENDENT AUDIT FOR FINANCIAL ACTIVITY DURING FISCAL YEAR ENDING JUNE 30, 2016

Date: 11/30/16

Prepared by: Brian Evans
Metro Auditor
503-797-1891

BACKGROUND

State ORS provision 297.425 requires an annual independent audit of Metro's financial statements. The current contract (No. 933286) was awarded to Moss Adams LLP for audit services and is effective May 1, 2015 through June 30, 2018.

Metro Code Chapter 2.15 specifies at Section 2.15.80 that the Auditor shall appoint external certified public accountants to conduct certified financial statement audits. Metro Charter Section 17 also specifies that the auditor shall make continuing investigations of the operations of Metro including financial and performance auditing.

The Comprehensive Annual Financial Report (CAFR) has been completed by Metro Finance and Regulatory Services. Moss Adams LLP has audited the financial statements and issued an opinion that these statements fairly represent Metro's financial position as of June 30, 2016. The results have been reviewed by the Metro Auditor and Metro Audit Committee members.

ANALYSIS/INFORMATION

1. **Known Opposition** none

2. **Legal Antecedents**

State ORS provision 297.425 requires an annual independent audit of Metro's financial statements. Metro contract No. 929814 with Moss Adams LLP for audit services will expire on June 30, 2018.

Metro Code Chapter 2.15 specifies at Section 2.15.80 that the Auditor shall appoint external certified public accountants to conduct certified financial statement audits. The Metro Charter Section 18 also specifies that the auditor shall be responsible for financial auditing of all aspects of Metro's operations.

3. **Anticipated Effects**

Finance and Regulatory Services management and staff will review and implement the best practices suggestions as appropriate.

4. **Budget Impacts** None known at this time.

RECOMMENDED ACTION

The Metro Auditor recommends approval of Resolution No. 16-4755.



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, 2016, and the related notes to the financial statements, which collectively comprise Metro's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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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 the Metro as of June 30, 2016, 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 15 through 28; the schedules of revenues, expenditures and changes in fund balance – budget and actual and related notes on pages 83 through 88 (the “budgetary schedules”); the schedule of district's proportionate share of net pension liability and schedule of district's contributions for the Oregon Public Employees' Retirement System on pages 89 through 91; and the schedule of funding progress for the other postemployment benefits on pages 92 through 94, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the management's discussion and analysis, the schedule of district's proportionate share of net pension liability, the schedule of district's contributions for the Oregon Public Employees' Retirement System, 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 the 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 on pages 95 through 170, and the schedule of expenditures of federal awards on pages 177 through 178, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; each as listed in the table of contents (collectively, the supplementary information), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Information

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2016 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.

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

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 17, 2016, 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 17, 2016



REPORT OF INDEPENDENT AUDITORS

Metro Council and Metro Auditor
Portland, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America, 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, 2016, which collectively comprise Metro's basic financial statements, and have issued our report thereon dated November 17, 2016.

In connection with our audit, nothing came to our attention that caused us to believe that Metro failed to comply with the provisions in Exhibit A to Resolution No. 06-3672B with regard to the Natural Areas General Obligation Bonds, Series 2007 and Series 2012A. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Metro's noncompliance with the above-referenced resolution provisions, insofar as they relate to accounting matters.

This report is intended solely for the information and use of Metro, and is not intended to be and should not be used by anyone other than these specified parties.

Moss Adams, LLP

Eugene, Oregon
November 17, 2016



REPORT OF INDEPENDENT AUDITORS

Metro Council and Metro Auditor
Portland, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America, 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, 2016, which collectively comprise Metro's basic financial statements, and have issued our report thereon dated November 17, 2016.

In connection with our audit, nothing came to our attention that caused us to believe that Metro failed to comply with the provisions in Exhibit A to Resolution No. 08-3945 with regard to the Oregon Zoo General Obligation Bonds, Series 2012A and 2016. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Metro's noncompliance with the above-referenced resolution provisions, insofar as they relate to accounting matters.

This report is intended solely for the information and use of Metro, and is not intended to be and should not be used by anyone other than these specified parties.

Moss Adams, LLP

Eugene, Oregon
November 17, 2016

MOSS-ADAMS LLP
Certified Public Accountants | Business Consultants

November 17, 2016

Martha J. Bennett, Chief Operating Officer
Tim C. Collier, Director, Finance & Regulatory Services
Metro
600 NE Grand Avenue
Portland, Oregon 97232

We have completed our audit of the financial statements of Metro for the year ended June 30, 2016 and have issued our report thereon dated November 17, 2016. In planning and performing our audit of the financial statements in accordance with auditing standards generally accepted in the United States of America, we considered Metro's internal control over financial reporting (internal control) as a basis for designing our auditing procedures and for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Metro's internal control. Accordingly, we do not express an opinion on the effectiveness of Metro's internal control.

During the course of the audit, we noted certain other matters involving the internal control structure, operations, and financial reporting that are presented for your consideration that we would categorize as 'best practices' which are reported to you below. Our comments and recommendations have been discussed with appropriate members of management, and are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, and to perform any desired additional study of these matters.

Our comments are as follows:

BEST PRACTICE OBSERVATIONS

Unrecorded Accounts Payable

Observation - During our audit we noted nine invoices totaling approximately \$41,500 in the Parks and Natural Areas Operating Levy Fund, eight invoices totaling approximately \$148,000 in the Natural Areas Fund, ten invoices totaling approximately \$218,000 in the Solid Waste Fund, and seven invoices totaling approximately \$100,000 in other non-major funds which were not accrued as of June 30, 2016 for goods and services received prior to year-end. While the dollar amounts noted above are not material to the funds and opinion units involved, the number of transactions and departments involved suggest that this is worthy of management's consideration.

MOSS ADAMS LLP

Recommendation - We have identified that Metro has effective processes and related internal controls, that when followed, allow for the accurate and timely reporting of accrued liabilities. However, we found that employees in multiple departments of Metro were not following the prescribed processes in the procurement of goods and services allowing for these transactions to be recorded late and in the wrong fiscal year. We recommend Metro review these 34 instances, identify all the procurement processes that were not followed, and provide the necessary communication and training throughout the organization to address the issues identified.

Management Response - Metro recognizes the issue and has already begun to put steps in place to ensure that this does not happen in the future. We have instituted processes in our financial system (PeopleSoft) that will better help us identify outstanding invoices at year end and we are working with finance managers and their staffs to help ensure that invoices are recorded in the proper period. While we believe there will always be some exceptions, the new processes should resolve the majority of the issues.

Physical Inventory of Capital Assets

Observation - During our audit procedures, we noted management has not performed a physical inventory of capital assets for the last several years. Physical observations of capital assets serves several purposes including serving as an internal control over the existence assertion for recorded amounts, assisting with the accuracy of the capital asset list for insurance purposes, and for assisting management with maintenance and replacement programs.

Recommendation - We recommend that a physical inventory be performed on an annual basis to verify existence of capital assets. If it is impractical to observe all capital assets annually, we recommend performing the observation on a department basis with the intent of completing the inventory over a reasonable period such as every three to five years.

Management Response - Metro has contracted with a firm to complete a physical inventory and that process has already begun; inventories for all departments should be completed by July of 2017.

Budgetary Over-Expenditure in the Risk Management Fund

Observation - The Risk Management Fund incurred losses that resulted in expenditures in excess of appropriations of approximately \$1.5 million. This situation appeared to occur as a result of the timing of obtaining all the information necessary to book the accrual for 'incurred but not reported' losses at a date after year-end. Metro obtained an actuarial valuation report in August of 2016 which resulted in a significant increase in the liability that existed as of June 30, 2016.

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Recommendation - We recognize that it may not be possible to anticipate and allow for the accumulation of all information necessary to adjust the accrual for 'incurred but not reported' losses timely enough to allow for adjustments to be made to the appropriated budget prior to year-end. We recommend that management either move up the date to which they obtain actuarial reports to allow time to make budget appropriation changes, or, change the method of budgeting for the risk management fund to correspond with the timing of known losses or the payment of those known losses.

Management Response - Processes have been put into place that will require claims reviews to be completed earlier and throughout the year. This will ensure that we have time to adjust reserves through the budget amendment process prior to year-end. We believe this will help eliminate appropriations issues in the Risk Management Fund on a go forward basis.

We wish to thank you, Caleb Ford, Karla Lenox and the rest of the Metro staff for their support and assistance during our audit, as well as Brian Evans, Metro Auditor, who were all very professional and pleasant to work with regarding the administration of our audit contract with Metro.

Very truly yours,

Moss Adams, LLP

Moss Adams LLP

cc: Brian Evans, Metro Auditor





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

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

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

Stay in touch with news, stories and things to do.
oregonmetro.gov/parksandnaturenews

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Metro Council President

Tom Hughes

Metro Councilors

Shirley Craddick, District 1

Carlotta Collette, District 2

Craig Dirksen, District 3

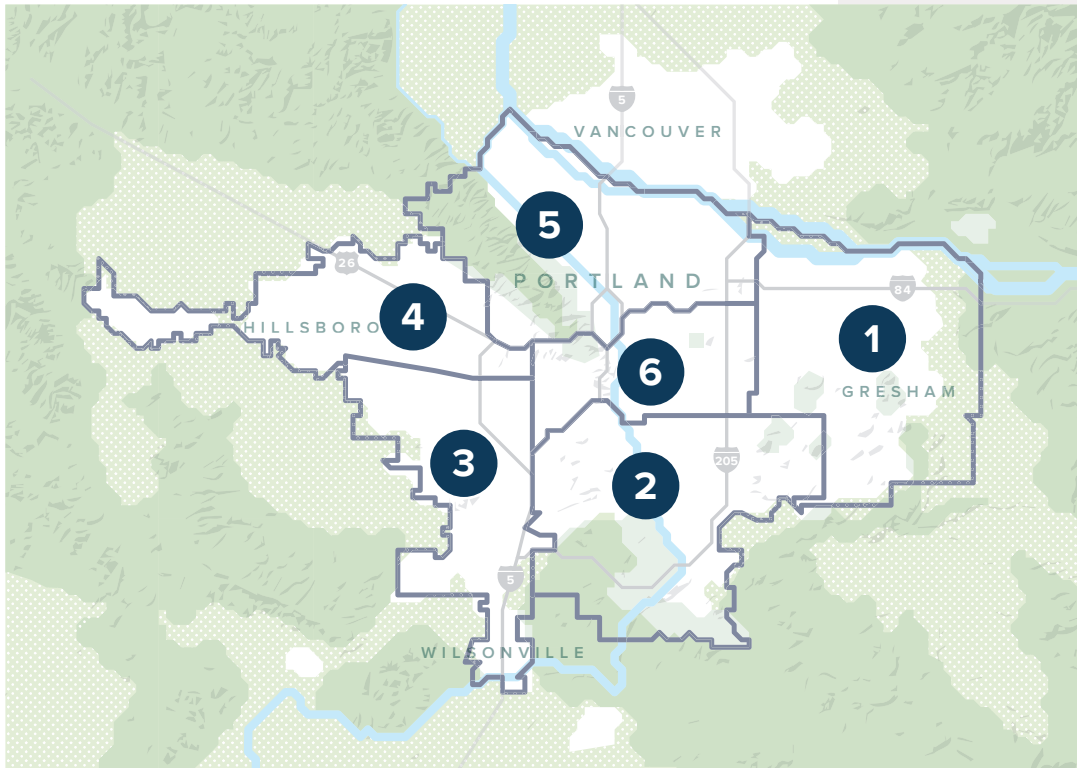
Kathryn Harrington, District 4

Sam Chase, District 5

Bob Stacey, District 6

Auditor

Brian Evans





Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2016

Finance and Regulatory Services Department

Director
Timothy C. Collier, CPA, MBA

Assistant Director
W. Caleb Ford, CPFO

Prepared by
Accounting Services Division

Financial Reporting and Control Supervisor
Karla J. Lenox, CPA

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November 17, 2016

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, 2016, 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, 2016, and the results of its operations, as well as cash flows for its proprietary fund types for the fiscal year ending on that date. The financial statements and supporting schedules have been prepared by management in accordance with accounting principles generally accepted in the United States of America (GAAP), meet the requirements of the standards as prescribed by the Oregon Secretary of State and are in conformance with the guidelines for financial reporting developed by the Government Finance Officers Association of the United States and Canada.

The CAFR provides meaningful financial information to legislative bodies, creditors, investors and the public. There are four main sections in this report, including a section with reports of our independent certified public accountants required by Oregon Administrative Rules and federal regulations. These reporting requirements are incorporated in the Minimum Standards for Audits of Municipal Corporations, as prescribed by the Secretary of State, Government Auditing Standards and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Internal controls. Metro management is responsible for the completeness and reliability of all the information and representations presented in this CAFR, based upon a comprehensive internal control framework established for this purpose. This framework is designed to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that accounting transactions are executed in accordance with management's authorization and properly recorded, so that the financial statements can be prepared in conformity with GAAP. The design and operation of internal controls also ensures that federal and state financial assistance funds are expended in compliance

with applicable laws and regulations related to those programs. Because the cost of internal controls should not outweigh their benefits, Metro's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. We assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Independent audit. In accordance with Oregon law, Metro's financial statements have been audited by Moss Adams, LLP. The auditor issued an unmodified ("clean") opinion on Metro's financial statements for the year ended June 30, 2016 (see pages 12-14). The independent audit of the financial statements was performed in accordance with applicable auditing standards as described by Moss Adams, LLP in their reports included in this document.

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

Profile of Metro

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

History. In 1978 voters approved the merger of a council of governments (Columbia Region Association of Governments) that had land use and transportation planning responsibilities, with the Metropolitan Service District, which had been created to provide regional services that included the solid waste management plan and operation of a metropolitan zoo (now named the Oregon Zoo). The expanded Metropolitan Service District (the District) had the combined authority of the two predecessor agencies and potential additional powers.

The District was organized under a grant of authority by the Oregon Legislature, incorporated in Oregon Revised Statutes. The District's powers were limited to those granted by the Legislature with the implied powers necessary to carry out its duties. Any extension of the District's powers had to be approved by the Legislature.

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

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

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

Metro has emerged as a leader of regional initiatives – a collaborative partner, facilitator, technical assistance provider, process manager and advocate. On-going Metro initiatives support business development and smart planning to make healthy neighborhoods that are good for our economy and quality of life. Around our region, tens of thousands of acres of natural areas are protecting the environment for residents to enjoy, while improving the quality of our streams for fish and other native species. Metro policies, programs and services are part of the

fabric of life in our region. They are the common threads that connect neighborhood wetlands, the Expo antique shows, penguins at the Oregon Zoo, recycled newspapers, extensive bike paths and symphony performances at the Arlene Schnitzer Concert Hall.

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, 39 and 61*. This report includes all organizations and activities for which the elected officials exercise financial control. In addition, the Oregon Zoo Foundation (OZF) warrants inclusion in the report because of the nature and significance of its relationship with Metro, including its on-going financial support of Metro's Oregon Zoo. The OZF is a legally separate, tax-exempt organization organized to encourage and aid the development of the Oregon Zoo. The financial statements of OZF are included in this report as a discretely presented component unit.

Factors Affecting Financial Condition

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

Local economy. The Portland metropolitan region (i.e., the Portland-Vancouver-Hillsboro, OR-WA Metropolitan Statistical Area) is home to over 2.3 million residents, nearly 1.6 million of those residing within the Metro boundary. The Portland MSA ranks as the 23rd largest U.S. metropolitan area. According to the U.S. Census Bureau, regional population growth rebounded to 1.7 percent in 2015, the fastest annual growth since the Great Recession.

The “economic region” is comprised of five counties in Oregon and two other counties in Washington. Significant economic interactions can be seen among the counties. The region is a hub for financial activities, domestic and international trade, transportation and services for all of Oregon, southwest Washington and the Columbia River basin. The Portland MSA has employment totaling over 1.2 million jobs, with over 80 percent of those jobs located inside the Metro boundary. The latest Portland MSA job reading (August 2016) shows year over year annualized growth of 2.7 percent, outpacing the 1.2 percent rate for the United States. The region’s unemployment rate continues to fall and now stands at 5.3 percent (August 2016), according to the Oregon Employment Department.

Local companies like Nike, Precision Castparts, Schnitzer Steel, Portland General Electric, Columbia Sportswear and Flir call the Portland area home. Other top private sector manufacturers and financial companies in the region include Intel, StanCorp Financial Group, Wells Fargo, U.S. Bank, Daimler Trucks North America, Xerox and Boeing. The largest health and medical providers also ranked by number of metro area employees are Providence Health System, Legacy Health System and Kaiser Permanente Northwest (source: *Portland Business Journal*).

The Port of Portland oversees an international airport in Portland (PDX) and two smaller regional commuter airports in Hillsboro and Gresham, located at opposite ends of the region. PDX hosts non-stop international flights to Europe and Asia and is a major hub for Alaska Airlines and Horizon Air.

Outlook. Metro’s regionally accepted growth projections anticipate an annual average growth rate of 1.1 percent for the Portland MSA from 2010 to 2040. The MSA region is expected to hit 3,052,100 residents by 2040, adding 826,100 people from year 2010.

The region remains the largest in the state in terms of outright job growth at about 35,000 per year over the last two years. The area represents a rising share of all jobs in the state of Oregon – about 54 percent today (after subtracting jobs for Clark and Skamania counties in Washington state).

The U.S. economy appears to be on a 2 percent growth path. According to the Oregon Office of Economic Analysis’ latest economic outlook, a more balanced U.S. expansion is expected for the balance of 2016. U.S. personal consumption, fixed investment and government spending are all rising. Consumer spending is propping up U.S. GDP growth, supported by employment growth (and low unemployment rates), real incomes growth, and healthier household net worth under a more stable housing market and modest stock market gains.

Inflation adjusted GDP edged up 1.1 percent in the second quarter (2016), up from 0.8 percent in the first quarter (source: *Bureau of Economic Analysis*). According to the state economist, Oregon has once again regained its economic edge as a leader in terms of job gains, with the pace of statewide growth now twice that of the U.S. as a whole. The additional job growth assumed in the most recent state forecast will bring with it additional state tax collections in fiscal year 2016 and beyond (source: *Office of Economic Analysis*).

The regional economic outlook is expected to face favorable trends. Regional job growth is gaining extra momentum now that the drag from the real estate sector has lifted and the government sector is no longer downsizing. More importantly, a private sector that is actually creating jobs is boosting regional growth. Job levels in the region are near the pre-recession high mark. The manufacturing sector – led by high-tech and advance manufacturing – is propelling a sector of the economy that is important to regional prosperity. Semi-conductor manufacturers in the region have been adding to their payroll at a torrid pace for the last 2½ years. Private sector employment growth has been broad based over the last 12 months. The one exception seems to be a slowdown in durable manufacturers. Monthly employment readings on a year over year (Y/Y) basis are trending higher with the latest summer reading just under 3.0 percent Y/Y growth. Employment now stands at 1,141,100 (June 2016 seasonally unadjusted). By year 2040, the draft regional forecast for the Portland MSA region will have employment levels hitting 1,571,300.

Long-term Financial Planning and Major Initiatives

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

Metro's budgets are anchored by the region's six desired outcomes. Developed by the region and adopted by the Metro Council in 2010 as part of the region's growth management policies, the six outcomes help all leaders and their communities focus on what makes this region a great place. Metro uses these outcomes to guide its strategic decision-making by testing department activities and programs against whether they are making these outcomes more likely over time (see *major initiatives* below).



In addition, the Metro Compass, shown in the diagram in the next column, is used to develop the budget and ensure that Metro's programs and activities achieve the vision for the region, deliver on the core mission, and build public trust. Each of Metro's departments has developed a five-year mission critical plan for their operations. These plans help each department to look ahead to identify key

opportunities and threats that face the region, Metro, and its programs to ensure Metro is making decisions today that will be sustainable and strategic for the next three to five years.



Major initiatives. The budget for fiscal year 2017 is driven by the strategic goals and key initiatives identified by the Metro Council that guide the agency and region towards the six desired regional outcomes. The 2016-17 Budget includes:

Implementing our goals and strategies for equity, diversity and inclusion. As an agency focused on the future, we know that our region's population will be more racially and ethnically diverse in the future than it is today. We also know that many people in our region face barriers that make it harder for them to succeed. For several years, Metro has made significant investments in improving the diversity of our workforce, increasing the percentage and dollar value of the contracts we award to minority, women, and emerging businesses, improving our relationships with historically underserved communities, and ensuring that all of the region's residents have access to the six desired regional outcomes. In 2012, the Metro Council adopted a Diversity Action Plan for Metro and launched an effort to create an Equity Strategy for Metro. The fiscal year 2015-16 budget included investments in many programs and activities that implement those plans (even as the Equity Strategy is under development). This proposed budget would increase funding for those programs and activities in every department of Metro.

Some of the highlights of the proposed budget include:

- continued support for the Diversity, Equity and Inclusion Team in the Office of the Chief Operating Officer;
- increasing staffing at the Oregon Zoo and adding staffing at Portland's Centers for the Arts responsible for outreach to the schools that serve communities of color;
- implementation of the Parks and Nature System Plan and continued funding for Partners in Nature and for the native foods project in the Parks and Nature department;
- support for implementing several of the recommendations of the Equitable Housing Strategy including the Housing Planning and Development Grants approved by Council in February and development of a housing funding collaborative;
- matching funds for a report on the profile of communities of color in Washington County in partnership with the Coalition for Communities of Color and Washington County, and the cities of Beaverton, Hillsboro and Tualatin;
- staff training to increase the ability of Metro staff to implement these plans. Some of the activities that we anticipate will be high-priority actions include implementing a youth engagement strategy, building capacity of community based organizations to work with Metro, and improvements to our hiring and selection process to increase our ability to recruit, hire, and retain diverse employees.

Investing in Metro's infrastructure. As in the past two fiscal years, this proposed budget recommends that Metro invest in taking care of our systems and structures. As with many public agencies, some investments in our capital assets, our technology, and our business processes were deferred during the Great Recession. The proposed budget includes funding to address these deferred investments and also to increase our efficiency.

- **Technology.** The proposed budget includes significant investments in our technology infrastructure, all of which are needed to update systems that have become outdated over time. Many of these systems are essential to our ability to operate key services. Major expenditures are proposed to bring Metro into compliance with security requirements for credit cards and for upgrading our telephone systems in the Metropolitan Exposition Recreation

Commission (MERC) visitor venues. We will invest in new audio/visual equipment, new fiber optic cable, and an upgrade in Wi-Fi equipment at the Oregon Convention Center. The proposed budget also includes funding for a roadmap for replacing the business and data systems at the Oregon Zoo.

- **Buildings and Physical Assets.** The proposed budget invests in maintaining Metro's capital assets, especially the Metro Regional Center (MRC). Metro will replace the roof on the MRC, seal a significant leak in Apotheker Plaza, complete resealing the exterior of the building, replace the building security system and begin design and engineering for the replacement of the HVAC and air handlers. The budget includes continued support for the construction of a Convention Center Hotel and includes capital projects that will complement the hotel such as reconstruction of the plaza at the corner of Martin Luther King, Jr. Boulevard and Holladay Street.

Relevant Financial Policies

Comprehensive financial policies are reviewed annually and provide the basic framework for the overall fiscal management of the agency. The policies are designed to operate independently of changing circumstances and conditions and help safeguard Metro's assets, promote effective and efficient operations, and support the achievement of Metro's strategic goals. The policies were re-adopted by the Metro Council on June 23, 2016 (Resolution No. 16-4697), as published in its adopted budget.

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

Comprehensive Annual Financial Report

Metro - Letter of Transmittal

November 17, 2016

a five-year forecast of revenues, expenditures, other financing sources and uses and staffing needs for each of its major funds, identifying major anticipated changes and trends, and highlighting significant items which require the attention of the Metro Council.

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

Debt management policies provide that Metro shall issue long-term debt only to finance capital improvements (including land acquisition) that cannot be readily financed from current revenues, or to reduce the cost of long-term financial obligations. Metro will not use short-term borrowing to finance operating needs unless specifically authorized by Council. Further, Metro will repay all debt issued within a period not to exceed the expected useful life of the improvements financed by the debt. Metro followed these policies during the fiscal year ended June 30, 2016.

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 2016-17 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, 2015. This was the twenty-fourth consecutive year that the government has

achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

In addition, Metro received the GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting for its annual financial report for the fiscal year ended June 30, 2015. In order to qualify for this award, the government must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

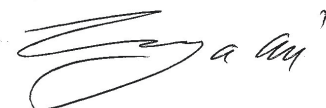
Acknowledgements

The preparation of this report would not have been possible without the dedicated efforts of the employees in the Accounting Services Division of the Finance and Regulatory Services Department. We especially acknowledge Karla J. Lenox, CPA, Financial Reporting and Control Supervisor, and her staff 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, CPA, MBA
Finance and Regulatory Services Director



Government Finance Officers Association

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

Presented to

**Metro
Oregon**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

GFOA Award

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Elected Officials

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

Appointed Officials

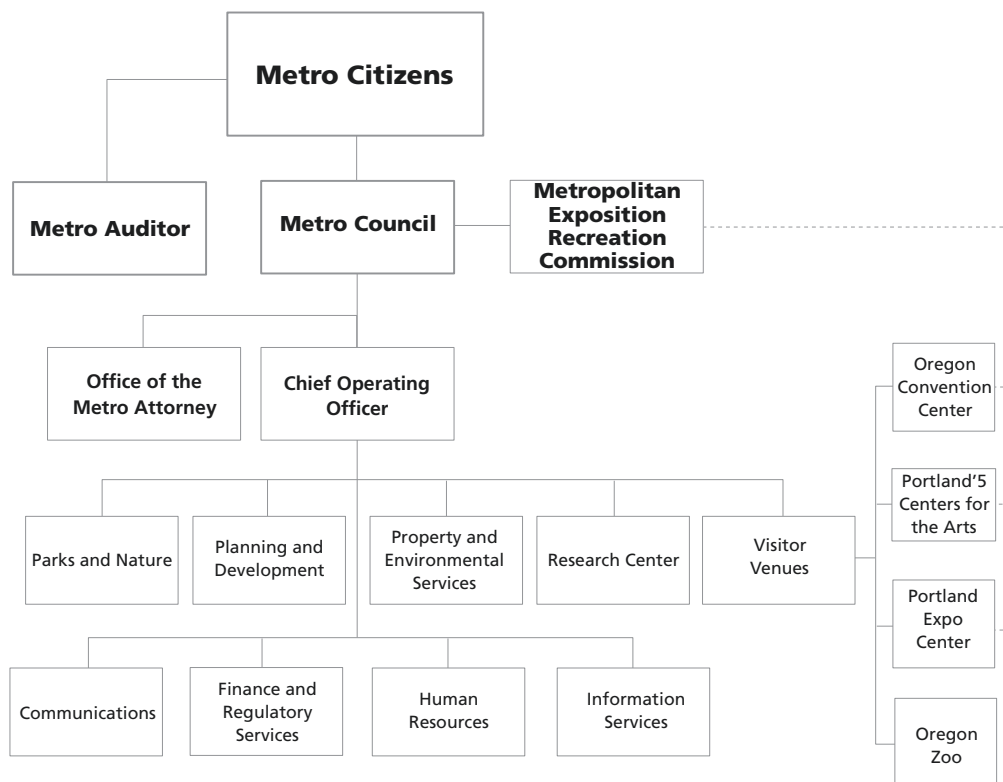
Name	Position
Martha Bennett	Chief Operating Officer
Scott Robinson	Deputy Chief Operating Officer
Alison Kean	Metro Attorney
Timothy Collier	Finance and Regulatory Services Director
Mary Rowe	Human Resources Director
Jim Middaugh	Communications Director
Rachel Coe	Information Services Director
Don Moore	Oregon Zoo Director
Elissa Gertler	Planning and Development Director
Jeff Frkonja	Research Center Director
Paul Slyman	Property and Environmental Services Director
Kathleen Brennan-Hunter	Parks and Nature Director
Teri Dresler	General Manager of Visitor Venues
Scott Cruickshank	Oregon Convention Center Director
Matthew Rotchford	Portland Expo Center Director
Robyn Williams	Portland's 5 Centers for the Arts Director

Registered Agent

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

Organizational Structure

as of June 30, 2016



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– Brian Evans

OPERATING DEPARTMENTS

Parks and Nature: 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; manages Metro’s parks and natural areas including cemeteries and marine facilities.

Property and Environmental Services: Manages regional headquarters, and Metro’s solid waste facilities including transfer station operations and household hazardous waste facilities.

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.

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.





Brian Evans
Metro Auditor

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

November 17, 2016

To the Metro Council and Residents of the Metro Region:

Oregon State law requires an annual audit of Metro's financial records and transactions by independent certified public accountants. The Metro Auditor is required by Metro Code to appoint certified public accountants to conduct this audit. In 2014, after completing a competitive process, I appointed Moss Adams LLP to conduct the audit of Metro. My office coordinated and monitored this audit.

Following this letter is the independent auditor's report on Metro's financial statements as of June 30, 2016. In addition to the above report, Metro is required to have an audit of its expenditures of federal awards in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the provisions of *Government Auditing Standards* issued by the Comptroller General of the United States. The necessary reports pertaining to Metro's internal control, compliance with applicable laws, regulations, grants and the Schedule of Expenditures of Federal Awards for the year ended June 30, 2016 are included in the last section of this report, Audit Comments and Disclosures Required by State and Federal Regulations.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to be "B. Evans".

Brian Evans
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, 2016, and the related notes to the financial statements, which collectively comprise Metro's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

MOSS ADAMS LLP

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 the Metro as of June 30, 2016, 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 15 through 28; the schedules of revenues, expenditures and changes in fund balance – budget and actual and related notes on pages 83 through 88 (the “budgetary schedules”); the schedule of district's proportionate share of net pension liability and schedule of district's contributions for the Oregon Public Employees' Retirement System on pages 89 through 91; and the schedule of funding progress for the other postemployment benefits on pages 92 through 94, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the management's discussion and analysis, the schedule of district's proportionate share of net pension liability, the schedule of district's contributions for the Oregon Public Employees' Retirement System, 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 the 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 on pages 95 through 170, and the schedule of expenditures of federal awards on pages 177 through 178, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; each as listed in the table of contents (collectively, the supplementary information), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

MOSS-ADAMS_{LLP}

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

Other Information

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2016 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.

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

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 17, 2016, 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 17, 2016

Management's Discussion and Analysis

For the fiscal year ended June 30, 2016

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, 2016. 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 - 6 of this report. This information is based upon currently known facts, decisions or conditions.

FINANCIAL HIGHLIGHTS

- Metro's assets and deferred outflows of resources exceed its liabilities and deferred inflows of resources (also defined as *net position*) by \$612,743,844 at June 30, 2016, which reflects an increase of 2 percent or \$11,742,655 over the prior fiscal year.
- The impacts of GASB Statements 68 and 71 for the fiscal year ended June 30, 2016, resulted in a pension expense of \$30,601,855, a net pension liability of \$31,586,277 and deferred outflows and inflows related to pensions of \$7,054,166 and \$8,821,749 at June 30, 2016.
- Metro completed the fiscal year with its governmental funds reporting *combined* fund balances of \$157,465,026. Of the total amount of governmental combined fund balance, \$17,162,433 or 10.9 percent, is considered available for spending at Metro's discretion (*unassigned* fund balance).
- At the end of fiscal year 2016, unrestricted spendable fund balance (the total of the *committed*, *assigned* and *unassigned* components of fund balance) in the general fund totaled \$28,298,402 and represents 18 percent of total general fund expenditures.
- Metro's total outstanding long-term liabilities increased \$36,040,545 or 13.6 percent during the current fiscal year. The significant increases in this amount are due to the recording of a net pension liability of \$31,586,277 and an increase in bonds payable. The outstanding debt increased \$5,019,654 or 2.0 percent. The key factor for this increase was the issuance of \$30,000,000 for the Oregon Zoo Infrastructure and Animal Welfare Bond program.
- The Oregon Zoo's construction for the Elephant Lands major capital project work under the Oregon Zoo Infrastructure and Animal Welfare Bond program was completed. Work also continued on the zoo's Education Center. These and other related projects are all funded by bond proceeds with total capitalized costs in fiscal year 2016 of \$26,700,063.
- The operations of the Oregon Zoo were moved to a stand-alone enterprise fund reported in business-type activities in the fiscal year ending June 30, 2016. The Zoo operations were formerly reported as part of the General Fund, in governmental activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Metro's basic financial statements, which consist of the following three components: 1) the *government-wide financial statements*, 2) the *fund financial statements*, and 3) the *notes to the financial statements*. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of Metro's finances using accounting methods similar to those used by private-sector business. 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.

The *Statement of Activities* accounts for all of the current fiscal year's revenues and expenses. 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).

Management's Discussion and Analysis, *continued*

For the fiscal year ended June 30, 2016

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

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

Business-type activities – Activities supported by charges for services and fees to customers to help cover the costs of certain services. These activities consist of the *Solid Waste*, *Oregon Zoo*, and Metropolitan Exposition-Recreation Commission (MERC) operations. Solid waste operations include the operation of two transfer and recycling centers (Metro South and Metro Central), household hazardous waste collection centers, paint recycling center and other solid waste system programs. Oregon Zoo operations include zoo visitor experience, environmental education, and animal conservation and research. MERC operations include the Oregon Convention Center (OCC), Portland's 5 Centers for the Arts (Portland's 5) and Portland Expo Center (Expo) facilities.

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

The government-wide financial statements can be found on pages 29-33 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Metro, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements – including bond covenants and Oregon local budget law requirements. The funds of Metro can be classified into two categories:

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

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

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

Of special note, a portion of one budgetary fund (the General Revenue Bond Fund) and one additional entire budgetary fund (General Asset Management Fund) are allocated to the General Fund and combined with those operating activities for reporting in conformance with generally accepted accounting

Management's Discussion and Analysis, *continued*

For the fiscal year ended June 30, 2016

principles in the governmental fund financial statements. The remaining portions of the budgetary General Revenue Bond Fund are allocated to the Oregon Zoo and MERC Funds for proprietary fund presentation noted below.

The governmental fund financial statements can be found on pages 35-40 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, Oregon Zoo and MERC operations, all three of which are considered major funds.

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

The proprietary fund financial statements can be found on pages 41-46 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 47-81 of this report.

Required Supplementary Information (RSI). In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budget-to-actual results for Metro's General Fund and its major special revenue fund and pension and post-employment healthcare disclosures. RSI can be found on pages 83-94.

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 95-121.

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 and deferred inflows of resources (defined as net position) by \$612,743,844 at June 30, 2016. The table on the following page reflects the condensed Government-wide Statement of Net Position.

Metro's governmental activities account for a total net position – totaling \$227,646,899, or 37.2 percent, whereas business-type activities account for \$385,096,945 or 62.8 percent. This is a reversal from the prior year due to moving the Oregon Zoo Fund from the general fund to an enterprise fund.

Of Metro's total net position, 82 percent reflects its net investment in capital assets (e.g., headquarters offices, zoo exhibits, natural areas property, transfer stations, convention center, and other significant assets), less any related outstanding debt that was used to acquire those assets. Metro uses these capital assets to provide services to its citizens; therefore, this amount is not available for future spending. Although Metro's investment in its capital assets is reported net of the related debt, it should be noted that the resources needed to repay this debt must come from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Metro's restricted net position (26 percent) represents resources that are subject to external restrictions on how they may be used. External restrictions for specific purposes include areas such as parks and natural areas local option levy, Transit Oriented Development (TOD), Smith and Bybee Wetlands management plan, and capital projects funded by bond or restricted proceeds. The restricted component of net position increased \$73,108,087 or 45.2 percent from the amount at June 30, 2015. Governmental activities restricted component of net position increased primarily due to an increase in the amount restricted for capital projects tied to contractual requirements in the General Fund or unspent bond proceeds in the Oregon Zoo

METRO

Management's Discussion and Analysis, *continued*
For the fiscal year ended June 30, 2016

Metro's Net Position

		Governmental Activities		Business-type Activities		Total - Primary Government	
		2016	2015	2016	2015	2016	2015
Current and other assets	\$	185,697,728	186,241,829	128,566,067	105,149,978	314,263,795	291,391,807
Capital assets		324,784,458	444,574,713	319,951,792	185,114,519	644,736,250	629,689,232
Total assets		510,482,186	630,816,542	448,517,859	290,264,497	959,000,045	921,081,039
Total deferred outflows of resources		6,866,406	7,265,987	4,287,959	1,871,952	11,154,365	9,137,939
Long-term liabilities outstanding		264,070,853	245,382,348	37,808,144	20,456,104	301,878,997	265,838,452
Other liabilities		21,718,494	23,378,981	24,991,326	16,806,520	46,709,820	40,185,501
Total liabilities		285,789,347	268,761,329	62,799,470	37,262,624	348,588,817	306,023,953
Total deferred inflows of resources		3,912,346	14,820,861	4,909,403	8,372,975	8,821,749	23,193,836
Net position:							
Net investment in							
capital assets		237,716,303	326,328,783	311,325,512	175,914,225	501,174,344	502,243,008
Restricted		141,591,292	79,540,758	19,991,871	8,914,318	161,583,163	88,455,076
Unrestricted		(151,660,696)	(51,369,202)	53,779,562	61,672,307	(50,013,663)	10,303,105
Total net position	\$	227,646,899	354,500,339	385,096,945	246,500,850	612,743,844	601,001,189

Infrastructure and Animal Welfare and Natural Areas bond funds. The restricted component of net position in business-type activities increased \$11,077,553 over the prior fiscal year due to additional amounts restricted under contract for MERC related capital projects and moving the Oregon Zoo into an enterprise fund.

The remaining \$50,013,663 is an unrestricted deficit (negative 8 percent of total net position), 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, \$53,779,562 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 \$100,291,494 (to a total deficit of \$151,660,696) 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. Similarly the moving of the Oregon Zoo to an

enterprise fund moved the assets from the governmental funds, but the corresponding debt remains in the governmental funds. In addition, the amounts related to pensions under GASB Statements No. 68 and No. 71 impacted this change for fiscal year 2016 as described elsewhere in this MD&A. Unrestricted net position in business-type activities decreased \$7,892,745 or 12.8 percent which is explained later in this analysis.

Overall, Metro's net position increased 2.0 percent or \$11,742,655 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 decreased \$126,853,440, while business-type activities' net position increased \$138,596,095 for the fiscal year ended June 30, 2016. The components of the change in net position are reflected in the condensed information from Metro's Statement of Activities presented in the table above. The reasons for the changes noted here are discussed in the following sections for governmental activities and business-type activities.

METRO

Management's Discussion and Analysis, *continued* For the fiscal year ended June 30, 2016

Changes in Metro's Net Position

	Governmental Activities		Business-type Activities		Total - Primary Government	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues						
Charges for services	\$ 11,772,787	31,672,868	142,910,864	105,635,443	154,683,651	137,308,311
Operating grants and contributions	13,145,776	22,495,818	23,414,591	19,974,313	36,560,367	42,470,131
Capital grants and contributions	261,290	7,141,282	609,917	200,000	871,207	7,341,282
General revenues						
Property taxes	55,546,801	61,957,344	-	-	55,546,801	61,957,344
Excise taxes	21,483,245	19,253,857	-	-	21,483,245	19,253,857
Other	1,430,419	952,734	891,412	425,728	2,321,831	1,378,462
Total revenues	103,640,318	143,473,903	167,826,784	126,235,484	271,467,102	269,709,387
Expenses:						
General government operations	21,833,274	14,121,383	-	-	21,833,274	14,121,383
Regional planning and development	16,311,836	12,164,998	-	-	16,311,836	12,164,998
Culture and recreation	29,221,523	23,281,061	-	-	29,221,523	23,281,061
Interest on long-term debt	7,071,050	6,736,232	-	-	7,071,050	6,736,232
Solid Waste	-	-	64,542,514	57,279,945	64,542,514	57,279,945
Oregon Zoo	-	32,483,204	51,633,613	-	51,633,613	32,483,204
MERC	-	-	69,110,637	54,868,782	69,110,637	54,868,782
Total expenses	74,437,683	88,786,878	185,286,764	112,148,727	259,724,447	200,935,605
Increase (decrease) in net position before transfers	29,202,635	54,687,025	(17,459,980)	14,086,757	11,742,655	68,773,782
Transfers	(156,056,075)	(701,266)	156,056,075	701,266	-	-
Increase (decrease) in net position	(126,853,440)	53,985,759	138,596,095	14,788,023	11,742,655	68,773,782
Net Position, July 1	354,500,339	300,514,580	246,500,850	231,712,827	601,001,189	532,227,407
Net Position, June 30	\$ 227,646,899	354,500,339	385,096,945	246,500,850	612,743,844	601,001,189

Governmental activities. Governmental activities program revenues were down \$36,130,115 or 58.9 percent and totaled \$25,179,853. The majority of this decrease is due to the move of the Oregon Zoo from the governmental activities to business-type activities and reductions in one time grant revenues in the prior year (\$5,000,000) for the Willamette Falls Legacy Project.

Oregon Zoo program revenues were up \$1,715,467 or 7.5 percent from the prior fiscal year. The increase was attributable to an increase in admissions and retail sales, \$564,388 and \$360,937 respectively, in fiscal year 2016. The OZF pledged \$477,000 in one-time money to support

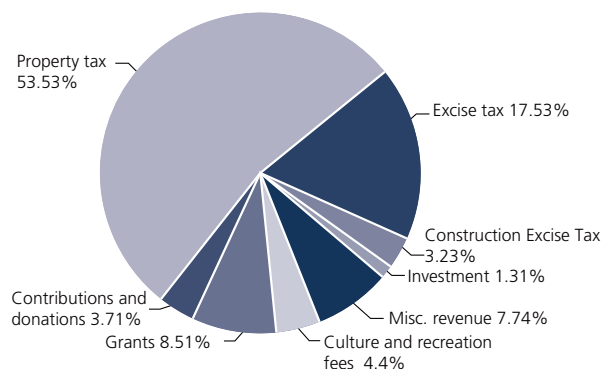
FTE at the zoo. Zoo operations revenues showed growth in fiscal year 2016, even with attendance at the zoo decreasing 4.0 percent from the prior year for a total of 1,494,316. The zoo remains the highest attended fee-based tourist attraction in Oregon.

Operating grants and contributions were down \$9,350,042 or 41.6 percent in fiscal year 2016, primarily due to the Convention Center Hotel project funding that was received in 2015. Governmental-activities capital grants and contributions were \$6,879,992 lower than the prior fiscal year. The significant drop is mostly due to the Willamette Falls funding that happened in the prior year.

METRO

Management's Discussion and Analysis, *continued* For the fiscal year ended June 30, 2016

Metro Governmental Activities Sources of Revenue, Fiscal Year 2016



Functional and program expenses reflected in the Statement of Activities were significantly impacted by the effects of GASB Statement No. 68 and No. 71 related to pensions. The governmental activities expense amounts include a large pension expense for the fiscal year ended June 30, 2016, in each program as follows:

General government operations	\$	11,035,486
Regional planning and development		5,314,236
Culture and recreation		4,681,800
Total	\$	21,031,522

Metro's general government operations expense totaled \$21,833,274 or 8.4 percent of Metro's total program expenses, which was an increase of \$7,711,891 or 54.6 percent from that reported in the prior fiscal year. The most significant increase resulted from the pension expense noted above.

Metro's regional planning and development program had total costs of \$16,311,836, up \$4,146,838 or 34.1 percent from the prior fiscal year. The level of grants received affects the level of work and expenditures incurred. The largest portion of this increase was in Personal services due to the effects of pension amounts noted earlier. Transit oriented development (TOD) program expenses reflected a significant decrease, down \$2,165,034 due to fewer projects.

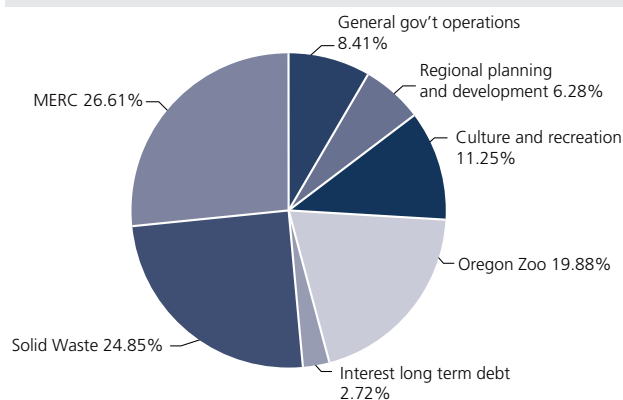
Culture and recreation activities, which include operation of Metro's regional parks and management of natural areas, accounted for total expenses of \$29,221,523, up \$5,950,462 or 25.5 percent from the prior fiscal year. The program added 3.35 full time equivalent (FTE) positions

to continue the implementation of the Natural Areas Operating Levy. Operations, increased personal services costs due to the FTE additions and the pension expense mentioned earlier in this report are the main drivers over the prior year. The biggest increase was due to the pension expense in the current year of \$4,681,800.

Interest on long-term debt increased by \$334,818 or 5 percent from the prior fiscal year and totaled \$7,071,050 or 2.7 percent of Metro's total program costs, down from 3.4 percent in the prior fiscal year. The main reason for the increase was the issuance of an additional \$30,000,000 for the Zoo Infrastructure and Animal Welfare Bond as discussed in detail in note V.K of the financial statements.

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

Metro Function/Program Expenses, Fiscal Year 2016



Business-type activities. Program revenues of Metro's business-type activities (Solid Waste, the Oregon Zoo and MERC operations) totaled \$192,115,225, up \$66,305,469 or 52.7 percent. The main driver of this increase is moving the Oregon Zoo into an enterprise fund as mentioned earlier. Total expenses increased \$73,138,037 or 65.2 percent to a total of \$185,286,764, with the increase the result of moving of the Oregon Zoo from the General Fund to an enterprise fund.

METRO**Management's Discussion and Analysis, *continued***
For the fiscal year ended June 30, 2016

Program expenses for the Solid Waste, the Oregon Zoo MERC activities were significantly impacted by the effects of the pension expenses noted earlier. The business-type activities expense amounts include a pension expense for the fiscal year ended June 30, 2016 in each program as follows:

Solid Waste	\$	\$ 7,358,721
Oregon Zoo		8,896,835
MERC		10,011,524
Total	\$	26,267,080

Solid Waste program revenues increased \$5,608,431 or 8.9 percent over the prior fiscal year. Mixed waste tonnage delivered to Metro's transfer stations increased 7.9 percent from tonnage delivered in the prior fiscal year primarily driven by continued economic growth, changes in the regulations surrounding commercial organics and the collapse of the wood market. Tonnage increases, combined with the fee increase of \$1.25 per ton, resulted in revenue from disposal fees and regional system fees rising \$2,992,344 and \$2,600,390, respectively.

Solid Waste program expenses were up \$7,262,569, or 12.7 percent. The increase in expenses resulting from the previously noted pension expense was offset by the net effect of tonnage related (see above) contractual costs for transfer, transport and disposal of mixed waste and lower organics residential processing fees. Further discussion of Solid Waste program expenses is provided in the Proprietary Funds section later in the MD&A. Solid Waste program revenues exceed program expenses by \$3,653,636 for the fiscal year ended June 30, 2016.

Oregon Zoo program revenues were up \$1,715,467 or 7.9 percent over the prior year. This was due to an increase in admissions revenue of \$564,388 or 8.2 percent due to the implementation of a rate increase, \$360,937 or 14.4 percent in retail sales at the gift shop and the increase of donations because of the one-time \$477,000 Oregon Zoo Foundation donation for bridge funding for FTE.

Total expenses for zoo operations were \$51,633,613, an increase of \$19,150,409 or 59 percent from the prior fiscal year. A significant portion of this increase is the pension expense noted earlier. Cost increases of \$1,352,514 in personal services were primarily the result of increased labor costs, including fringe benefits due to labor agreements and other personnel related factors, as well

as the addition of several positions as noted earlier. The additional differences are that the Oregon Zoo's expenses in the prior year were presented as governmental activities on the modified accrual basis, while in the current year they are presented in the business-type activities on the full accrual basis. The total net expense of \$26,700,063 is financed by transfers from the General Fund.

MERC operates the Metro-owned OCC and Expo, and, under an intergovernmental agreement with the City of Portland, operates the city-owned Portland's 5 Centers for the Arts. MERC program revenues totaled \$73,805,672 in fiscal year 2016, up \$10,739,083 or 17 percent from the prior fiscal year. Event related revenues were up \$7,754,177 or 18.2 percent from the prior fiscal year. These increases in revenues are due to consumer confidence and spending, strategic usage of dynamic food and beverage pricing, hosting 3.7 percent more events and 8.3 percent more attendees than three-year historical average, as well as booking higher profit margin type events. MERC total charges for services revenues are up \$4,879,273 or 19.3 percent over the prior year. This is \$5,501,982 or 22.3 percent above budget projections. Total MERC food and beverage revenues closed at \$20,258,155, 16.5 percent over the prior year and 24.0 percent over budget. MERC's total food & beverage margin closed at \$4,422,926 or 21.8 percent. This is \$985,838, or 28.7 percent higher than the prior year and 68.2 percent (\$1,792,780) over budget projections.

Total expenses for MERC were \$69,110,637, up \$14,241,855 or 26 percent. Expenses for food and beverage were higher by \$1,889,066 or 13.6 percent, commensurate with the revenue increase noted above. Labor costs were up \$1,495,534. The large increase is mostly due to the pension expense noted earlier. The resulting net revenue of MERC operations was \$4,695,035 for the fiscal year ended June 30, 2016, a reduction of \$3,502,772 over the prior fiscal year's net expense. General revenues used to support this program include transfers and investment earnings.

General revenues. The most significant general revenue, property taxes, accounts for 53.5 percent of all governmental activities revenues, up from 43.2 percent in the prior fiscal year. Property taxes are dedicated to repayment of general obligation bond debt, for programs authorized by the new Parks and Natural Areas Local Option Levy, or allocated by the Council in support of governmental activities. Property taxes to support debt

Management's Discussion and Analysis, *continued*

For the fiscal year ended June 30, 2016

service requirements were slightly higher for continued scheduled debt payments and the resulting reduction of outstanding principal balances on bonds. For the fiscal year ended June 30, 2016, the total amount of property taxes also increased as a result of the levy for Parks and Natural Areas which reflected an increase of \$1,156,997 or 10.1 percent.

Metro assesses excise taxes on users of its goods and services, with the exceptions of Portland's under terms of the Consolidation Agreement with the City of Portland, the Oregon Zoo operations and General Fund Programs (such as Glendoveer Golf Course) as directed by Council action. Solid waste transactions were assessed at a flat rate of \$11.76 per ton effective July 1, 2015, which is flat from 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 \$18,144,766 in general revenue, up \$1,560,097 or 9.4 percent from the prior fiscal year.

Metro collected \$3,338,479 in Construction Excise Tax (CET) during the fiscal year ended June 30, 2016, up \$669,291 or 25.1 percent from the prior fiscal year, reflective of continued strong construction activity in the Metro region during the fiscal year. This tax is imposed on new construction within the region, with limited exceptions, and is intended to provide funds to local governments for planning of future expansion areas, future urban reserves and planning that enables redevelopment of centers, corridors and employment areas within the existing Urban Growth Boundary.

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, 2016, Metro's governmental funds reported *combined* fund balances of \$157,465,026. This is up \$9,272,292 or 5.9 percent. The increase is due mainly to the issuing of \$30,000,000 in debt in the Oregon Zoo Infrastructure and Animal Welfare fund. Of the total amount of governmental combined fund balance above, \$17,162,433 or 10.9 percent, is considered *unassigned* fund balance and available for spending at Metro's discretion.

The remainder of the fund balance is either *nonspendable*, *restricted*, *committed* or *assigned*. *Nonspendable* fund balance represents amounts not in spendable form and the corpus of the permanent fund, which total \$1,542,457 at June 30, 2016. Fund balances *restricted* for particular purposes, such as parks and natural areas, bonded capital projects, the Willamette Falls Legacy and Convention Center Hotel projects, and debt service totaled \$127,586,769. Fund balance in the amount of \$11,135,969 is *committed* by the Metro Council for local governments' planning efforts under the CET program as noted earlier and a commitment of the MERC fund for the Convention Hotel Project. *Assigned* fund balance totaled \$37,398 and is reflected in Metro's permanent fund dedicated to cemetery programs.

Note II.D.12 and Note V.O provide further information on Metro's fund balance classifications for all governmental funds.

The General Fund is the primary operating fund of Metro. At the end of fiscal year 2016, unassigned fund balance of the general fund was \$17,162,433. Total fund balance increased \$5,664,664 to a total of \$66,995,636 at June 30, 2016. 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 19.5 percent of total general fund expenditures, while total fund balance represents 62.9 percent of that same amount.

The General Fund expended \$11,620,754 for general government operations. These operational expenditures included the general government share of costs for the Council Office, Metro Auditor, Office of Metro Attorney, Communications, Human Resources, Finance and Regulatory Services, and Information Services. Expenditures were down over \$872,581 over the prior year. CET grants expended to other local governments were up \$686,327 for the fiscal year ended June 30, 2016 and

Management's Discussion and Analysis, *continued*

For the fiscal year ended June 30, 2016

totaled \$2,751,867. Overall increases in personal services costs were also experienced due to cost of living increases and increases in number of FTE.

Planning and development grant revenues were up \$1,470,553 or 14.6 percent from the prior year. Grant related revenue in regional planning programs is project based and fluctuates from year to year based upon project activity. The ODOT STP Powell-Division grant, reflected a \$233,113 increase from the prior year in project based grant revenue. There were also increases in MPO grant funds (\$1,003,283) and RTO funds (\$560,855) These increases were offset by declines for the Southwest Corridor Plan of \$186,369 and the Greenhouse Gas Study grant of \$195,583.

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

In May 2013, voters approved the Parks and Natural Areas Local Option Levy which activities are accounted for in this special revenue fund. Metro classifies this fund as major due to its belief that there is qualitative interest by the public in its activities. Property taxes from the local option levy totaled \$12,571,899 for the fiscal year ended June 30, 2016. In addition to those projects previously mentioned in the government-wide analysis, capital outlay expenditures of \$2,160,763 were incurred for improvements to Metro parks, construction of new nature parks, and for a docks project. Overall expenditures totaled \$13,525,512, resulting in restricted fund balance of \$3,702,512 at June 30, 2016.

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 \$29,038,030, down \$8,177,257 or 22.1 percent from the prior fiscal year. The major reduction was due to the payoff of the Open Spaces 2012 Series bond in the prior year. Interest payments on all general obligation bonds totaled \$8,161,625, which was \$310,317 lower than the prior fiscal year reflecting the decrease in outstanding principal. Expenditures on debt principal totaled \$21,740,000.

Fund balance in both of the capital projects funds decreased significantly from the prior fiscal year due to

expenditures on their capital projects as discussed more fully in the capital asset discussion later in this MD&A. The Oregon Zoo Infrastructure and Animal Welfare Fund expended \$13,101,791 on capital projects and ended the fiscal year with a fund balance of \$43,711,956. Expenditures for Natural Areas capital outlay and local share and capital grant programs totaled \$14,965,504 in fiscal year 2016. Fund balance totaled \$36,934,540 at June 30, 2016. The fund balance in both of these capital projects funds is classified as restricted for these purposes under state law.

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 \$281,492. The total fund balance is \$5,624,656 at June 30, 2016.

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 \$40,264,993 at fiscal year-end, up 10.7 percent or \$3,877,185. The Oregon Zoo had an unrestricted net position deficit of \$9,912,568. Unrestricted net position for MERC totaled \$27,327,516 at June 30, 2016, up \$172,190 or 1 percent from the prior fiscal year. Unrestricted net position represents 62.4 percent, negative 6.9 percent and 39.5 percent of annual operating expenses for the Solid Waste, Oregon Zoo and MERC enterprise operations, respectively. Net position of \$4,970,642 and \$15,021,229 is restricted in the Oregon Zoo and MERC Funds respectively for capital projects.

The Solid Waste enterprise reflected higher charges for services revenues, up \$5,451,421 or 8.7 percent, due to the combination of tonnage variations at Metro and non-Metro facilities combined with rate changes as discussed earlier in the analysis of business-type activities. Operating expenses were up \$6,836,683 primarily due to costs directly associated with handling increased tonnage during the year. Payroll and fringe costs were higher primarily due to the pension expense discussed earlier in this analysis.

At the Oregon Zoo, food revenues were budgeted based on 1.7 million guests, versus the approximate 1.5 million guests that actually were admitted. This is the only driver of the negative budget variance. An increased per-capita in

Management's Discussion and Analysis, *continued*

For the fiscal year ended June 30, 2016

the food service area actually created a positive year-over-year variance, despite having fewer guests in fiscal year 2016 than fiscal year 2015. Overall, food and beverage sales were up \$148,979 over the prior year. Zoo program expenditures totaled \$31,723,889, up \$537,177 or 1.7 percent from the prior fiscal year. There was a general increase in personnel costs due to labor agreements and expected inflationary factors which are all reflected in an increase of \$751,484 or 4.2 percent in personal services expenditures.

MERC charges for services revenues were up \$8,041,279 or 18.7 percent, which is a reflection of the exceptional event schedule at the OCC and Portland's discussed earlier in the analysis of business-type activities. MERC overall expenditures were up \$13,150,981. The primary drivers were payroll and fringe costs due to the large pension expense mentioned earlier, increases in facility operations costs due to record attendance, and higher food and beverage expenses due to increased food and beverage revenues.

The Risk Management Fund, an internal service fund that is incorporated in governmental activities for government-wide reporting, had unrestricted net position of \$519,997 at June 30, 2016. Risk Management Fund total net position decreased \$2,402,165 from the prior fiscal year as Metro claim expense increased, due to some large claims that were reserved at the end of the year. These charges will be made up in subsequent years as the responsible departments repay the claim amounts.

GENERAL FUND BUDGETARY HIGHLIGHTS

As noted earlier, Metro's General Fund is used to account for general government operations and the programs of Planning, Parks and Nature, and Property and Environmental Services. Over the course of the fiscal year, the Metro Council revised the budget for the General Fund four times, and total appropriations came to \$105,657,767.

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

Revenue Source		Estimated Revenues	Actuals	Variance
Grants	\$	11,295,042	7,753,311	(3,541,731)

Grant revenues came in lower compared to budget due to several factors within the Planning and Development Department. Most of Metro's grants in this department are reimbursement based. The Southwest Corridor Plan underspent on project costs by \$2,487,110 compared to what was budgeted for the year, resulting in a similar drop in grant revenues from budget. The FTA Regional Travel Options and Streetcar grant related work and reimbursements came in \$197,884 less than budgeted and the ODOT/TriMet annual discretionary funding agreements (PL, STP and 5303 grants) were lower by \$586,848.

The most significant variance in General Fund expenditures also occurred in the Planning and Development Department, where expenditures totaled \$ 9,779,840 against appropriations of \$18,187,149, for a favorable variance of \$8,407,309. Materials and services were the significant portion of this with the majority of the underspending, \$4,723,454, attributable to the TOD program as funds are budgeted to allow for maximum flexibility in meeting new development opportunities. In addition, the lower expenditures in the investment areas section of planning was underspent by \$2,031,929.

The General Fund's fund balance on a budgetary basis declined \$3,220,491 during the fiscal year, ending at \$32,498,432. This differs from the General Fund balance reported in the Governmental Fund statements due to the consolidation of the General Asset Management Fund and portions of the General Revenue Bond Fund as noted earlier in this analysis, and the treatment of interfund loans and the TOD program on a generally accepted accounting principles basis.

APPROPRIATION VIOLATION

Local budget law (ORS 294.100 and 294.435(4)) requires local governments to stay within the appropriations set for the fiscal year. There was one expenditure in excess of appropriations in the Risk Fund for the fiscal year ended June 30, 2016.

CAPITAL ASSET AND DEBT ADMINISTRATION

Metro's capital assets for its governmental and business-type activities totals \$644,736,250 (net of accumulated depreciation) as of June 30, 2016. This investment includes land, buildings and exhibits, improvements, and various

METRO

Management's Discussion and Analysis, *continued*

For the fiscal year ended June 30, 2016

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Land	\$264,971,353	\$252,535,307	21,045,160	19,329,786	286,016,513	271,865,093
Intangible - easements	10,735,141	10,449,108	-	-	10,735,141	10,449,108
Artwork	276,384	577,187	1,565,088	823,121	1,841,472	1,400,308
Buildings and Exhibits	22,143,097	97,068,039	255,965,118	155,930,098	278,108,215	252,998,137
Improvements	14,412,640	17,222,607	7,189,330	1,671,364	21,601,970	18,893,971
Equipment and Vehicles	1,884,589	5,310,896	8,148,899	4,440,636	10,033,488	9,751,532
Intangible - software	715,851	983,502	677,299	480,782	1,393,150	1,464,284
Office furniture/equip	439,760	666,332	712,267	506,210	1,152,027	1,172,542
Railroad equip/facilities	-	2,621,470	2,916,513	-	2,916,513	2,621,470
Construction in Progress	9,205,643	57,140,265	21,732,118	1,932,522	30,937,761	59,072,787
Total	\$324,784,458	444,574,713	319,951,792	185,114,519	644,736,250	629,689,232

types of equipment. The total increase (including additions and deductions) in Metro's investment in capital assets for the current fiscal year was \$15,047,018 or 2.4 percent, net of accumulated depreciation. Metro reflects an decrease of \$119,790,255 or 26.9 percent in capital assets attributable to governmental activities and an increase of \$134,837,273 or 72.8 percent in business-type activity capital assets (additional capital assets, less increases in accumulated depreciation). This is primarily due to moving the Oregon Zoo to an enterprise fund.

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

- Metro acquired ownership of 185 acres of additional natural areas (net of easements and disposals) from willing sellers from the proceeds of the Natural Areas general obligation bonds bringing the overall acreage held from this bond to 5,196 acres. The total capitalized cost for the property and easements acquired and stabilized in the current fiscal year under this program was \$13,124,856.
- The Oregon Zoo's construction for the Elephant Lands major capital project work under the Oregon Zoo Infrastructure and Animal Welfare Bond program was complete. Work continued on the Zoo's Education Center and began on the Polar Bear Exhibit. These and other related projects are all funded by bond proceeds with total capitalized costs in fiscal year 2016 of \$13,101,791.

- Other major capital projects in fiscal year 2016 included new restrooms at Blue Lake Park totaling \$1,070,000.
- The overall decline in governmental activities capital assets is primarily the result of the transfer of assets for the Oregon Zoo to the business-type activities in fiscal year 2016, while the increase in the business-type activities is due to that same transfer.

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 \$255,741,000 net of unamortized premiums and discounts. Of this amount, \$217,472,440 comprises debt backed by property tax assessments and the remainder of \$38,268,560 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 table at the top of the following page provides a summary of Metro's debt activity. Bonds are reflected net of unamortized premiums and discounts as disclosed in the notes to the financial statements:

METRO

Management's Discussion and Analysis, *continued* For the fiscal year ended June 30, 2016

Metro's Outstanding Debt

	Governmental Activities		Business-type Activities		Total - Primary Government	
	2016	2015	2016	2015	2016	2015
Gen. obligation bonds	\$217,472,440	209,240,729	-	-	217,472,440	209,240,729
Full Faith & Credit/Revenue	29,280,000	31,875,000	8,988,560	9,605,617	38,268,560	41,480,617
Total	\$246,752,440	241,115,729	8,988,560	9,605,617	255,741,000	250,721,346

Metro's total debt increased \$5,019,654 or 2 percent during the current fiscal year. The two key factors for this increase were the issuance in March of 2016 of \$30,000,000 in General Obligation Bonds for the Zoo Infrastructure and Animal Welfare program, for completing the Zoo Education Center and Polar Bear Exhibits which was offset by the regular payment of principal on the outstanding bonds during fiscal year 2016.

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 \$10,000,000 in remaining voter approved general obligation bond authorization for zoo infrastructure and animal welfare.

In March 2016, Standard & Poor's reaffirmed its AAA rating on Metro general obligation bonds, while Moody's Investor Services reaffirmed its Aaa rating. The rating agencies' reports emphasized the strong financial reserves of the agency, the low debt ratio, significantly broad tax base and the strength of its financial policies.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for Metro is \$23,272,979,472, which is significantly in excess of Metro's outstanding general obligation debt.

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

SUBSEQUENT EVENTS

Full Faith and Credit Refunding Bonds, Series 2016

On September 7, 2016, Metro issued \$7,385,000 of Full Faith and Credit Refunding Bonds, Series 2016 to refund all callable outstanding 2006 Series Oregon

Local Governments Full Faith and Credit Bonds. The 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 December 1, 2016. \$7,885,000 of the refunded bonds are outstanding. The remaining non-callable bonds of \$795,000 are payable 12/1/16 with an adjusted interest payment of \$17,391.

The refunding resulted in a reduction of debt service of \$1,253,715 over 9 years and a net present value savings of \$1,196,739.

The bonds are payable from all legally available taxes and other revenues of Metro. Interest rates on individual bonds range from 1.5 percent to 5.0 percent.

Bond principal and interest payments are due as follows:

Fiscal year ending June 30:	Principal	Interest
2017	\$ 180,000	189,653
2018	785,000	237,275
2019	825,000	197,025
2020	865,000	154,775
2021	890,000	126,475
2022-25	3,840,000	241,800
	<u>\$7,385,000</u>	<u>1,147,003</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Metro's fiscal year 2017 budget reflects two major themes. First, the economy continues to do well and affects both revenues and expenditures. Second, it prioritizes investments in Metro's key infrastructure – physical, technological, human, and administrative. Construction has seen a steady rise in single family permits while at the same time the construction of multi-family units has seen a sharp

increase. The continued increase in construction activity should benefit Metro's construction excise tax receipts. Federal transportation funding has declined, however, affecting both general transportation system planning and limited specific project planning.

In recognition of this economic environment, the Metro fiscal year 2017 budget provides for excellent services to the people and communities of the Portland metropolitan region and implements Metro's mission to inspire, teach, engage and invite people to enhance the quality of life and environment for the region's current and future generations. By law, Metro must present a balanced budget. When accounting for all resources and requirements, the budget totals \$636,103,934, up four percent from fiscal year 2016.

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

- Charges for services revenues in the General Fund are generated mostly by the parks programs. Parks revenues are projected to grow at a small but steady rate – around 3.6 percent. Revenues at the Glendoveer Golf Course are expected to increase slowly and Metro will continue to make new capital improvements at this location.
- The zoo will continue as its own enterprise fund in fiscal year 2017. The zoo is expected to continue to experience record attendance despite on-site construction, approaching 1.7 million guests. Per capita spending will improve modestly and the zoo forecasts to continue its seasonal admissions pricing program.
- In fiscal year 2017, Solid Waste rates will be \$95.67 per ton, an increase of \$0.69 from fiscal year 2016. The Metro Council sets rates to fund the current expenditures of the Solid Waste Fund, balancing the public's interest in its facilities with the pocketbook issues of its ratepayers. Regional tonnage is expected to be 10.0 percent greater in fiscal year 2017.
- The OCC relies on convention bookings made years in advance. Budgeted revenue is about 16.6 percent greater in fiscal year 2017 and assumes 42 bookings, seven more than historical averages. Expo is reflecting flat performance in both the number of events and attendance. Portland's is scheduled to host 9.5 weeks of Broadway performances, which is fewer than the prior year, but higher than the historical average. As a result, revenues are projected to be up 6.7 percent.

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

- Property taxes are levied for both operations and debt service, and the rate of collection stood at 95.1 percent for the current year's levy. The operating levy has a permanent rate of \$0.0966 per \$1,000 of assessed value. The natural areas local option levy will have a rate of \$0.0960 per thousand and bring in an estimated \$13,602,132. The levy for general obligation debt is scheduled to bring in \$32,312,954 based upon debt schedules and cash flow requirements.
- Transient lodging taxes receipts are projected to increase 5 percent.
- The excise tax yield is tied to CPI and for fiscal year 2016 increases to \$11.76 per ton, a rate increase of \$0.28 per ton. Excise tax on other Metro facilities and services remains at 7.5 percent. The tax is expected to generate \$18.3 million, an increase over fiscal year 2016.

In spring 2017, Metro intends to issue revenue bonds for the Convention Center Hotel project in an amount sufficient to net \$60 million after financing costs and capitalized interest. The amount of the revenue bond issues is expected to be \$72 million.

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 2017 by a net 11.46 FTE, with the total increase being seen across all departments
- Metro plans to spend \$220.6 million on materials and services in fiscal year 2017. Large expenditures in this area include a \$73.4 million transfer to escrow for the Convention Center Hotel project and about \$33 million for solid waste transfer station operations and the transport of solid waste to the Columbia Ridge Landfill in Gilliam County.
- Significant capital project expenditures in fiscal year 2017 include: \$6.2 million for the capital improvements at the Oregon Zoo under the Oregon Zoo Infrastructure and Animal Welfare bond measure; \$20 million for land acquisition and capital

METRO

Management's Discussion and Analysis, *continued* For the fiscal year ended June 30, 2016

expenditures under the Natural Areas program; \$14.4 million for capital improvements at MERC facilities; \$4.9 million for solid waste facility capital projects; and \$3.2 million at the Oregon Zoo for non-bond funded capital projects.

Metro's financial policies are the backbone of Metro's financial accountability and transparency. The fiscal year 2017 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

Government-Wide Financial Statements

METRO
Statement of Net Position
June 30, 2016

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities		Oregon Zoo Foundation
ASSETS				
Equity in internal cash and investment pool	\$ 30,180,692	91,911,885	122,092,577	1,020,425
Investments	-	-	-	12,194,257
Receivables (net of allowance for uncollectibles):				
Property taxes	783,730	-	783,730	-
Trade	58,598	9,517,684	9,576,282	446,089
Other	4,113,891	14,963,126	19,077,017	223,204
Interest	59,100	160,150	219,250	-
Grants	3,301,518	71,803	3,373,321	-
Internal balances	4,980,307	(4,980,307)	-	-
Inventories	-	479,174	479,174	-
Prepaid items	17,921	167,892	185,813	-
Other assets	126,200	117,000	243,200	44,200
Restricted assets:				
Equity in internal cash and investment pool	48,581,134	16,157,660	64,738,794	-
Investments	80,685,443	-	80,685,443	-
Receivables (net of allowance for uncollectibles):				
Property taxes	2,571,921	-	2,571,921	-
Other	2,935	-	2,935	-
Interest	204,866	-	204,866	-
Grants	243,163	-	243,163	-
Assets held for resale	8,661,112	-	8,661,112	-
Loans receivable	1,125,197	-	1,125,197	-
Capital assets:				
Land, intangibles, artwork and construction in progress	285,188,521	44,342,366	329,530,887	-
Other capital assets (net of accumulated depreciation)	39,595,937	275,609,426	315,205,363	37,164
Total assets	510,482,186	448,517,859	959,000,045	13,965,339
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	3,737,919	362,280	4,100,199	-
Deferred pension amounts	3,128,487	3,925,679	7,054,166	-
Total deferred outflows of resources	6,866,406	4,287,959	11,154,365	-
LIABILITIES				
Accounts payable	12,021,013	8,025,487	20,046,500	19,706
Salaries, withholdings and payroll taxes payable	1,340,055	3,024,433	4,364,488	-
Contracts payable	548,956	71,682	620,638	1,745,683
Accrued interest payable	1,159,996	32,850	1,192,846	-
Accrued self-insurance claims	1,951,000	-	1,951,000	-
Unearned revenue	4,549,528	9,623,457	14,172,985	-
Deposits payable	143,531	3,378,077	3,521,608	-
Other liabilities	4,415	835,340	839,755	-
Payable from restricted assets:				
Contracts payable	-	-	-	61,692

(Continued)

METRO
Statement of Net Position, *continued*
June 30, 2016

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities		Oregon Zoo Foundation
LIABILITIES, <i>Continued</i>				
Non-current liabilities:				
Due within one year:				
Bonds payable	\$ 24,315,000	960,000	25,275,000	-
Post-closure costs payable	-	603,306	603,306	-
Compensated absences	1,936,240	1,944,873	3,881,113	-
Due in more than one year:				
Bonds payable (net of unamortized premium or discount)	222,437,440	8,028,560	230,466,000	-
Net other postemployment benefits obligation	949,564	1,532,274	2,481,838	-
Post-closure costs payable	-	6,155,763	6,155,763	-
Pollution remediation obligation	176,500	728,000	904,500	-
Compensated absences	247,952	277,248	525,200	-
Net pension liability	14,008,157	17,578,120	31,586,277	-
Total liabilities	285,789,347	62,799,470	348,588,817	1,827,081
DEFERRED INFLOWS OF RESOURCES				
Deferred pension amounts	3,912,346	4,909,403	8,821,749	-
Total deferred inflows of resources	3,912,346	4,909,403	8,821,749	-
NET POSITION				
Net investment in capital assets (1)	237,716,303	311,325,512	501,174,344	37,164
Restricted for:				
Parks and natural areas operations	4,061,007	-	4,061,007	-
Transit oriented development projects	21,516,837	-	21,516,837	-
Smith and Bybee Wetlands management plan	2,985,333	-	2,985,333	-
Community enhancement	1,551,386	-	1,551,386	-
Convention Center Hotel project	13,473,881	-	13,473,881	-
Willamette Falls Legacy project	6,027,280	-	6,027,280	-
Debt service	2,051,191	-	2,051,191	-
Capital projects	89,358,231	19,991,871	109,350,102	-
Perpetual care: non-expendable	566,146	-	566,146	-
Zoo purposes:				
Expendable	-	-	-	426,459
Non-expendable	-	-	-	81,813
Unrestricted	(151,660,696)	53,779,562	(50,013,663)	11,592,822
Total net position	\$ 227,646,899	385,096,945	612,743,844	12,138,258

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

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

METRO
Statement of Activities
For the fiscal year ended June 30, 2016

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
FUNCTIONS/PROGRAMS				
Primary Government:				
Governmental activities:				
General government operations	\$ 21,833,274	2,132,646	125,720	238,790
Regional planning and development	16,311,836	789,058	11,554,984	-
Culture and recreation	29,221,523	8,851,083	1,465,072	22,500
Interest on long-term debt	7,071,050	-	-	-
Total governmental activities	74,437,683	11,772,787	13,145,776	261,290
Business-type activities:				
Solid Waste	64,542,514	68,196,150	-	-
Oregon Zoo	51,633,613	23,741,859	1,126,691	65,000
MERC	69,110,637	50,972,855	22,287,900	544,917
Total business-type activities	185,286,764	142,910,864	23,414,591	609,917
Total primary government	\$ 259,724,447	154,683,651	36,560,367	871,207
Component Unit:				
Oregon Zoo Foundation	\$ 5,317,641	4,723,912	1,648,375	-
General revenues:				
Property taxes				
Excise taxes				
Construction excise tax				
Cemetery revenue surcharge				
Unrestricted investment earnings (loss)				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - July 1, 2015				
Net position - June 30, 2016				

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
(19,336,118)	-	(19,336,118)	
(3,967,794)	-	(3,967,794)	
(18,882,868)	-	(18,882,868)	
(7,071,050)	-	(7,071,050)	
(49,257,830)	-	(49,257,830)	
-	3,653,636	3,653,636	
	(26,700,063)	(26,700,063)	
-	4,695,035	4,695,035	
-	(18,351,392)	(18,351,392)	
(49,257,830)	(18,351,392)	(67,609,222)	
			1,054,646
55,546,801	-	55,546,801	-
18,144,766	-	18,144,766	-
3,338,479	-	3,338,479	-
46,711	-	46,711	-
1,383,708	891,412	2,275,120	(210,716)
(156,056,075)	156,056,075	-	-
(77,595,610)	156,947,487	79,351,877	(210,716)
(126,853,440)	138,596,095	11,742,655	843,930
354,500,339	246,500,850	601,001,189	11,294,328
\$ 227,646,899	385,096,945	612,743,844	12,138,258



Fund Financial Statements

Governmental Funds

Major Funds

General Fund

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

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

Special Revenue Fund

Parks and Natural Areas Local Option Levy Fund

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

Debt Service Fund

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

Capital Projects Funds

Zoo Infrastructure and Animal Welfare Fund

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

Natural Areas Fund

This fund accounts for activities to acquire and preserve natural areas and stream frontages, maintain and improve water quality, and protect fish and wildlife habitat. The principal resources are investment income and grants.

Other Governmental Funds

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

METRO
Balance Sheet
Governmental Funds
June 30, 2016

		General	Parks and Natural Areas Local Option Levy Special Revenue	General Obligation Bond Debt Service
ASSETS				
Equity in internal cash and investment pool	\$	58,818,180	4,916,253	365,394
Investments		-	-	-
Receivables:				
Property taxes		783,730	481,711	2,090,210
Trade		58,598	-	-
Other		4,113,891	-	-
Interest		54,835	7,433	3,529
Grants		3,301,518	153,059	-
Due from other funds		179,988	-	-
Assets held for resale		8,661,112	-	-
Prepaid items		17,921	-	-
Other assets		126,200	-	-
Loans receivable		1,125,197	-	-
Advances to other funds		899,940	-	-
Restricted assets:				
Equity in internal cash and investment pool		12	-	32
Total assets	\$	78,141,122	5,558,456	2,459,165
LIABILITIES				
Accounts payable	\$	4,584,054	1,255,009	-
Salaries, withholdings and payroll taxes payable		1,005,892	158,598	-
Contracts payable		7,953	2,071	-
Unearned revenue		4,549,528	-	-
Deposits payable		143,532	-	-
Other liabilities		4,405	-	-
Total liabilities		10,295,364	1,415,678	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes		731,197	440,266	1,963,439
Unavailable revenue-other		118,925	-	-
Total deferred inflows of resources		850,122	440,266	1,963,439
FUND BALANCES				
Nonspendable		1,013,709	-	-
Restricted		37,683,525	3,702,512	495,726
Committed		11,135,969	-	-
Assigned		-	-	-
Unassigned		17,162,433	-	-
Total fund balances		66,995,636	3,702,512	495,726
Total liabilities, deferred inflows of resources and fund balances	\$	78,141,122	5,558,456	2,459,165

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

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

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

Property taxes and certain other revenues are not available to pay for current period expenditures and therefore are reported as unavailable revenue in the funds.

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

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

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

Net position of governmental activities

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

Capital Projects		Other Governmental Funds	Total Governmental Funds
Oregon Zoo Infrastructure and Animal Welfare	Natural Areas		
12,449,804	3,226,752	6,228,807	86,005,190
33,553,641	37,062,807	-	70,616,448
-	-	-	3,355,651
-	-	-	58,598
-	2,880	55	4,116,826
129,418	55,296	9,191	259,702
-	90,104	-	3,544,681
-	-	-	179,988
-	-	-	8,661,112
-	-	-	17,921
-	-	-	126,200
-	-	-	1,125,197
-	-	-	899,940
-	-	-	44
46,132,863	40,437,839	6,238,053	178,967,498
1,971,452	3,246,155	613,397	11,670,067
35,380	140,184	-	1,340,054
414,075	116,960	-	541,059
-	-	-	4,549,528
-	-	-	143,532
-	-	-	4,405
2,420,907	3,503,299	613,397	18,248,645
-	-	-	3,134,902
-	-	-	118,925
-	-	-	3,253,827
-	-	528,748	1,542,457
43,711,956	36,934,540	5,058,510	127,586,769
-	-	-	11,135,969
-	-	37,398	37,398
-	-	-	17,162,433
43,711,956	36,934,540	5,624,656	157,465,026
46,132,863	40,437,839	6,238,053	
			324,784,458
			(14,792,016)
			3,253,827
			4,420,377
			(247,484,773)
		\$	227,646,899

METRO
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the fiscal year ended June 30, 2016

	General	Parks and Natural Areas Local Option Levy Special Revenue	General Obligation Bond Debt Service
REVENUES			
Property taxes	\$ 13,787,578	12,571,899	29,038,030
Excise taxes	18,144,768	-	-
Construction excise tax	3,338,479	-	-
Cemetery revenue surcharge	-	-	-
Investment income	489,420	49,369	88,819
Government fees	76,236	-	-
Culture and recreation fees	4,592,527	-	-
Solid waste fees	-	-	-
Other fees	1,485,642	-	-
Internal charges for services	3,969,961	-	-
Licenses and permits	507,560	-	-
Miscellaneous revenue	177,329	-	-
Grants	7,765,779	236,250	-
Local government shared revenues	761,253	-	-
Government contributions	3,814,143	-	-
Contributions and donations	-	640	-
Capital grants	238,790	-	-
Capital contributions and donations	-	-	-
Total revenues	59,149,465	12,858,158	29,126,849
EXPENDITURES			
Current:			
General government operations	11,620,754	962,276	-
Regional planning and development	13,304,049	-	-
Culture and recreation	10,666,039	10,402,473	-
Debt service:			
Principal	2,030,000	-	21,740,000
Interest	1,192,599	-	8,161,625
Capital outlay	1,573,827	2,160,763	-
Total expenditures	40,387,268	13,525,512	29,901,625
Revenues over (under) expenditures	18,762,197	(667,354)	(774,776)
OTHER FINANCING SOURCES (USES)			
Bonds issued	-	-	-
Premium on bonds issued	-	-	-
Sale of capital assets	16,176	-	-
Transfers in	5,631,185	148,500	-
Transfers out	(18,744,894)	(28,516)	-
Total other financing sources (uses)	(13,097,533)	119,984	-
Net change in fund balances	5,664,664	(547,370)	(774,776)
Fund balances - July 1, 2015	61,330,972	4,249,882	1,270,502
Fund balances - June 30, 2016	\$ 66,995,636	3,702,512	495,726

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
-	-	-	55,397,507
-	-	-	18,144,768
-	-	-	3,338,479
-	-	46,711	46,711
353,577	325,517	52,217	1,358,919
-	-	-	76,236
-	-	-	4,592,527
-	-	985,486	985,486
-	-	-	1,485,642
-	-	-	3,969,961
-	-	-	507,560
-	-	-	177,329
-	567,711	-	8,569,740
-	-	-	761,253
-	-	-	3,814,143
-	-	-	640
-	-	-	238,790
-	22,500	-	22,500
353,577	915,728	1,084,414	103,488,191
-	-	-	12,583,030
-	-	-	13,304,049
97,884	1,721,845	1,679,974	24,568,215
-	-	-	23,770,000
-	-	-	9,354,224
13,101,791	13,243,659	18,500	30,098,540
13,199,675	14,965,504	1,698,474	113,678,058
(12,846,098)	(14,049,776)	(614,060)	(10,189,867)
30,000,000	-	-	30,000,000
3,479,164	-	-	3,479,164
-	-	332,568	348,744
-	-	-	5,779,685
(7,729)	(1,364,295)	-	(20,145,434)
33,471,435	(1,364,295)	332,568	19,462,159
20,625,337	(15,414,071)	(281,492)	9,272,292
23,086,619	52,348,611	5,906,148	148,192,734
43,711,956	36,934,540	5,624,656	157,465,026

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, 2016

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

Net change in fund balances-total governmental funds		\$ 9,272,292
Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlays exceeded depreciation expense in the current period.		
Expenditures for capital assets	30,098,540	
Less current year depreciation	<u>(3,146,982)</u>	26,951,558
Governmental funds expend general obligation bond proceeds that become capital assets that are owned and depreciated by a proprietary fund in the statement of activities		(85,159,802)
In the statement of activities, only the gain or loss on the disposal of capital assets is reported, while in governmental funds, the entire proceeds from sales increase financial resources. The change in net position differs from the change in fund balance by the book values of the assets disposed.		(1,541,833)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue-property taxes	149,294	
Change in unavailable revenue-other	<u>(21,957)</u>	127,337
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.		(951,743)
The issuance of long-term debt provides current financial resources to governmental funds, but issuance of debt increases long-term liabilities in the statement of net position. The repayment of principal on long-term debt uses current financial resources of governmental funds, but repayment of debt reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas premiums and discounts are deferred and amortized in the statement of activities. These are the effects of the differences in the treatment of long-term debt and related items.		
Bonds issued	(30,000,000)	
Premium on bonds issued	(3,479,164)	
Principal payments on bonds	23,770,000	
Amortization of unamortized premium or discount	<u>3,507,453</u>	(6,201,711)
Expenses in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the funds.		
Pollution remediation liability	(176,500)	
Other postemployment benefits	(40,941)	
Compensated absences	(205,379)	
Amortization of deferred charge on refunding	(932,013)	
Accruals associated with pension related obligations	(11,447,817)	
Accrued interest on long-term debt	<u>(289,960)</u>	(13,092,610)
Oregon Zoo activities were previously reported in governmental funds. In fiscal year 2016, the Oregon Zoo is reported as a proprietary fund, and these changes occurred to report beginning balances.		
Capital assets	(60,040,176)	
Internal service fund activities	579,130	
Long-term debt	565,000	
Other postemployment benefits	431,874	
Compensated absences	770,809	
Accruals associated with pension related obligations	<u>1,436,435</u>	(56,256,928)
Change in net position of governmental activities		\$ <u>(126,853,440)</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.

Oregon Zoo Fund

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

MERC Fund

This fund accounts for revenues and expenses related to the management and operation of facilities managed by MERC, including the OCC, Expo Center, and Portland's. The principal sources of revenue are charges for services and local government shared revenue. Expenses consist primarily of management, food and beverage and operation costs. This fund consists of two budgetary funds (MERC Fund and General Revenue Bond Fund-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, 2016

	Business-type Activities- Enterprise Funds				Governmental Activities- Internal Service Fund
	Solid Waste	Oregon Zoo	MERC	Total	Risk Management
ASSETS					
Current assets:					
Equity in internal cash and investment pool	\$ 49,115,808	8,814,764	33,981,313	91,911,885	2,825,585
Receivables:					
Trade	4,738,937	1,306,802	3,471,944	9,517,683	-
Other	2,233,598	556,267	12,173,261	14,963,126	-
Interest	72,022	11,985	76,143	160,150	4,265
Grants	-	71,803	-	71,803	-
Due from other funds	233,000	-	-	233,000	-
Inventories	315,091	164,083	-	479,174	-
Prepaid items	-	160,500	7,392	167,892	-
Other assets	-	117,000	-	117,000	-
Total current assets	56,708,456	11,203,204	49,710,053	117,621,713	2,829,850
Noncurrent assets:					
Advances to other funds	2,995,000	-	-	2,995,000	-
Restricted equity in internal cash and investment pool	-	-	16,157,660	16,157,660	-
Capital assets, net	28,185,917	138,577,197	153,188,678	319,951,792	-
Total noncurrent assets	31,180,917	138,577,197	169,346,338	339,104,452	-
Total assets	87,889,373	149,780,401	219,056,391	456,726,165	2,829,850
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	-	-	362,280	362,280	-
Deferred pension amounts	1,117,082	1,313,211	1,495,386	3,925,679	-
Total deferred outflows of resources	1,117,082	1,313,211	1,857,666	4,287,959	-
LIABILITIES					
Current liabilities:					
Accounts payable	5,039,902	1,535,523	1,450,062	8,025,487	350,945
Salaries, withholdings and payroll taxes payable	684,651	1,291,897	1,047,885	3,024,433	-
Contracts payable	25,020	28,362	18,300	71,682	7,898
Accrued interest payable	-	678	32,172	32,850	-
Accrued self-insurance claims	-	-	-	-	1,951,000
Unearned revenue	-	2,345,063	7,278,394	9,623,457	-
Deposits payable	(215)	104,124	3,274,168	3,378,077	-
Other liabilities	-	26	835,314	835,340	10
Due to other funds	-	233,000	179,988	412,988	-
Bonds payable-current	-	165,000	795,000	960,000	-
Post-closure costs payable-current	603,306	-	-	603,306	-
Compensated absences-current	586,230	686,312	672,331	1,944,873	-
Total current liabilities	6,938,894	6,389,985	15,583,614	28,912,493	2,309,853

(Continued)

METRO
Statement of Net Position
Proprietary Funds, *continued*
June 30, 2016

	Business-type Activities- Enterprise Funds				Governmental Activities- Internal Service Fund
	Solid Waste	Oregon Zoo	MERC	Total	Risk Management
LIABILITIES, <i>Continued</i>					
Noncurrent liabilities:					
Bonds payable (net of unamortized premium or discount)	\$ -	-	8,028,560	8,028,560	-
Advances from other funds	-	2,995,000	899,940	3,894,940	-
Net other postemployment benefits obligation	429,056	482,705	620,513	1,532,274	-
Post-closure costs payable	6,155,763	-	-	6,155,763	-
Pollution remediation obligation	633,000	-	95,000	728,000	-
Compensated absences	-	233,355	43,893	277,248	-
Net pension liability	5,001,860	5,880,053	6,696,207	17,578,120	-
Total non-current liabilities	12,219,679	9,591,113	16,384,113	38,194,905	-
Total liabilities	19,158,573	15,981,098	31,967,727	67,107,398	2,309,853
DEFERRED INFLOWS OF RESOURCES					
Deferred pension amounts	1,396,972	1,642,243	1,870,187	4,909,402	-
Total deferred inflows of resources	1,396,972	1,642,243	1,870,187	4,909,402	-
NET POSITION					
Net investment in capital assets	28,185,917	138,412,197	144,727,398	311,325,512	-
Restricted for:					
Capital projects	-	4,970,642	15,021,229	19,991,871	-
Unrestricted	40,264,993	(9,912,568)	27,327,516	57,679,941	519,997
Total net position	\$ 68,450,910	133,470,271	187,076,143	388,997,324	519,997
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(3,900,379)	
Net position of business-type activities				\$ 385,096,945	

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, 2016**

	Business-type Activities- Enterprise Funds				Governmental Activities- Internal Service Fund Risk Management
	Solid Waste	Oregon Zoo	MERC	Total	
OPERATING REVENUES					
Charges for services	\$ 68,135,637	23,288,979	50,933,555	142,358,171	229,248
Internal charges for services	60,514	452,880	39,300	552,694	1,601,025
Total operating revenues	68,196,151	23,741,859	50,972,855	142,910,865	1,830,273
OPERATING EXPENSES					
Payroll and fringe benefits	15,310,865	24,919,936	24,506,099	64,736,900	108,391
Depreciation and amortization	1,236,049	7,080,345	4,174,565	12,490,959	-
Administration	5,280,310	3,362,635	4,156,376	12,799,321	-
Facility operations	15,608,362	10,241,102	12,262,298	38,111,762	-
Marketing	-	-	4,036,578	4,036,578	-
Food and beverage	-	-	15,835,228	15,835,228	-
Disposal fees	9,218,276	-	-	9,218,276	-
Waste transport	10,855,238	-	-	10,855,238	-
Special waste disposal fees	991,499	-	-	991,499	-
Landfill post-closure (reduction)	(466,717)	-	-	(466,717)	-
Consulting services	2,329,527	3,575,320	1,035,518	6,940,365	-
Charges for services	423,623	237,700	162,142	823,465	-
Insurance	-	-	-	-	1,097,827
Claims	-	-	-	-	1,150,745
Actuarial claims (reduction)	-	-	-	-	1,590,138
Other materials and services	732,683	-	-	732,683	54,710
Total operating expenses	61,519,715	49,417,038	66,168,804	177,105,557	4,001,811
Operating income (loss)	6,676,436	(25,675,179)	(15,195,949)	(34,194,692)	(2,171,538)
NON-OPERATING REVENUES (EXPENSES)					
Investment income	393,774	54,083	443,555	891,412	24,788
Grants	-	170,309	56,132	226,441	69,477
Local government shared revenue	-	-	21,374,895	21,374,895	-
Government contributions	-	-	856,873	856,873	-
Contributions and donations	-	956,382	-	956,382	-
Contributions to other governments	-	-	(1,056,623)	(1,056,623)	-
Gain (loss) on disposal of capital assets	5,126	(1,592,848)	(858,076)	(2,445,798)	-
Waste reduction grants	(2,756,759)	-	-	(2,756,759)	-
Interest expense	-	(18,334)	(453,271)	(471,605)	-
Total non-operating revenues (expenses)	(2,357,859)	(430,408)	20,363,485	17,575,218	94,265
Income (loss) before transfers and capital contributions	4,318,577	(26,105,587)	5,167,536	(16,619,474)	(2,077,273)
Capital contributions	-	142,009,563	544,917	142,554,480	-
Transfers in	75,493	17,763,879	860,132	18,699,504	-
Transfers out	(224,283)	(197,584)	(3,586,996)	(4,008,863)	(324,892)
Change in net position	4,169,787	133,470,271	2,985,589	140,625,647	(2,402,165)
Total net position - July 1, 2015	64,281,123	-	184,090,554		2,922,162
Total net position - June 30, 2016	\$ 68,450,910	133,470,271	187,076,143		519,997
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(2,029,552)	
Change in net position of business-type activities				\$ 138,596,095	

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, 2016

	Business-type Activities- Enterprise Funds			Governmental Activities- Internal Service Fund Risk Management
	Solid Waste	Oregon Zoo	MERC	Total
Cash flows from operating activities:				
Receipts from customers	\$ 67,351,978	22,597,747	46,138,908	136,088,633
Receipts from interfund services provided	-	-	-	-
Other operating receipts	-	-	-	-
Payments to suppliers for goods and services	(40,257,015)	(13,894,455)	(31,543,003)	(85,694,473)
Payments for claims	-	-	-	-
Payments to employees for services	(10,888,321)	(19,655,776)	(18,656,590)	(49,200,687)
Payments for interfund services used	(5,280,310)	(3,362,635)	(4,156,376)	(12,799,321)
Net cash provided by (used in) operating activities	10,926,332	(14,315,119)	(8,217,061)	(11,605,848)
Cash flows from noncapital financing activities:				
Grants received	10,000	185,173	61,407	256,580
Local government shared revenues	-	-	20,383,330	20,383,330
Government contributions	-	-	856,873	856,873
Contributions and donations	-	956,382	-	956,382
Contributions to other governments	-	-	(1,056,623)	(1,056,623)
Grants to others	(2,756,759)	-	-	(2,756,759)
Interfund loans received (provided)	(1,728,000)	1,728,000	-	-
Principal collected (paid) on interfund loans	-	-	(179,988)	(179,988)
Interest collected (paid) on interfund loans	16,312	(16,312)	(8,693)	(8,693)
Transfers from other funds	75,493	16,244,510	860,132	17,180,135
Transfers to other funds	(224,283)	(197,584)	(3,586,996)	(4,008,863)
Net cash provided by (used in) noncapital financing activities	(4,607,237)	18,900,169	17,329,442	31,622,374
Cash flows from capital and related financing activities:				
Capital grants and contributions	-	65,000	544,917	609,917
Principal payment on bonds	-	(400,000)	(765,000)	(1,165,000)
Interest payments	-	(3,650)	(421,175)	(424,825)
Acquisition and construction of capital assets	(1,528,651)	(2,051,410)	(1,000,116)	(4,580,177)
Proceeds from sale of capital assets	5,126	1,000	-	6,126
Net cash used in capital and related financing activities	(1,523,525)	(2,389,060)	(1,641,374)	(5,553,959)
Cash flows from investing activities:				
Investment income	359,730	46,564	418,363	824,657
Net cash provided by investing activities	359,730	46,564	418,363	824,657
Net increase (decrease) in cash including restricted amounts	5,155,300	2,242,554	7,889,370	15,287,224
Cash at beginning of year including restricted amounts	43,960,508	6,572,210	42,249,603	92,782,321
Cash at end of year including restricted amounts	\$ 49,115,808	8,814,764	50,138,973	108,069,545

(Continued)

METRO
Statement of Cash Flows
Proprietary Funds, *continued*
For the fiscal year ended June 30, 2016

	Business-type Activities- Enterprise Funds			Governmental Activities- Internal Service Fund Risk Management
	Solid Waste	Oregon Zoo	MERC	Total
Equity in internal cash and investment pool	\$ 49,115,808	8,814,764	33,981,313	91,911,885
Restricted equity in internal cash and investment pool	-	-	16,157,660	16,157,660
Total	\$ 49,115,808	8,814,764	50,138,973	108,069,545
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 6,676,436	(25,675,179)	(15,195,949)	(34,194,692)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	1,236,049	7,080,345	4,174,565	12,490,959
Change in assets and liabilities:				
Trade/other accounts receivable	(844,172)	(1,144,111)	(4,833,947)	(6,822,230)
Inventories	(45,526)	28,053	-	(17,473)
Prepaid items	-	(160,500)	19,532	(140,968)
Other assets	-	(20,500)	-	(20,500)
Accounts payable	522,750	(107,003)	(782,421)	(366,674)
Salaries, withholdings and payroll taxes payable/compensated absences	4,422,544	5,264,160	5,849,510	15,536,214
Contracts payable	25,020	(256,309)	(29,315)	(260,604)
Accrued self-insurance claims	-	-	-	-
Unearned revenue	(440)	655,575	1,586,756	2,241,891
Deposits payable	(466)	20,371	835,179	855,084
Other liabilities	-	(21)	159,029	159,008
Post-closure costs payable	(1,050,863)	-	-	(1,050,863)
Pollution remediation obligation	(15,000)	-	-	(15,000)
Total adjustments	4,249,896	11,360,060	6,978,888	22,588,844
Net cash provided by (used in) operating activities	\$ 10,926,332	(14,315,119)	(8,217,061)	(11,605,848)

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

I. HISTORICAL INTRODUCTION

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

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

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

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

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

2. Discretely Presented Component Unit

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

B. BASIC FINANCIAL STATEMENTS

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct 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 Council, Office of the Auditor, Office of Metro Attorney, Information Services, Communications, Finance and Regulatory Services, Human Resources, Property and Environmental Services (construction project management and Metro Regional Center building operations components), Parks and Nature, Planning and Development (land use, urban growth management, and environmental and transportation planning), Research Center, and special and non-departmental appropriations. The budgetary General Fund is combined with two other budgetary funds, the General Revenue Bond Fund – General and the General Asset Management Fund, to become one fund in accordance with accounting principles generally accepted in the United States of America.

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

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

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

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

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

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

Metro reports the following major proprietary funds:

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

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

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

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

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

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

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

Special Revenue Funds

Capital Projects Fund

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

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

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

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

1. Cash and Investments

Metro maintains a cash and investment pool that is available for use by all funds for investment purposes, excluding the component unit. Interest earned on pooled investments is allocated monthly based upon each fund's average monthly cash balance. Investments are presented at fair value within the fair value hierarchy established by GAAP. Metro's investments are valued using quoted prices in active markets for identical assets (Level 1) with fair value determined annually at June 30.

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

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

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at fiscal year-end are referred to as "due to/from other funds" (short-term) and "advances to/from other funds" (long-term) in the fund financial statements. The residual balances outstanding between governmental activities and business-type activities, along with the other interfund balances described above, are reported in the government-wide financial statements as "internal balances."

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

delinquent.

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

Metro allocates indirect costs, primarily of an administrative nature, to grants in compliance with cost allocation plans that are subject to the approval of Metro's oversight agency. The plan in effect for fiscal year 2016 allocated indirect costs to grants at a rate of approximately 26 percent of the related direct personnel costs.

3. Inventories and Prepaid Items

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

4. Animal Collections

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

5. Transit-Oriented Development (TOD) Program Easements

Metro purchases easements on various TOD projects from developers. These easements contain property use conditions for periods up to 30 years to accomplish the goals of the TOD program. Metro does not consider the substance of such easements as assets, but rather project funding and amounts paid are reflected as a period cost. This policy is based on the concept that assets are resources that Metro controls and that have a present capacity to provide services, directly or indirectly. TOD easements, while a contractual or property right controlled by Metro, are entered into for the purposes of developing properties that increase transit ridership. The transit system is a service function of a wholly separate government entity. In the broadest sense, success of the program through TOD easements can enable the region

and its individual government entities to maximize future resources. As such, there is no increase in Metro's present capacity to provide service and TOD easements are effectively contributions to the programs and service capacity of other governments.

6. Restricted Assets

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

7. Capital Assets

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

Capital assets are recorded as capital outlay expenditures in the governmental funds statements when purchased. Capital assets in the enterprise and internal service funds

are capitalized when purchased. Interest expense (net of interest earned on the invested proceeds over the period of construction) incurred during construction of capital assets of business-type activities is capitalized as part of the cost of the constructed asset. No interest was capitalized in fiscal year 2016.

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

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

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

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position reports a separate section for *deferred outflows of resources*, which represents a consumption of net position that applies to future periods and so will *not* be recognized as an outflow of resources (expense/expenditure) until that time. Metro reports two items in the government-wide statement of net position: deferred charge on refunding and deferred pension amounts. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred pension amounts are changes in the proportionate share of contributions and contributions to the pension plan subsequent to the measurement date of the plan for reporting purposes and are recognized as outflows of resources in the following fiscal year.

In addition to liabilities, the statement of financial position reports a separate section for *deferred inflows of resources*, which represents an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The government-wide statement of net position reports deferred pension amounts which represent the net difference between projected and actual earnings on pension plan investments and the changes in proportionate share of contributions. Metro also has *unavailable revenue*, which arises only under a modified accrual basis of accounting and so is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and fines and forfeits revenues. All deferred inflows are recognized as inflows of resources in the period that the amounts become available.

9. Pension Plan

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

10. Long-term Obligations

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

payable are reported on the statement of net position net of the unamortized portion of premiums or discounts. Deferred charge on refunding is reported as a deferred outflow of resources.

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

11. Liability for Compensated Absences

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

12. Fund Balances and Net Position

Fund balance is classified in the governmental fund financial statements in five components to give users information necessary to understand any constraints imposed upon the resources and how those constraints may be modified or eliminated. Fund balance is classified as *nonspendable* when amounts cannot be spent because they are either in nonspendable form, such as prepaid expenditures, long-term receivables, or inventory, or are legally required to remain intact, such as the corpus of a permanent fund. Amounts classified as *restricted* fund balance are amounts with constraints imposed externally by creditors, grantors, contributors, or the laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The Metro Council is the highest level of decision-making authority for Metro that can, by adopting an ordinance, place constraints on resources that are

reported as *committed* fund balance. These commitments can be modified or rescinded only by Council adoption of subsequent ordinances. *Assigned* fund balances are amounts intended to be used for specific purposes but do not meet the criteria to be classified as committed. Metro Council has, by resolution, authorized the Chief Operating Officer to assign fund balance. *Unassigned* fund balance is available for other uses and only the general fund may report a positive unassigned fund balance amount. It is Metro's policy to use restricted resources first, then unrestricted resources as needed when both restricted and unrestricted resources are available for use. Within unrestricted amounts, committed amounts are considered to have been spent first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

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

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

E. ADOPTION OF NEW GASB PRONOUNCEMENTS

During the fiscal year ended June 30, 2016, Metro implemented the following GASB Statements that were applicable to Metro's operations:

GASB Statement No. 72, *Fair Value Measurement and Application*. Issued February 2015, this statement addresses accounting and financial reporting issues related to fair value measurements. The statement

enhances comparability of financial statements among governments by providing guidance for determining fair value measurement of certain assets and liabilities using a consistent and more detailed definition of fair value and accepted valuation techniques for financial reporting purposes and for applying fair value to certain investments and disclosures related to those measurements.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Issued June 2015, this statement identifies – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP Hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities and the framework for selecting those principles. This statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

F. FUTURE ADOPTION OF GASB PRONOUNCEMENTS

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

- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for fiscal years beginning after June 15, 2016.
- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for fiscal years beginning after June 15, 2017.
- GASB Statement No. 77, *Tax Abatement Disclosures*, effective for reporting periods beginning after December 15, 2015.
- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, effective for reporting periods beginning after December 15, 2015.

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Notes to the Financial Statements, *continued*
For the fiscal year ended June 30, 2016

- GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, effective for reporting periods beginning after June 15, 2016.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, effective for periods beginning after December 15, 2016, and is to be applied retroactively.
- GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*, generally effective for reporting periods beginning after June 15, 2016, with some exceptions.

III. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes a reconciliation between fund balance-total governmental funds and net position-governmental activities as reported

in the government-wide statement of net position. Elements of that reconciliation explain that capital assets, net pension liability and related amounts, and long-term liabilities/deferred outflows are either not reported or are reported as unavailable in the funds. The details of these differences are:

		Capital assets	Net pension liability and related amounts	Long-term liabilities/deferred outflows
Capital assets	\$	359,650,142	-	-
Accumulated depreciation		(34,865,684)	-	-
Deferred pension amounts (deferred outflows)		-	3,128,487	-
Net pension liability		-	(14,008,157)	-
Deferred pension amounts (deferred inflows)		-	(3,912,346)	-
Accrued interest payable		-	-	(1,159,996)
Bonds payable (net of unamortized premium/discount)		-	-	(246,752,440)
Net other postemployment benefits obligation		-	-	(949,564)
Pollution remediation obligation		-	-	(176,500)
Compensated absences		-	-	(2,184,192)
Deferred charge on refunding		-	-	3,737,919
Net adjustment to fund balance-total governmental funds to arrive at net position-governmental activities	\$	324,784,458	(14,792,016)	(247,484,773)

IV. ENTERPRISE FUND REPORTING CHANGE

In fiscal year 2016, Metro began reporting the activities of the Zoo in the Oregon Zoo enterprise fund. Prior to this, activities of the Zoo were reported as part of the General Fund, a governmental fund. A new budgetary fund, the Oregon Zoo Operating Fund, was established to account for the Zoo's operations. Additionally, major non-bond capital acquisition and construction projects

for the Zoo were segregated from the budgetary General Asset Management Fund to create the budgetary Oregon Zoo Capital Asset Management Fund. These two new budgetary funds, along with the Zoo portion of the budgetary General Revenue Bond Fund, combine to create the Oregon Zoo enterprise fund, which in fiscal year 2016 records capital contributions to recognize the transfer of

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Notes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2016

assets, liabilities, and net position from the governmental activities of the General Fund. Bond proceeds accounted for in the capital projects fund Oregon Zoo Infrastructure and Animal Welfare Fund are expended for the benefit of the new Oregon Zoo enterprise fund, and the resulting assets are owned and depreciated by the enterprise fund. In Note V.D. on Capital Assets, beginning balances have

been restated for Zoo assets that existed at the beginning of the fiscal year for the change between governmental and business-type activities. Assets constructed with bonds proceeds of the capital projects fund are shown as transfers from governmental activities to business-type activities.

V. DETAILED NOTES ON ALL FUNDS

A. CASH AND INVESTMENTS

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

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

is an external investment pool that is not rated by any national rating agency. LGIP investments are reported at fair value and are materially the same as the value of the pool shares. The State Treasurer's investment policies are governed by Oregon Revised Statutes and the Oregon Short Term Fund Board (OSTFB).

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, 2016, Metro had the following investments and maturities presented at fair value within the fair value hierarchy established by GAAP:

Investment Type	Held by		Fair Value (Level 1)**	Investment Maturities (in months)		
	Individual funds	Internal pool		Less than 3	3-17	18-59
U.S. Treasuries	\$ 44,052,247	53,868,933	97,921,180	-	60,378,105	37,543,075
U.S. Government securities - USGSE	19,729,819	55,863,100	75,592,919	9,275,191	34,529,357	31,788,371
Corporate Debt	-	11,521,670	11,521,670	2,500,875	3,170,550	5,850,245
Commercial Paper	-	11,961,180	11,961,180	2,496,475	9,464,705	-
State Treasurer's investment pool	16,903,377	30,094,450	46,997,827	46,997,827	-	-
Total Investments	80,685,443	163,309,333	243,994,776	61,270,368	107,542,717	75,181,691
Cash deposits	-	23,522,038				
Total cash and investments	80,685,443	186,831,371				
Per statement of net position:						
Unrestricted	-	122,092,577				
Restricted	80,685,443	64,738,794				
Total	\$ 80,685,443	186,831,371				

**Quoted prices in active markets for identical assets.

Interest Rate Risk – As a means of limiting its exposure to fair value losses resulting from rising interest rates, Metro’s investment policy allows only the purchase of investments that are intended to be held to maturity. However, securities may be sold prior to maturity in order to improve the quality, net yield, or maturity characteristics of the portfolio. The structure of the investment portfolio aims to fund cash needs of ongoing operations, thereby avoiding the need to sell securities. Metro uses a laddered or constant stream of maturing securities in constructing the portfolio to ensure ample liquidity to support business operations without the need to sell securities. Investments cannot be made predicated upon selling the security prior to maturity. Metro avoids purchasing callable investments unless liquidity needs can be met without relying on the call being exercised.

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

<u>Maturity</u>	<u>Minimum to mature</u>
Under 3 months	20 percent minimum
Under 18 months	25 percent minimum
Under 60 months	100 percent minimum

Credit Risk – Metro’s investment policy seeks to minimize credit risk by (1) limiting exposure to poor credits and concentrating investments in the safest types of securities, (2) diversification, (3) pre-qualification of the financial institutions, broker/dealers, and advisers with which Metro will do business, and (4) active monitoring of the portfolio. Neither Oregon Revised Statutes nor Metro investment policy limits investments as to credit rating for securities purchased from U.S. Government Agencies or from USGSE. Metro’s Investments in USGSE were rated AA+ by Standard & Poor’s (S&P) and Aaa by Moody’s Investors Service (Moody’s). Other allowed investments, by Metro policy, must have a minimum rating as follows: bankers acceptances, A-1; corporate notes, AA, or A if an Oregon based entity; commercial paper, A-1, or A-2 if an Oregon entity; municipal debt, AA for debt of the states of Idaho, California or Washington or their political subdivisions, or A if the state of Oregon or its political subdivisions. Private placement or 144A securities and mortgage-backed securities are not allowed. The State Investment Pool is unrated.

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

Custodial Credit Risk – Metro monitors custodial credit risk on deposits (the risk that if a bank failed, Metro’s deposits would not be returned) in accordance Metro investment policy which specifies the requirements of Oregon statutes. Oregon Revised Statutes Chapter 295 governs the collateralization of Oregon public funds and provides the statutory requirements for the Public Funds Collateralization Program, a collateral pool administered by the Oregon State Treasurer. Bank depositories are required to pledge collateral against any public funds deposits in excess of federal deposit insurance amounts. The Oregon Treasury monitors each depository bank and ensures compliance with collateralization requirements for all Oregon public fund deposits. Banks are able to pledge a reduced amount if they are well capitalized; and in turn, the banks are required to share in the liability of a failed institution, should it ever occur. Public entities are required to verify that deposit accounts in excess of federal deposit insurance limits are maintained only at financial institutions included on the list of qualified depositories found on the Treasurer’s web site. It is the responsibility of the public official to ensure compliance with these requirements in order to eliminate personal liability in the event of a bank loss. Metro also monitors its depository institutions for indications of financial health. At June 30, 2016, 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, 2016, 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.

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Notes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2016

Concentration of Credit Risk – To avoid incurring unreasonable risks inherent in over-investing in specific instruments or in individual financial institutions, Metro diversifies its portfolio and follows the Metro investment policy which sets maximum limits on the percentage of the portfolio that can be invested in any one type of security. In addition, Oregon Revised Statutes require

no more than 25 percent of the moneys of a local government to be invested in bankers' acceptances of any qualified financial institution. At June 30, 2016 Metro was in compliance with all percentage restrictions. More than 5 percent of Metro's total investments are in securities by the following issuers:

Issuer	Percentage of Total Investments (Total Entity Concentration)	Policy Allowed Maximum	Fund Concentrations Exceeding Total Entity Concentration	
			Oregon Zoo Infrastructure Fund	Natural Areas Fund
Federal Home Loan Bank (FHLB)	6.4%	40.0%	-	-
Federal Home Loan Mortgage Corp (FHLMC)	10.8%	40.0%	-	27.0%
Federal National Mortgage Association (FNMA)	7.5%	40.0%	-	16.2%
State Treasurer's Investment Pool	19.3%	100.0%	-	-
U.S. Treasuries	40.1%	100.0%	95.4%	-

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	409,186
Gresham Civic	NW Civic Drive & NW 15th, Gresham, OR	5,129,026
82nd & Division	2517 SE 82nd Avenue, Portland, OR	767,050
The Crossings	Section 4, Township 1, South Range 3 East (Parcel 2), Gresham, OR	355,850
		<u>\$ 8,661,112</u>

On March 19, 2015, Metro entered into an intergovernmental agreement with the City of Beaverton (City) where Metro agreed to convey its interest in the Westgate property in exchange for payment by the City to Metro. Further, the agreement provides for cooperation between Metro and the City to consider applications from a developer for Metro TOD funding for future TOD-eligible development projects in the City, including the Westgate property. The City will select the developer at its sole discretion and Metro will accomplish the conveyance of its share of the property in coordination with the closing of the conveyance from the City to the developer

or third party. If the City's conveyance noted above has not taken place by the end of the five-year term of the agreement, Metro will convey Metro's interest in the property to the City.

C. LOANS RECEIVABLE

1. TOD Loans

TOD loans receivable, reflected in the schedule below, are loans to developers who agree to develop projects in accordance with TOD program criteria. The loans are

METRONotes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2016

secured by the underlying property, which is subject to TOD use restrictions for a period of 30 years. Metro's security interest in the property is subordinate to other security interests on the property. These loans receivable are not discounted in accordance with guidance in GASB Statement No. 62.

2. Ringside Loans

Metro leases property to Ringside Grill as part of the operation of the Glendoveer Golf Course. Under the current lease agreement, Metro advanced money to pay for certain tenant improvements. The repayment of these amounts is detailed below.

Loans receivable at June 30 are as follows:

Maximum Term	Interest Rate	First Payment	Last Payment	Payment Frequency	TOD Loans	Ringside Loans	Total Loans
50 years	0 to 1%	03/15/26	03/15/56	annually	\$612,080	-	612,080
50 years	0 to 1%	03/01/28	03/01/58	annually	394,192	-	394,192
5 years	5%	05/01/15	04/01/20	monthly	-	65,911	65,911
7.7 years	5%	05/01/15	12/01/22	monthly	-	53,014	53,014
					<u>\$1,006,272</u>	<u>118,925</u>	<u>1,125,197</u>

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Notes to the Financial Statements, *continued*
For the fiscal year ended June 30, 2016

D. CAPITAL ASSETS

Capital asset balances and activity for fiscal year 2016 were as follows:

		Balance July 1, 2015	Increases	Decreases	Transfers	Balance June 30, 2016
Governmental activities:						
Capital assets, non-depreciable:						
Land	\$	249,961,858	7,804,348	(225,322)	7,430,469	264,971,353
Intangible-easements		10,449,107	338,147	(68,662)	16,549	10,735,141
Artwork		336,384	129,927	-	(189,927)	276,384
Construction in progress		50,976,213	20,172,959	(1,081,026)	(60,862,503)	9,205,643
Total non-depreciable		311,723,562	28,445,381	(1,375,010)	(53,605,412)	285,188,521
Capital assets, depreciable:						
Buildings and exhibits		68,672,241	776,429	(231,000)	(32,599,034)	36,618,636
Improvements		22,358,792	396,424	-	2,910,367	25,665,583
Equipment and vehicles		5,355,062	158,006	(27,066)	(683,473)	4,802,529
Intangible-software		4,976,621	136,732	-	-	5,113,353
Office furniture and equipment		2,097,804	185,568	(24,104)	2,252	2,261,520
Railroad equipment and facilities		2,265,290	-	-	(2,265,290)	-
Total depreciable		105,725,810	1,653,159	(282,170)	(32,635,178)	74,461,621
Accumulated depreciation:						
Buildings and exhibits		(14,722,558)	(744,953)	66,923	925,049	(14,475,539)
Improvements		(9,999,714)	(1,255,853)	-	2,624	(11,252,943)
Equipment and vehicles		(2,584,118)	(490,824)	22,765	134,237	(2,917,940)
Intangible-software		(4,020,354)	(377,148)	-	-	(4,397,502)
Office furniture and equipment		(1,569,222)	(278,197)	25,659	-	(1,821,760)
Railroad equipment and facilities		(18,871)	(7)	-	18,878	-
Total accumulated depreciation		(32,914,837)	(3,146,982)	115,347	1,080,788	(34,865,684)
Total capital assets, depreciable, net		72,810,973	(1,493,823)	(166,823)	(31,554,390)	39,595,937
Governmental activities						
capital assets, net	\$	384,534,535	26,951,558	(1,541,833)	(85,159,802)	324,784,458

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Notes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2016

	Balance July 1, 2015	Increases	Decreases	Transfers	Balance June 30, 2016
Business-type activities:					
Capital assets, non-depreciable:					
Land	\$ 21,903,236	-	(858,076)	-	21,045,160
Artwork	1,063,924	32,585	-	468,579	1,565,088
Construction in progress	8,096,573	3,210,074	(118,444)	10,543,915	21,732,118
Total non-depreciable	31,063,733	3,242,659	(976,520)	11,012,494	44,342,366
Capital assets, depreciable:					
Buildings and exhibits	365,556,478	364,497	(6,852,024)	69,484,320	428,553,271
Improvements	30,131,485	148,270	-	973,359	31,253,114
Equipment and vehicles	24,514,962	491,177	(50,502)	1,850,208	26,805,845
Intangible-software	1,787,389	169,021	-	110,028	2,066,438
Office furniture and equipment	1,586,561	177,722	-	978	1,765,261
Railroad equipment and facilities	2,366,330	(13,169)	-	2,809,202	5,162,363
Total depreciable	425,943,205	1,337,518	(6,902,526)	75,228,095	495,606,292
Accumulated depreciation:					
Buildings and exhibits	(166,508,023)	(10,531,702)	5,376,620	(925,048)	(172,588,153)
Improvements	(23,596,592)	(464,568)	-	(2,624)	(24,063,784)
Equipment and vehicles	(17,534,373)	(1,038,838)	50,502	(134,237)	(18,656,946)
Intangible-software	(1,279,374)	(109,765)	-	-	(1,389,139)
Office furniture and equipment	(942,601)	(110,393)	-	-	(1,052,994)
Railroad equipment and facilities	(1,991,279)	(235,693)	-	(18,878)	(2,245,850)
Total accumulated depreciation	(211,852,242)	(12,490,959)	5,427,122	(1,080,787)	(219,996,866)
Total capital assets, depreciable, net	214,090,963	(11,153,441)	(1,475,404)	74,147,308	275,609,426
Business-type activities capital assets, net	\$ 245,154,696	(7,910,782)	(2,451,924)	85,159,802	319,951,792

As explained in Note IV, in fiscal year 2016, zoo activities were changed from being reported as part of the General Fund to being reported in an enterprise fund. In the above tables, beginning balances have been restated by \$60,040,178 between governmental and business-type activities for Zoo assets that existed at the beginning of the fiscal year. Bond proceeds accounted for in the Oregon Zoo Infrastructure and Animal Welfare capital projects fund in governmental activities are expended for the benefit of the new Oregon Zoo enterprise fund, and the resulting assets are owned and depreciated by the enterprise fund. This asset activity is shown as transfers from governmental activities to business-type activities.

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, 2016.

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

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government operations	\$ 1,839,887
Culture and recreation	1,307,095
Total depreciation expense - governmental activities	<u>\$ 3,146,982</u>
Business-type activities:	
Solid Waste	\$ 1,236,049
Oregon Zoo	7,080,345
MERC	4,174,565
Total depreciation expense - business-type activities	<u>\$ 12,490,959</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, 2016 were:

	Governmental Activities	Business-type Activities
Advance ticket sales/registrations	\$ 46,976	8,234,349
Advance lease revenue	-	124,529
Unredeemed gift certificates	47,459	102,079
Grant and contract drawdowns prior to meeting all eligibility requirements	4,455,093	1,162,500
Total	<u>\$ 4,549,528</u>	<u>9,623,457</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

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

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

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

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

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

Death benefits. Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from

employer funds equal to the account balance, provided one or more of the following conditions are met:

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

Disability benefits. A member with ten or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 when determining the monthly benefit.

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

Under ORS 238.360, monthly benefits are adjusted annually through cost-of-living changes.

b. Oregon Public Service Retirement Plan (OPSRP).

This pension program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003.

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

A member of the OPSRP Pension Program becomes vested on the earliest of the following dates: the date the member completes 600 hours of

service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

Death benefits. Upon the death of a non-retired member, the spouse (or other person who is constitutionally required to be treated in the same manner as the spouse), receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

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

Benefit changes after retirement. Under ORS 238A.210, monthly benefits are adjusted annually through cost-of-living changes.

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

Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2015. Metro has previously made a lump sum payment to establish a side account, and its rates have been reduced. Metro's actuarially determined contribution rate for the Tier One/Tier Two and OPSRP plans was 11.82 percent and 6.29 percent of subject payroll, respectively. Employer contributions recognized by PERS for the year ended June 30, 2016 were \$4,729,515.

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

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

Actuarial valuation – The employer contribution rates effective July 1, 2013, through June 30, 2015, were set using the entry age normal actuarial cost method. This method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), and (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized as described in the table below.

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

Valuation Date	December 31, 2013 rolled forward to June 30, 2015
Experience Study Report	2014, published September 23, 2015
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two Unfunded Actuarial Liability (UAL) is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset valuation method	Market value of assets
Inflation rate	2.50 percent
Investment rate of return	7.50 percent
Projected salary increases	3.50 percent overall payroll growth; salaries for individuals are assumed to grow at 3.50 percent plus assumed rates of merit/longevity increases based on service.
Mortality	<p>Healthy retirees and beneficiaries: RP-2000 Generational with Scale BB, Combined Active/Healthy Annuitant, Sex Distinct, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.</p>

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

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected

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Notes to the Financial Statements, *continued*
For the fiscal year ended June 30, 2016

rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability. The assumed asset allocation and the Oregon Investment Council's (OIC) target are provided in the table below:

Asset class/ strategy	Low Range	High Range	OIC Target
Cash	0.0 %	3.0 %	0.0 %
Debt securities	15.0	25.0	20.0
Public equity	32.5	42.5	37.5
Private equity	16.0	24.0	20.0
Real estate	9.5	15.5	12.5
Alternative equity	0.0	10.0	10.0
Opportunity portfolio	0.0	3.0	0.0
Total			<u>100.0 %</u>

Long-Term Expected Rate of Return. To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both the actuary's capital market assumptions team and the OIC's investment advisors. The table below shows the actuary's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset class	Target	Compound Annual Return (Geometric)
Core fixed income	7.20 %	4.50 %
Short-term bonds	8.00	3.70
Intermediate term bonds	3.00	4.10
High yield bonds	1.80	6.66
Large cap US equities	11.65	7.20
Mid cap US equities	3.88	7.30
Small cap US equities	2.27	7.45
Developed foreign equities	14.21	6.90
Emerging foreign equities	5.49	7.40
Private equity	20.00	8.26
Opportunity funds/absolute return	5.00	6.01
Real estate (property)	13.75	6.51
Real estate (REITS)	2.50	6.76
Commodities	7.71	6.07
Assumed inflation - mean		2.75

Sensitivity analysis – Metro's proportionate share of the collective net pension liability (asset) of the plan is as follows:

Metro's Net Pension Liability (Asset)	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Defined benefit pen- sion plan	\$76,232,305	\$31,586,277	\$(6,038,595)

Determination of Metro's proportionate share – Metro's actuarially determined proportionate share of the plan amounts was .55014352 percent for the fiscal year ended June 30, 2015 (measurement date). Metro's proportions are determined by rolling forward the total net pension liability (actuarially determined at December 31, 2014) to the measurement date of June 30, 2015 and subtracting the plan's net position as of June 30, 2014.

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

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Notes to the Financial Statements, *continued*
For the fiscal year ended June 30, 2016

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

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

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

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

The projected long-term contribution effort is equal to the sum of the PVFNC and the UAL. After Metro's projected long-term contribution effort is calculated, that amount

is reduced by the value of Metro's supplemental lump-sum payments, known as side accounts. Side accounts decrease Metro's projected long-term contribution effort because side accounts are effectively pre-paid contributions.

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

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

Payables to the pension plan – At June 30, 2016, Metro reported a payable of \$653,632 for the outstanding amount of legally required pension contributions to the pension plan for the fiscal year ended June 30, 2016.

Pension Expense, Net Pension Liability or Asset, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the year ended June 30, 2016, Metro recognized a net pension liability of \$31,586,277 and a pension expense of \$30,704,361. At June 30, 2016, Metro reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Governmental activities		Business-type activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 755,391	2,936,427	947,802	3,684,773
Changes in proportion and difference between employer contributions and proportionate share of contributions	275,610	-	345,848	-
Differences between employer contributions and employer's proportionate share of the system		975,919		1,224,630
Contributions subsequent to the measurement date	2,097,486	-	2,632,029	-
Total	\$ 3,128,487	3,912,346	3,925,679	4,909,403

METRONotes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2016

Pension related amounts will be recognized in future periods as follows: deferred outflows of resources will be recognized as a component of net pension liability and

deferred inflows of resources will be recognized in pension expense:

	Governmental activities		Business-type activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Year ended June 30				
2017	\$ 2,097,486	1,401,077	2,632,030	1,758,140
2018	-	1,401,077	-	1,758,140
2019	-	1,110,192	-	1,393,123
2020	1,003,447	-	1,259,074	-
2021	27,554	-	34,575	-
Total	\$ 3,128,487	3,912,346	3,925,679	4,909,403

2. Defined Contribution Pension Plan

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

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

service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Metro's pension expense includes Metro paid contributions to the IAP of \$2,163,661 for the fiscal year ended June 30, 2016. At June 30, 2016, a payable to the IAP portion of the plan in the amount of \$483,056 for the contractually required contributions for the month of June 2016 is included in salaries, withholdings and payroll taxes payable.

H. OTHER POSTEMPLOYMENT BENEFITS

1. Metro Retiree Health Insurance Plan

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

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Notes to the Financial Statements, *continued*
For the fiscal year ended June 30, 2016

implicit employer subsidy is only measured for retirees and spouses younger than age 65, at which point such retirees and spouses typically become eligible for Medicare. Metro's single-employer OPEB plan does not issue a publicly available financial report.

Funding Policy – Metro has not established a trust fund for future net OPEB obligations. At June 30, 2016, 22 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 \$142,671 of implicit subsidies in postemployment health care in fiscal year 2016.

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, 2016 is:

Annual Required Contribution (ARC)	\$ 397,848
Interest on prior year Net OPEB Obligation	82,193
Adjustment to ARC	(203,896)
Annual OPEB cost	276,145
Estimated benefits payments	(142,671)
Increase in Net OPEB Obligation	133,474
Net OPEB Obligation – beginning of year	2,348,364
Net OPEB Obligation – end of year	\$ 2,481,838
Percentage of annual OPEB cost contributed	52%

Additional information for fiscal year 2016 and the two preceding years is:

Fiscal year ended June 30:	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2014	409,646	49%	2,112,322
2015	423,596	44%	2,348,364
2016	276,145	52%	2,481,838

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

Funding Status/Funding Progress – As of July 1, 2015, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$2,517,350, and the actuarial value of assets was zero, resulting in an UAAL of \$2,517,350. The covered payroll was \$60,051,593 for fiscal year 2016, and the UAAL as a percentage of covered payroll was 4.0 percent.

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

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the July 1, 2015 actuarial valuation, the

projected unit credit actuarial cost method was used. This method attempts to track the actual economic pattern of benefit accrual over an employee's working lifetime. Significant actuarial assumptions used in the valuation include an inflation rate of 2.75 percent, a discount rate of 3.5 percent, and health care cost trend rate that varies from an initial rate of 7.0 percent to a rate of 5.75 percent in 2047 and thereafter for the major medical component, which is representative of the entire plan. Metro's UAAL is being amortized using the level-dollar method with an open 15 year amortization methodology. The remaining amortization period at June 30, 2016 is 15 years.

2. PERS Retirement Health Insurance Account

Plan Description – Metro contributes to the PERS Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by PERS. ORS 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants on or after August 29, 2003. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. To be eligible to receive this monthly payment toward the premium cost, the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991. PERS 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/Pages/section/financial_reports/financials.aspx

Funding Policy – Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of

the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the RHIA established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410.

Participating governments are contractually required to contribute to RHIA at a rate assessed each year by PERS, currently 0.59 percent of annual covered payroll for Tier One and Two employees, and 0.49 percent for OPSRP employees. The Oregon PERS Board of Trustees sets the employer contribution rate. It is based on the annual required contribution of the combined participant employers. Employer contributions are advance-funded on an actuarially determined basis in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a closed period not to exceed 30 years. There is no inflation assumption for RHIA postemployment benefits because the payment amount is set by statute and is not adjusted for increases in healthcare costs. Metro's contributions to RHIA equaled the required contributions for each of the last three years, as shown in the following table:

Fiscal year ended June 30:		Required Contributions	Percentage of Amount Contributed
2014	\$	283,617	100%
2015		296,985	100%
2016		293,517	100%

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 2016, this resulted in a contracted per ton unit price of \$26.41 for the first 550,000 tons and a declining incremental price scale for each ton of waste in excess of 550,000 tons. The contract requires an annual adjustment to Metro's rate when it exceeds 5% of similar contracts between the landfill and other public entities, and subsequently, the rate was reduced to \$23.13. In Fiscal year 2017, the rate will increase to \$23.29.

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 2016, the unit load price equated to a rate of \$646.42 (equivalent to about \$18.97 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, 2017.

The contract includes supplemental payments to the contractor and rebates to Metro based on annual waste volumes delivered to Columbia Ridge Landfill. The contractor receives a supplemental payment equal to 3.5 percent of the contract amount paid during the previous calendar year if landfilled tonnage was 450,000 tons or less during the same calendar year. Metro receives a 3.5 percent rebate on those payments if tonnage was greater than 500,000 tons. Total supplemental payments and bonuses are both capped at \$1,500,000 over the life of the contract. Metro made a supplemental payment of \$299,742 in fiscal year 2016.

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 2016, the agreement sets an annual fixed payment of \$1,017,958, a price of \$5.24 per ton of putrescible waste, a price of \$11.91 per ton of non-putrescible waste, and prices for other, smaller waste streams such as yard debris and wood. The contractor also receives incentives for materials recovered from the waste stream and not sent to Columbia Ridge Landfill. The contract addresses compensation and obligations for handling source-separated food waste mixed with yard debris ("residential organics") generated by households in the City of Portland. For fiscal year 2016 Metro paid \$53.32 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 2016, the agreement sets an annual fixed payment of \$2,294,612, a price of \$3.45 per ton of putrescible waste, a price of \$15.58 per ton of non-putrescible waste, and prices for other, smaller waste streams such as yard debris and wood. The contractor also receives incentives for materials recovered from the waste stream and not sent to Columbia Ridge Landfill. The contract addresses compensation and obligations for handling source-separated food waste mixed with yard debris ("residential organics") generated by households in the City of Portland. For fiscal year 2016 Metro paid \$56.85 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.

METRONotes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2016

The following table presents approximate annual commitments based on forecasted refuse tons and assumed annual inflation equal to the average of the preceding four fiscal years for all of the previously described contracts. Fiscal year 2020 covers July 1, 2019 through December 31, 2019 when the transport and disposal contracts expire. The figures for Metro South and Metro Central reflect costs and tonnage through March 31, 2017, when both operating contracts expire.

Fiscal year ending June 30:	Columbia Ridge Landfill	Waste Transport	Metro South	Metro Central
2017	\$ 9,054,527	9,430,737	4,715,402	5,070,353
2018	9,515,977	10,130,319	-	-
2019	9,851,541	10,636,638	-	-
2020	5,053,304	5,506,165	-	-
Total	33,475,349	35,703,859	4,715,402	5,070,353

5. Construction Projects

Metro is committed under a number of contracts for construction services. The amount of major uncompleted contracts is approximately \$620,000 at June 30, 2016.

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

The Portland's 5 Centers for the Arts theater complex leases the grounds for the complex under an operating lease expiring in 2083. The term of the original agreement may be extended in ten-year increments for a total of 50 additional years. Rent adjustments may be negotiated every five years commencing on November 1, 1994. The scheduled lease payments are \$14,024 per month through October 31, 2019. \$168,288 was paid on the lease in fiscal year 2016.

The future minimum lease payments are as follows:

Fiscal year ending June 30:	
2017	\$ 168,288
2018	168,288
2019	168,288
2020	168,288
2021	168,288
2022-26	841,440
2027-31	841,440
2032-36	841,440
2037-41	841,440
2042-46	841,440
2047-51	841,440
2052-56	841,440
2057-61	841,440
2062-66	841,440
2067-71	841,440
2072-76	841,440
2077-81	841,440
2082-84	392,672
Total	\$11,331,392

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 an interest rate of 4.0 percent.

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Notes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2016

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

Fiscal year ending June 30:	Principal	Interest
2017	\$2,210,000	88,400
Unamortized premium	57,108	
Per statement of net position	<u>\$2,267,108</u>	

2. 2007 and 2012A Series Natural Areas General Obligation Bonds and 2014 Series General Obligation Refunding Bonds

In prior years, Metro issued \$124,295,000 of 2007 Series Natural Areas General Obligation Bonds. The bonds were issued by Metro under authority granted by voters for a total of \$227.4 million in general obligation bonds to fund activities to acquire and preserve natural areas and stream frontages, maintain and improve water quality, and protect fish and wildlife habitat. Subsequently, Metro issued an additional \$75,000,000 of bonds, the 2012A Series. The remaining portion of bonds under the authorization is anticipated to be issued in 2019.

In prior years, Metro issued \$57,955,000 of General Obligation Refunding Bonds, Series 2014 to refund all callable outstanding 2007 Series Natural Areas General Obligation Bonds. The net proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent until the bonds' optional redemption date of June 1, 2017. At June 30, 2016, \$58,750,000 of the refunded bonds were outstanding.

As a result of these actions, the callable portion of 2007 Series bonds are considered defeased and the liability for those bonds has been removed from the government-wide statement of net position. The remaining non-callable bonds will be paid as originally scheduled.

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		2014 Series	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 5,095,000	254,750	2,790,000	2,840,950	4,810,000	2,039,150
2018	-	-	3,350,000	2,701,450	13,160,000	1,846,750
2019	-	-	3,960,000	2,533,950	14,115,000	1,320,350
2020	-	-	4,610,000	2,335,950	15,115,000	755,750
2021	-	-	5,300,000	2,105,450	-	-
2022-26	-	-	38,720,000	5,768,750	-	-
	5,095,000	254,750	58,730,000	18,286,500	47,200,000	5,962,000
Unamortized premium	194,085		10,636,258		4,792,509	
Per statement of net position	<u>\$5,289,085</u>		<u>\$69,366,258</u>		<u>\$51,992,509</u>	

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Notes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2016

2012A and 2016 Series Oregon Zoo Infrastructure and Animal Welfare General Obligation Bonds

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

\$65,000,000 of bonds, the 2012A Series. On March 24, 2016, Metro issued an additional \$30,000,000 of bonds, the 2016 Series. The remaining portion of bonds under the authorization is anticipated to be issued in 2019.

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:

Fiscal year ending June 30:	2012A Series		2016 Series	
	Principal	Interest	Principal	Interest
2017	\$ 2,260,000	2,168,325	4,975,000	1,779,167
2018	2,510,000	2,055,325	8,095,000	1,251,250
2019	2,770,000	1,929,825	8,825,000	846,500
2020	3,050,000	1,791,325	8,105,000	405,250
2021	3,350,000	1,638,825	-	-
2022-26	21,910,000	5,350,625	-	-
2027-28	11,480,000	605,925	-	-
	47,330,000	15,540,175	30,000,000	4,282,167
Unamortized premium	7,973,336		3,254,144	
Per statement of net position	\$55,303,336		33,254,144	

4. Full Faith and Credit Refunding Bonds 2013 Series

In prior years, Metro issued \$12,600,000 of Full Faith and Credit Refunding Bonds, 2013 Series to refund the portion of the Full Faith and Credit Refunding Bonds, 2003 Series callable without premium. The defeased bonds have been called and paid and the escrow account for the defeasance is closed.

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

Bond principal and interest outstanding at June 30 and the corresponding maturities for the Metro Regional Center portion of the bonds are:

Fiscal year ending June 30:	Principal	Interest
2017	\$ 1,245,000	138,443
2018	1,270,000	125,867
2019	1,280,000	111,198
2020	1,295,000	92,841
2021	1,320,000	70,595
2022-23	2,715,000	59,332
Per statement of net position	\$9,125,000	598,276

A small remaining portion of this bond issue, due in 2017, was for Oregon Zoo projects and due to the establishment of the Oregon Zoo enterprise fund in 2016, that portion of the bonds is now reported with business-type activities in the following section.

5. Pension Obligation Bonds Metro Limited Tax Series 2005

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

The bonds are to be repaid through assessments on Metro departments in exchange for the lower pension cost. The individual bonds have interest rates ranging from 4.859 percent to 5.004 percent.

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

Fiscal year ending June 30:	Principal	Interest
2017	\$ 930,000	1,002,039
2018	1,055,000	956,850
2019	1,185,000	905,587
2020	1,325,000	848,008
2021	1,480,000	783,626
2022-26	10,115,000	2,633,605
2027-28	4,065,000	273,719
Per statement of net position	<u>\$20,155,000</u>	<u>7,403,434</u>

*Business-type Activities***6. Full Faith and Credit Refunding Bonds 2013 Series**

This bond issue is described fully in item 4. on the previous page. The small remaining portion of this issue relating to Oregon Zoo projects is now reported in business-type activities due to the establishment of the Oregon Zoo enterprise fund in 2016.

Bond principal and interest outstanding at June 30 and the corresponding maturity is:

Fiscal year ending June 30:	Principal	Interest
2017	<u>\$165,000</u>	<u>825</u>

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 Expo. 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
2017	\$ 795,000	387,528
2018	830,000	349,387
2019	870,000	306,887
2020	915,000	262,262
2021	960,000	215,388
2022-25	4,310,000	396,657
	8,680,000	<u>1,918,109</u>
Unamortized premium	143,560	
Per statement of net position	<u>\$8,823,560</u>	

L. CHANGES IN LONG-TERM LIABILITIES

The following changes occurred during fiscal year 2016 in long-term liabilities:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 182,305,000	30,000,000	(21,740,000)	190,565,000	22,140,000
Full faith and credit bonds	10,335,000	-	(1,210,000)	9,125,000	1,245,000
Pension obligation bonds	20,975,000	-	(820,000)	20,155,000	930,000
Less unamortized amounts:					
For premium or discount	26,935,729	3,479,164	(3,507,453)	26,907,440	-
Total bonds payable	240,550,729	33,479,164	(27,277,453)	246,752,440	24,315,000
Pollution remediation obligation	176,500	-	-	176,500	-
Net other postemployment benefits	908,623	90,969	(50,028)	949,564	-
Compensated absences	1,978,813	2,184,192	(1,978,813)	2,184,192	1,936,240
Net pension liability	-	14,008,157	-	14,008,157	-
Governmental activity					
Long-term liabilities	\$ 243,614,665	49,762,482	(29,306,294)	264,070,853	26,251,240
Business-type activities:					
Bonds payable:					
Full faith and credit bonds	\$ 10,010,000	-	(1,165,000)	8,845,000	960,000
Less unamortized amounts:					
For premium or discount	160,617	-	(17,057)	143,560	-
Total bonds payable	10,170,617	-	(1,182,057)	8,988,560	960,000
Post-closure costs payable	7,809,932	-	(1,050,863)	6,759,069	603,306
Pollution remediation obligation	743,000	20,282	(35,282)	728,000	-
Net other postemployment benefits	1,439,741	185,176	(92,643)	1,532,274	-
Compensated absences	2,060,497	2,222,121	(2,060,497)	2,222,121	1,944,873
Net pension liability	-	17,578,120	-	17,578,120	-
Business-type activity					
Long-term liabilities	\$ 22,223,787	20,005,699	(4,421,342)	37,808,144	3,508,179

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.

Beginning balances above for full faith and credit bonds, net other postemployment benefits and compensated absences have been restated between governmental and business-type activities to account for the establishment of the Oregon Zoo enterprise fund as explained in Note IV.

M. POST-CLOSURE COST PAYABLE

The St. Johns Landfill was closed for operations in a prior year. Closure and post-closure care costs were originally recognized while the St. Johns Landfill was still in operation based on the then current estimate of total costs to complete such efforts, regardless of when cash disbursements were to be made. Such costs include methane gas and leachate collection systems, final cover, seeding, roads, drainage, ground water monitoring wells, liner systems, storm water management and operations and maintenance costs. State and federal laws and regulations require Metro to perform certain post-closure maintenance and monitoring functions for thirty years after closure. At June 30, 2016, there were 10 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, 2016 is estimated to be \$50,542,559 under current Federal and state regulations, a decrease of \$466,717 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 \$584,146 in closure costs as the closure process continued (\$43,783,490 cumulative to date); reducing the remaining estimated liability to \$6,759,069 at June 30, 2016.

Metro is required by state and federal laws and regulations to provide financial assurance for the coverage of these overall post-closure care estimated costs. Metro is currently providing this financial assurance through an Alternative Financial Assurance Mechanism which has been approved by the Oregon Department of Environmental Quality (DEQ) and consists of its Solid Waste Fund, a post-closure funding guarantee of future revenues to cover these costs and a Landfill Post-Closure Account. Metro is required to submit annual re-certifications of this mechanism. DEQ approved the March 9, 2016 annual recertification.

N. POLLUTION REMEDIATION OBLIGATION

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

pollution remediation obligations where obligating events have occurred and amounts are estimable using the expected cash flows technique.

Governmental Activities

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

The Tualatin River Boat Launch also has estimable pollution remediation obligations. Metro was aware of the environmental concerns associated with the property at the time of purchase and entered into a PPA Consent Order between Metro and DEQ requiring Metro to complete remedial actions at the site. Obligation amounts were determined by estimating the costs for removal of between 300 and 600 cubic yards of material and the associated probabilities. Metro's total remediation obligation outlay is reduced by a brownfield redevelopment grant received in July 2014 in the amount of \$176,000, leaving a remaining estimated pollution remediation obligation for this site of \$174,000.

These two properties total \$176,500 in pollution remediation obligation for governmental activities on the government-wide statement of net position.

Business-type Activities

At the St. Johns Landfill, work associated with pollution remediation for sediment located adjacent to the landfill levees and potentially shallow groundwater includes: completion of a remedial investigation (RI)/feasibility study (FS) and remedial design; remedial

action implementation; and remedial action performance monitoring. The work associated with the RI has been completed and the final RI report has been accepted by DEQ. The work associated with the FS component was completed during fiscal year 2013. DEQ signed and issued a Record of Decision on July 9, 2014, which includes DEQ's selected remedial action. Work going forward is based on the Draft Remedial Action Work Plan (RAWP) for implementation of the preferred alternative which calls for activated carbon pellets to be spread across the sediment surface in the risk-based areas. Metro has elected to expand the treatment area to provide greater coverage of the Westside Mud Flat to reduce uncertainty, and Metro's estimated obligation increased in the current year by \$20,282 to reflect the progress and monitoring activities. Actual cost may vary due to inflation or deflation, changes in technology, or changes in regulations. Metro paid \$35,282 in remediation costs, reducing the estimated liability to \$345,000 at June 30, 2016.

Other Metro properties fall within the Initial Study Area of the Portland Harbor Superfund site 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 and it is expected to be finalized in a record of decision completed in 2017. 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, 2016.

For Metro Central Station, Metro received a request from the EPA and recommendation from DEQ to perform an expanded Preliminary Assessment. Metro then entered into an agreement with DEQ regarding the source control evaluation for the property. Metro has contracted with AECOM to update the station's stormwater treatment system to satisfy Tier 2 correction actions related to the DEQ's recommendation. A design cost estimate from AECOM is not yet developed or available, so a reasonable estimate based upon the details in the design report was developed and, based on the probability assessment, is estimated to be \$288,000 at June 30, 2016.

Current information on estimable pollution remediation obligations at Expo, which is adjacent to a designated Superfund site, is limited. Therefore, the cost associated with work beyond the initial preliminary study is not yet estimable. The pollution remediation obligation estimate for the DEQ recommended preliminary assessment, which is recorded in the MERC Fund, is \$95,000.

The total pollution remediation obligation on the government-wide statement of net position for business-type activities for properties detailed above is \$728,000.

METRO
Notes to the Financial Statements, *continued*
For the fiscal year ended June 30, 2016
O. FUND BALANCE CLASSIFICATIONS

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

	General Fund	Parks and Natural Areas Local Option Levy Special Revenue Fund	General Obligation Bond Debt Service Fund	Major Capital Project Funds		Other Funds	Total
				Oregon ZIAW Fund	Natural Areas Fund		
Fund balances:							
Nonspendable:							
Not in spendable form							
Prepaid items	\$ 17,921	-	-	-	-	-	17,921
Long-term amount of loans receivable	995,788	-	-	-	-	-	995,788
Corpus of permanent fund	-	-	-	-	-	528,748	528,748
Total nonspendable	1,013,709	-	-	-	-	528,748	1,542,457
Restricted for:							
TOD projects	21,516,837	-	-	-	-	-	21,516,837
Glendoveer operations	65,527	-	-	-	-	-	65,527
Parks and Natural Areas	-	3,702,512	-	-	-	-	3,702,512
Debt service on GO bonds	-	-	495,726	-	-	-	495,726
Smith & Bybee Wetlands mgmt plan	-	-	-	-	-	2,985,333	2,985,333
Community Enhancement	-	-	-	-	-	1,551,386	1,551,386
Convention Center Hotel project	10,073,881	-	-	-	-	-	10,073,881
Willamette Falls Legacy project	6,027,280	-	-	-	-	-	6,027,280
Capital projects:							
Bond funded programs	-	-	-	43,711,956	36,934,540	521,791	81,168,287
Total restricted	37,683,525	3,702,512	495,726	43,711,956	36,934,540	5,058,510	127,586,769
Committed to:							
Construction excise tax for development planning	7,735,969	-	-	-	-	-	7,735,969
Convention Center Hotel project	3,400,000	-	-	-	-	-	3,400,000
Total restricted	11,135,969	-	-	-	-	-	11,135,969
Assigned to:							
Permanent fund programs	-	-	-	-	-	37,398	37,398
Unassigned	17,162,433	-	-	-	-	-	17,162,433
Total fund balances	\$ 66,995,636	3,702,512	495,726	43,711,956	36,934,540	5,624,656	157,465,026

METRO

Notes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2016

P. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of government-wide interfund balances totaling \$4,980,307 at June 30, 2016 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	MERC	<u>\$179,988</u>

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

Advances to/from other funds:

Receivable Fund	Payable Fund	Amount
General	MERC	<u>\$899,940</u>

The outstanding balances are the portions of interfund loans not scheduled to be repaid in the subsequent year.

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

Receivable Entity	Payable Entity	Amount
Governmental activities	Business-type activities	<u>\$3,900,379</u>

Proprietary Funds report the following interfund receivables/payables for interfund loans:

Receivable Entity	Payable Entity	Amount
<i>Due to/from other funds (short term):</i>		
Solid Waste	Oregon Zoo	<u>\$233,000</u>
<i>Advances to/from other funds (long term):</i>		
Solid Waste	Oregon Zoo	<u>\$2,995,000</u>

Interfund transfers for the fiscal year by fund were:

<i>Transfers in</i>						
<i>Transfers out</i>	General	Parks and Natural Areas Local Option Levy	Solid Waste	Oregon Zoo	MERC	Total
General	\$ -	148,500	75,493	17,660,769	860,132	18,744,894
Parks & Natural Areas	28,516	-	-	-	-	28,516
Oregon Zoo Infrastructure	7,729	-	-	-	-	7,729
Natural Areas	1,364,295	-	-	-	-	1,364,295
Solid Waste	121,173	-	-	103,110	-	224,283
Oregon Zoo	197,584	-	-	-	-	197,584
MERC	3,586,996	-	-	-	-	3,586,996
Risk Management	324,892	-	-	-	-	324,892
Total	<u>\$ 5,631,185</u>	<u>148,500</u>	<u>75,493</u>	<u>17,763,879</u>	<u>860,132</u>	<u>24,479,189</u>

The transfers detailed above are transfers of resources from one fund to another that are not based upon a cost allocation plan or any expectation of a payment for services provided, but rather to provide resources for other uses. These include General Fund support to Parks and Natural Areas Local Option Levy Fund for the Canemah Bluff project, to Solid Waste for the Sustainability program, to Oregon Zoo for general

allocations and to start the new enterprise fund, and to MERC for Tourism Opportunity and Competitiveness Account and central services subsidy; Solid Waste support to the Oregon Zoo for the Zoo Backyard Habitat project; transfers of PERS reserve balances from various funds to the 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 \$682,800 for a single claimant and \$1,365,500 per multiple claimants. These statutory limits are indexed and change every year on July 1. Metro carries an excess liability policy of \$7 million, with a \$1 million deductible, which is intended to insure possible liability outside the Oregon Tort Claims Act.
- Property damage to Metro owned facilities: this risk is covered with a commercial property insurance policy. The property policy insures \$778,305,887 of property values with a \$500,000,000 limit blanket policy and a \$500,000 deductible.
- Workers' compensation, bodily injury or illness to an employee while in the course of employment: this risk is covered through a guaranteed cost program from SAIF Corporation, a commercial carrier, in amounts that meet statutory requirements.

Although Metro has not experienced settlements in excess of insurance coverage in any of the last three fiscal years, the settlement of a claim in the coming fiscal year is expected to exceed insurance coverage and is factored into the actuarial valuation and estimate of liabilities for unpaid claims as of June 30, 2016, as prepared by an independent actuary. 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 \$1,951,000 reported as accrued self-insurance claims in the Risk Management Fund at June 30, 2016 was established in accordance with the requirements of GASB Statement No. 30, Risk Financing Omnibus, which requires that a liability for total estimated claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. A portion of the loss reserves have been discounted, using an assumed average investment rate of 0.5 percent in preparing the estimates. Metro does not purchase annuity contracts from commercial insurers to pay any aggregate amount of outstanding claims liabilities. Changes in Risk Management Fund claims liability for the previous and current fiscal year were:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
2014-15	\$ 933,000	28,045	581,045	380,000
2015-16	380,000	2,721,745	1,150,745	1,951,000

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

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

2. Legal Matters

Metro is involved as a defendant in several claims and disputes that are normal to Metro's activities.

Management intends to vigorously contest these matters and does not believe their ultimate resolution will have a material effect upon its financial position or operations.

The refunding resulted in a reduction of debt service of \$1,253,715 over 9 years and a net present value savings of \$1,196,739.

The bonds are payable from all legally available taxes and other revenues of Metro. Interest rates on individual bonds range from 1.5 percent to 5.0 percent.

S. SUBSEQUENT EVENTS

Bond principal and interest payments are due as follows:

Full Faith and Credit Refunding Bonds, Series 2016

On September 7, 2016, Metro issued \$7,385,000 of Full Faith and Credit Refunding Bonds, Series 2016 to refund all callable outstanding 2006 Series Oregon Local Governments Full Faith and Credit Bonds. The 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 December 1, 2016. \$7,885,000 of the refunded bonds are outstanding. The remaining non-callable bonds of \$795,000 are payable 12/1/16 with an adjusted interest payment of \$17,391.

Fiscal year ending June 30:	Principal	Interest
2017	\$ 180,000	189,653
2018	785,000	237,275
2019	825,000	197,025
2020	865,000	154,775
2021	890,000	126,475
2022-25	3,840,000	241,800
Total	\$7,385,000	1,147,003

VI. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**EXCESS OF EXPENDITURES OVER
APPROPRIATIONS**

For the fiscal year ended June 30, 2016, expenditures exceeded appropriations by \$1,520,831 in the Risk Management Fund due to a large increase in the actuarial liability for accrued self-insurance claims. This is a violation of Oregon Local Budget Law contained in ORS 294.100 and 294.338.



Supplementary Information

Required Supplementary Information

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

General Fund

Special Revenue Fund

Parks and Natural Areas Local Option Levy Fund

Schedule of District's Proportionate Share of Net Pension Liability

Oregon Public Employees' Retirement System

Schedule of District's Contributions

Oregon Public Employees' Retirement System

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, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
Program revenues:				
Charges for services:				
Government fees	\$ 15,000	15,000	76,236	61,236
Culture and recreation fees	5,052,063	5,052,063	4,592,527	(459,536)
Other fees	1,278,898	1,278,898	1,485,642	206,744
Internal charges for services	16,718	16,718	5,861	(10,857)
Licenses and permits	380,000	380,000	507,560	127,560
Miscellaneous revenue	2,329,391	2,329,391	1,039,445	(1,289,946)
Operating grants and contributions:				
Grants	11,295,042	11,295,042	7,753,311	(3,541,731)
Local government shared revenue	805,000	805,000	761,253	(43,747)
Government contributions	3,021,148	3,021,148	3,814,143	792,995
General revenues:				
Taxes:				
Property taxes	13,512,117	13,512,117	13,787,578	275,461
Excise taxes	17,367,350	17,367,350	18,144,768	777,418
Construction excise tax	2,475,000	2,475,000	3,338,479	863,479
Investment income	225,000	225,000	341,969	116,969
Total revenues	57,772,727	57,772,727	55,648,772	(2,123,955)
EXPENDITURES				
Council	4,965,840	4,913,840	4,295,076	618,764
Office of the auditor	771,000	771,000	591,863	179,137
Office of Metro attorney	2,391,040	2,391,040	2,280,267	110,773
Information services	4,530,996	4,652,631	4,382,231	270,400
Communications	3,059,613	3,144,618	3,103,601	41,017
Finance and regulatory services	4,921,912	4,942,491	4,859,602	82,889
Human resources	2,731,331	2,731,331	2,475,575	255,756
Property and environmental services	2,709,192	2,650,239	2,396,237	254,002
Parks and nature	9,938,198	10,112,532	9,773,785	338,747
Planning and development	18,184,820	18,187,149	9,779,840	8,407,309
Research center	4,633,285	4,633,285	3,573,818	1,059,467

(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, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
Expenditures, continued:				
Special appropriations	\$ 4,743,062	4,743,062	1,939,378	2,803,684
Non-departmental:				
Debt service	1,861,882	1,861,882	1,861,882	-
Contingency	3,971,542	3,541,613	-	3,541,613
Total expenditures	69,413,713	69,276,713	51,313,155	17,963,558
Revenues over (under) expenditures	(11,640,986)	(11,503,986)	4,335,617	15,839,603
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	16,176	16,176
Transfers in	19,481,767	19,481,767	18,905,777	(575,990)
Transfers out	(19,934,904)	(20,071,904)	(20,037,079)	34,825
Total other financing sources (uses)	(453,137)	(590,137)	(1,115,126)	(524,989)
Revenues and other sources over (under)				
expenditures and other uses	(12,094,123)	(12,094,123)	3,220,491	15,314,614
Beginning fund balance available for appropriation -				
July 1, 2015	28,403,273	28,403,273	29,077,941	674,668
Unappropriated ending fund balance -				
June 30, 2016	\$ 16,309,150	16,309,150	32,298,432	15,989,282
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			\$ 3,220,491	
General Revenue Bond Fund-General, from page 121			3,470,234	
General Asset Management Fund, from page 119			487,596	
Budget resources not qualifying as revenues under Governmental GAAP:				
Receipt of interfund loan repayments (transfers)			(179,988)	
Additional revenues required by Governmental GAAP:				
Accrual of interest receivable on TOD loans			9,200	
Interfund loan payable transferred to Oregon Zoo Fund			1,500,000	
Decrease to (additional) expenses required by Governmental GAAP:				
Resource transfer to establish Oregon Zoo Asset Management Fund			(3,019,369)	
Pollution remediation liability			176,500	
General Fund net change in fund balance as reported on the statement of				
revenues, expenditures and changes in fund balances-governmental funds			\$ 5,664,664	

METRO**Parks and Natural Areas Local Option Levy Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances -****Budget and Actual (Non-GAAP Basis of Budgeting)****For the fiscal year ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
Program revenues:				
Operating grants and contributions:				
Grants	\$ 65,000	119,000	236,250	117,250
Contributions and donations	-	-	640	640
General revenues:				
Taxes:				
Property taxes	12,167,482	12,167,482	12,571,899	404,417
Investment income	36,010	36,010	49,369	13,359
Total revenues	12,268,492	12,322,492	12,858,158	535,666
EXPENDITURES				
Parks and nature	11,880,354	11,965,223	8,733,721	3,231,502
Special appropriations	1,500,000	1,500,000	962,276	537,724
Contingency	782,839	751,970	-	751,970
Total expenditures	14,163,193	14,217,193	9,695,997	4,521,196
Revenues over (under) expenditures	(1,894,701)	(1,894,701)	3,162,161	5,056,862
OTHER FINANCING SOURCES (USES)				
Transfers in	148,500	148,500	148,500	-
Transfers out	(3,950,019)	(3,950,019)	(3,858,031)	91,988
Total other financing sources (uses)	(3,801,519)	(3,801,519)	(3,709,531)	91,988
Revenues and other sources under expenditures and other uses	(5,696,220)	(5,696,220)	(547,370)	5,148,850
Beginning fund balance available for appropriation - July 1, 2015	5,696,220	5,696,220	4,249,882	(1,446,338)
Unappropriated ending fund balance - June 30, 2016	\$ -	-	3,702,512	3,702,512



METRO**Schedule of District's Proportionate Share of Net Pension Liability
Oregon Public Employees' Retirement System
Last Three Fiscal Years**

	Fiscal Year		
	2014	2015	2016
Metro's proportion of the net pension liability (asset)	0.51394738%	0.51394738%	0.55014352%
Metro's proportionate share of the net pension liability (asset)	\$ 26,233,596	(11,649,721)	31,586,277
Metro's covered-employee payroll	\$ 52,521,307	55,726,726	59,709,368
Metro's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	49.9%	-20.9%	52.9%
Plan fiduciary net position as a percentage of the total pension liability	92.0%	103.6%	91.9%

This schedule is presented to illustrate Metro's proportionate share of net pension liability over the last 10 years.
However, until a full 10-year trend is compiled, Metro presents information for those years for which information is available.

METRO
Schedule of District's Contributions
Oregon Public Employees' Retirement System
Last Ten Fiscal Years

	Fiscal Year		
	2007	2008	2009
Actuarially Determined Contributions	\$ 2,846,560	2,313,615	2,556,052
Contributions in Relation to Actuarially Determined Contributions	2,846,560	2,313,615	2,556,052
Contributions Deficiency (Excess)	\$ -	-	-
Covered Employee Payroll	39,436,420	43,491,187	48,242,122
Contributions as a percentage of covered-employee payroll	7.2%	5.3%	5.3%

2010	2011	2012	2013	2014	2015	2016
1,249,483	1,306,457	3,914,572	3,746,270	3,840,003	4,062,684	4,729,515
1,249,483	1,306,457	3,914,572	3,746,270	3,840,003	4,062,684	4,729,515
-	-	-	-	-	-	-
49,864,609	51,603,332	52,255,709	50,208,189	52,399,493	55,325,674	59,709,368
2.5%	2.5%	7.5%	7.5%	7.3%	7.3%	7.9%

METRO
Schedule of Funding Progress
Other Postemployment Benefits
June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Percentage	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2011	\$ -	\$ 2,907,891	\$ 2,907,891	0%	\$ 52,255,709	6%
July 1, 2013	-	3,348,685	3,348,685	0%	52,521,307	6%
July 1, 2015	-	2,517,350	2,517,350	0%	60,051,593	4%

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 three components that are separated and combined with other budgetary funds for reporting under GAAP. The General Asset Management Fund is a budgetary fund that is combined with the General Fund for reporting under GAAP. The Oregon Zoo Asset Management Fund is a budgetary fund that is combined with the Oregon Zoo Operating Fund for reporting under GAAP.

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

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

Metro adopted three budget amendments during the fiscal year ended June 30, 2016. All three of the amendments were "consolidated" amendments with multiple actions in each ordinance. Only one of the actions included in the consolidated amendments would be considered significant. In November 2015, the Council approved the transfer of \$1.0 million of the authorized \$5.0 million commitment from the Natural Area Bond fund to the Willamette Falls Riverwalk project.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the fiscal year ended June 30, 2016, expenditures exceeded appropriations by \$1,520,831 in the Risk Management Fund due to a large increase in the actuarial liability for accrued self-insurance claims. This is a violation of Oregon Local Budget Law contained in ORS 294.100 and 294.338.

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 causes no difference between the excess of revenues and other sources over expenditures and other uses on the basis of budgeting and such amounts on a GAAP basis. Other reconciliations as necessary are presented on the face of the budgetary schedules.

PENSION PLAN INFORMATION

1. CHANGES IN BENEFIT TERMS

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

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

2. CHANGES IN ASSUMPTIONS

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

Other Supplementary Information

Combining Statements

Nonmajor Governmental Funds

Budgetary Comparison Schedules

Combining Statements

Nonmajor Governmental Funds

Special Revenue Funds

Smith and Bybee Wetlands Fund

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

Community Enhancement Fund

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

Capital Projects Fund

Open Spaces Fund

This fund accounts for the activities to acquire and protect regional open spaces, parks, trails, and streams. The principal resources are investment income and sale of capital assets.

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, 2016

	Special Revenue			Capital Projects	Permanent	Total
	Smith and Bybee Wetlands	Community Enhancement	Total	Open Spaces	Cemetery Perpetual Care	Nonmajor Governmental Funds
ASSETS						
Equity in internal cash and investment pool	\$ 3,016,426	1,788,017	4,804,443	859,038	565,326	6,228,807
Receivables:						
Other	-	55	55	-	-	55
Interest	4,509	2,609	7,118	1,253	820	9,191
Total assets	3,020,935	1,790,681	4,811,616	860,291	566,146	6,238,053
LIABILITIES						
Liabilities:						
Accounts payable	35,602	239,295	274,897	338,500	-	613,397
Total liabilities	35,602	239,295	274,897	338,500	-	613,397
FUND BALANCES						
Nonspendable	-	-	-	-	528,748	528,748
Restricted	2,985,333	1,551,386	4,536,719	521,791	-	5,058,510
Assigned	-	-	-	-	37,398	37,398
Total fund balances	2,985,333	1,551,386	4,536,719	521,791	566,146	5,624,656
Total liabilities and fund balances	\$ 3,020,935	1,790,681	4,811,616	860,291	566,146	6,238,053

METRO
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2016**

	Special Revenue			Capital Projects	Permanent Cemetery Perpetual Care	Total Nonmajor Governmental Funds
	Smith and Bybee Wetlands	Community Enhancement	Total	Open Spaces		
REVENUES						
Cemetery revenue surcharge	\$ -	-	-	-	46,711	46,711
Investment income	26,332	14,755	41,087	6,571	4,559	52,217
Solid waste fees	-	985,486	985,486	-	-	985,486
Total revenues	26,332	1,000,241	1,026,573	6,571	51,270	1,084,414
EXPENDITURES						
Current:						
Culture and recreation	267,099	1,092,875	1,359,974	320,000	-	1,679,974
Capital outlay	-	-	-	18,500	-	18,500
Total expenditures	267,099	1,092,875	1,359,974	338,500	-	1,698,474
Revenues over (under) expenditures	(240,767)	(92,634)	(333,401)	(331,929)	51,270	(614,060)
OTHER FINANCING SOURCES						
Sale of capital assets	-	-	-	332,568	-	332,568
Total other financing sources	-	-	-	332,568	-	332,568
Net change in fund balances	(240,767)	(92,634)	(333,401)	639	51,270	(281,492)
Fund balances - July 1, 2015	3,226,100	1,644,020	4,870,120	521,152	514,876	5,906,148
Fund balances - June 30, 2016	\$ 2,985,333	1,551,386	4,536,719	521,791	566,146	5,624,656

Budgetary Comparison Schedules

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

In accordance with GASB Statement No. 34, Metro's General Fund and major special revenue fund, the Parks and Natural Areas Local Option Levy Fund are presented as required 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, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
General revenues:				
Taxes:				
Property taxes	\$ 28,727,825	28,727,825	29,038,030	310,205
Investment income	25,000	25,000	88,819	63,819
Total revenues	28,752,825	28,752,825	29,126,849	374,024
EXPENDITURES				
Debt service:				
Principal	21,740,000	21,740,000	21,740,000	-
Interest	8,161,625	8,161,625	8,161,625	-
Total expenditures	29,901,625	29,901,625	29,901,625	-
Revenues under expenditures	(1,148,800)	(1,148,800)	(774,776)	374,024
Beginning fund balance available for appropriation - July 1, 2015	1,193,000	1,193,000	1,270,502	77,502
Unappropriated ending fund balance - June 30, 2016	\$ 44,200	44,200	495,726	451,526

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, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
General revenues:				
Investment income	\$ 150,000	150,000	353,577	203,577
Total revenues	150,000	150,000	353,577	203,577
EXPENDITURES				
Oregon Zoo	19,838,503	19,838,503	12,502,748	7,335,755
Contingency	3,968,000	3,968,000	-	3,968,000
Total expenditures	23,806,503	23,806,503	12,502,748	11,303,755
Revenues under expenditures	(23,656,503)	(23,656,503)	(12,149,171)	11,507,332
OTHER FINANCING SOURCES (USES)				
Bonds issued	40,000,000	40,000,000	30,000,000	(10,000,000)
Premium on bonds issued	-	-	3,479,164	3,479,164
Transfers out	(704,656)	(704,656)	(704,656)	-
Total other financing sources (uses)	39,295,344	39,295,344	32,774,508	(6,520,836)
Revenues and other sources over expenditures and other uses	15,638,841	15,638,841	20,625,337	4,986,496
Beginning fund balance available for appropriation - July 1, 2015	21,157,612	21,157,612	23,086,619	1,929,007
Unappropriated ending fund balance - June 30, 2016	\$ 36,796,453	36,796,453	43,711,956	6,915,503

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, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
Program revenues:				
Operating grants and contributions:				
Grants	\$ -	-	567,711	567,711
Capital grants and contributions:				
Capital contributions and donations	-	-	22,500	22,500
General revenues:				
Investment income	338,168	338,168	325,517	(12,651)
Total revenues	338,168	338,168	915,728	577,560
EXPENDITURES				
Parks and nature	30,573,251	29,232,669	13,289,624	15,943,045
Contingency	10,000,000	10,000,000	-	10,000,000
Total expenditures	40,573,251	39,232,669	13,289,624	25,943,045
Revenues under expenditures	(40,235,083)	(38,894,501)	(12,373,896)	26,520,605
OTHER FINANCING USES				
Transfers out	(1,752,724)	(3,093,306)	(3,040,175)	53,131
Revenues under expenditures and other uses	(41,987,807)	(41,987,807)	(15,414,071)	26,573,736
Beginning fund balance available for appropriation - July 1, 2015	45,089,142	45,089,142	52,348,611	7,259,469
Unappropriated ending fund balance - June 30, 2016	\$ 3,101,335	3,101,335	36,934,540	33,833,205

Nonmajor Governmental Funds

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

Special Revenue Funds

Smith and Bybee Wetlands Fund

Community Enhancement Fund

Capital Projects Funds

Open Spaces Fund

Permanent Fund

Cemetery Perpetual Care Fund

METRO**Smith and Bybee Wetlands Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Non-GAAP Basis of Budgeting)****For the fiscal year ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
General revenues:				
Investment income	\$ 23,668	23,668	26,332	2,664
Total revenues	23,668	23,668	26,332	2,664
EXPENDITURES				
Parks and nature	300,000	300,000	139,985	160,015
Contingency	1,000,000	1,000,000	-	1,000,000
Total expenditures	1,300,000	1,300,000	139,985	1,160,015
Revenues under expenditures	(1,276,332)	(1,276,332)	(113,653)	1,162,679
OTHER FINANCING USES				
Transfers out	(127,114)	(127,114)	(127,114)	-
Revenues under expenditures and other uses	(1,403,446)	(1,403,446)	(240,767)	1,162,679
Beginning fund balance available for appropriation - July 1, 2015	3,155,725	3,155,725	3,226,100	70,375
Unappropriated ending fund balance - June 30, 2016	\$ 1,752,279	1,752,279	2,985,333	1,233,054

METRO**Community Enhancement Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances -****Budget and Actual (Non-GAAP Basis of Budgeting)****For the fiscal year ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
Program revenues:				
Charges for services:				
Solid waste fees	\$ 1,061,053	1,061,053	985,486	(75,567)
General revenues:				
Investment income	12,457	12,457	14,755	2,298
Total revenues	1,073,510	1,073,510	1,000,241	(73,269)
EXPENDITURES				
Property and environmental services	1,325,952	1,375,952	1,032,361	343,591
Contingency	340,000	290,000	-	290,000
Total expenditures	1,665,952	1,665,952	1,032,361	633,591
Revenues under expenditures	(592,442)	(592,442)	(32,120)	560,322
OTHER FINANCING USES				
Transfers out	(60,514)	(60,514)	(60,514)	-
Revenues under expenditures and other uses	(652,956)	(652,956)	(92,634)	560,322
Beginning fund balance available for appropriation -				
July 1, 2015	1,660,992	1,660,992	1,644,020	(16,972)
Unappropriated ending fund balance -				
June 30, 2016	\$ 1,008,036	1,008,036	1,551,386	543,350

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, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
General revenues:				
Investment income	\$ 2,918	2,918	6,571	3,653
Total revenues	2,918	2,918	6,571	3,653
EXPENDITURES				
Parks and nature	391,986	391,986	338,500	53,486
Total expenditures	391,986	391,986	338,500	53,486
Revenues under expenditures	(389,068)	(389,068)	(331,929)	57,139
OTHER FINANCING SOURCES				
Sale of capital assets	-	-	332,568	332,568
Revenues and other sources over (under) expenditures	(389,068)	(389,068)	639	389,707
Beginning fund balance available for appropriation - July 1, 2015	389,068	389,068	521,152	132,084
Unappropriated ending fund balance - June 30, 2016	\$ -	-	521,791	521,791

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, 2016**

		Budgeted Amounts		Actual	Variance with
		Original	Final	Amounts	final budget
REVENUES					
General revenues:					
Taxes:					
Cemetery revenue surcharge	\$	50,000	50,000	46,711	(3,289)
Investment income		3,928	3,928	4,559	631
Total revenues		53,928	53,928	51,270	(2,658)
Beginning fund balance available for appropriation -					
July 1, 2015		523,738	523,738	514,876	(8,862)
Unappropriated ending fund balance -					
June 30, 2016	\$	577,666	577,666	566,146	(11,520)



Proprietary Funds

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

Enterprise Funds

Solid Waste Revenue Fund

Oregon Zoo Operating Fund

MERC Fund

*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, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
Program revenues:				
Charges for services:				
Government fees	\$ 1,300,950	1,300,950	1,286,753	(14,197)
Culture and recreation fees	-	-	26,366	26,366
Solid waste fees	62,981,763	62,981,763	66,732,551	3,750,788
Other fees	-	-	(1,205)	(1,205)
Miscellaneous revenue	77,000	77,000	74,155	(2,845)
General revenues:				
Investment income	314,960	314,960	393,774	78,814
Total revenues	64,674,673	64,674,673	68,512,394	3,837,721
EXPENDITURES				
Property and environmental services	60,834,416	60,834,416	55,589,263	5,245,153
Finance and regulatory services	582,014	582,014	277,613	304,401
Contingency	16,028,619	16,028,619	-	16,028,619
Total expenditures	77,445,049	77,445,049	55,866,876	21,578,173
Revenues over (under) expenditures	(12,770,376)	(12,770,376)	12,645,518	25,415,894
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	5,126	5,126
Transfers in	157,156	157,156	152,319	(4,837)
Transfers out	(7,804,021)	(7,804,021)	(7,514,761)	289,260
Total other financing sources (uses)	(7,646,865)	(7,646,865)	(7,357,316)	289,549
Revenues and other sources over (under) expenditures and other uses	(20,417,241)	(20,417,241)	5,288,202	25,705,443
Beginning fund balance available for appropriation - July 1, 2015	42,393,597	42,393,597	45,437,860	3,044,263
Unappropriated ending fund balance - June 30, 2016	\$ 21,976,356	21,976,356	50,726,062	28,749,706

METRO
Oregon Zoo Operating Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances-
Budget and Actual (Non-GAAP Basis of Budgeting)
For the fiscal year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
Program revenues:				
Charges for services:				
Culture and recreation fees	\$ 22,140,403	22,140,403	21,272,238	(868,165)
Other fees	1,188,025	1,188,025	1,138,414	(49,611)
Miscellaneous revenue	80,000	80,000	82,818	2,818
Operating grants and contributions:				
Grants	182,690	182,690	170,309	(12,381)
Contributions and donations	970,272	970,272	894,334	(75,938)
General revenues:				
Investment income	-	-	16,905	16,905
Total revenues	24,561,390	24,561,390	23,575,018	(986,372)
EXPENDITURES				
Visitor venues-Oregon Zoo	34,523,282	34,523,282	33,656,033	867,249
Contingency	950,000	910,700	-	910,700
Total expenditures	35,473,282	35,433,982	33,656,033	1,777,949
Revenues under expenditures	(10,911,892)	(10,872,592)	(10,081,015)	791,577
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	1,000	1,000
Transfers in	14,829,480	14,829,480	14,829,480	-
Transfers out	(3,917,588)	(3,956,888)	(3,821,897)	134,991
Total other financing sources (uses)	10,911,892	10,872,592	11,008,583	135,991
Revenues and other sources over expenditures and other uses	-	-	927,568	927,568
Beginning fund balance available for appropriation - July 1, 2015	-	-	-	-
Unappropriated ending fund balance - June 30, 2016	\$ -	-	927,568	927,568

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, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
Program revenues:				
Charges for services:				
Culture and recreation fees	\$ 37,386,665	37,386,665	47,012,589	9,625,924
Other fees	3,650,378	3,650,378	3,459,448	(190,930)
Miscellaneous revenue	95,477	95,477	461,518	366,041
Operating grants and contributions:				
Grants	-	-	56,132	56,132
Local government shared revenue	14,132,140	14,132,140	21,374,895	7,242,755
Government contributions	853,950	853,950	856,873	2,923
Contributions and donations	58,125	58,125	-	(58,125)
Capital grants and contributions:				
Capital contributions and donations	329,376	329,376	544,917	215,541
General revenues:				
Investment income	91,000	91,000	443,548	352,548
Total revenues	56,597,111	56,597,111	74,209,920	17,612,809
EXPENDITURES				
MERC	57,906,623	57,996,323	54,517,098	3,479,225
Contingency	23,949,245	23,898,845	-	23,898,845
Total expenditures	81,855,868	81,895,168	54,517,098	27,378,070
Revenues over (under) expenditures	(25,258,757)	(25,298,057)	19,692,822	44,990,879
OTHER FINANCING SOURCES (USES)				
Transfers in	1,125,132	1,164,432	899,432	(265,000)
Transfers out	(9,001,335)	(9,001,335)	(8,994,887)	6,448
Total other financing sources (uses)	(7,876,203)	(7,836,903)	(8,095,455)	(258,552)
Revenues and other sources over (under) expenditures and other uses	(33,134,960)	(33,134,960)	11,597,367	44,732,327
Beginning fund balance available for appropriation - July 1, 2015	33,134,960	33,134,960	40,365,842	7,230,882
Unappropriated ending fund balance - June 30, 2016	\$ -	-	51,963,209	51,963,209

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, 2016

	Solid Waste	Oregon Zoo	MERC	Total
Excess of revenues and other financing sources over expenditures and other financing uses on the basis of budgeting:				
Solid Waste Revenue Fund	\$ 5,288,202	-	-	5,288,202
Oregon Zoo Operating Fund	-	927,568	-	927,568
Oregon Zoo Asset Management Fund	-	1,951,273	-	1,951,273
MERC Fund	-	-	11,597,367	11,597,367
General Revenue Bond Fund-Expo	-	-	9	9
Budget resources not qualifying as revenues under GAAP:				
Revenue deferred	705	-	-	705
Interfund loan proceeds	-	(1,728,000)	-	(1,728,000)
Sale of capital assets	(5,126)	(1,000)	-	(6,126)
Additional revenues required by GAAP:				
Gain on disposal of capital assets	5,126	-	-	5,126
Resource transfer to establish Oregon Zoo Asset Management Fund	-	3,019,369	-	3,019,369
Budget requirements not qualifying as expenses under GAAP:				
Payment of post-closure costs payable	584,146	-	-	584,146
Payment of pollution remediation obligation	35,282	-	-	35,282
Interfund loans provided	1,728,000	-	-	1,728,000
Capital assets additions	1,528,651	2,051,410	1,000,116	4,580,177
Principal and interest payments on bonds	-	402,306	799,755	1,202,061
Principal payments on interfund loans	-	-	179,988	179,988
Decrease to (additional) expenses required by GAAP:				
Capital contributions to reflect Oregon Zoo as Enterprise Fund	-	141,944,563	-	141,944,563
Interfund loan payable transferred from General Fund	-	(1,500,000)	-	(1,500,000)
Post-closure costs payable estimate	466,717	-	-	466,717
Pollution remediation obligation estimate	(20,282)	-	-	(20,282)
Depreciation and amortization	(1,236,049)	(7,080,345)	(4,174,565)	(12,490,959)
Loss on disposal of capital assets	-	(1,592,848)	(858,076)	(2,450,924)
Amortization of bond discount and deferred charge on refunding	-	-	(25,986)	(25,986)
Other postemployment benefits	(28,458)	(1,839)	(13,244)	(43,541)
Vacation benefits	(17,591)	(148,858)	4,824	(161,625)
Pension related obligations	(4,159,536)	(4,772,650)	(5,492,427)	(14,424,613)
Accrued interest on bonds	-	(678)	(32,172)	(32,850)
Change in net position presented in the statement of revenues, expenses and changes in net position for proprietary funds	\$ 4,169,787	133,470,271	2,985,589	140,625,647

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, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
Program revenues:				
Charges for services:				
Other fees	\$ -	-	73,030	73,030
Internal charges for services	255,566	255,566	255,566	-
Miscellaneous revenue	10,000	10,000	156,218	146,218
Operating grants and contributions:				
Grants	50,000	50,000	69,477	19,477
General revenues:				
Investment income	10,000	10,000	24,788	14,788
Total revenues	325,566	325,566	579,079	253,513
EXPENDITURES				
Finance and regulatory services	2,049,980	2,480,980	4,001,811	(1,520,831)
Contingency	500,000	69,000	-	69,000
Total expenditures	2,549,980	2,549,980	4,001,811	(1,451,831)
Revenues under expenditures	(2,224,414)	(2,224,414)	(3,422,732)	(1,198,318)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,345,459	1,345,459	1,345,459	-
Transfers out	(324,892)	(324,892)	(324,892)	-
Total other financing sources (uses)	1,020,567	1,020,567	1,020,567	-
Revenues and other sources under expenditures and other uses	(1,203,847)	(1,203,847)	(2,402,165)	(1,198,318)
Beginning fund balance available for appropriation - July 1, 2015	2,305,697	2,305,697	2,922,162	616,465
Unappropriated ending fund balance - June 30, 2016	\$ 1,101,850	1,101,850	519,997	(581,853)

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 three components that are separated and combined with other budgetary funds for reporting under GAAP.

General Asset Management Fund

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

Oregon Zoo Asset Management Fund

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

METRO**General Revenue Bond Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances-****Budget and Actual (Non-GAAP Basis of Budgeting)****For the fiscal year ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
Program revenues:				
Operating grants and contributions:				
Grants	\$ 10,000,000	10,000,000	-	(10,000,000)
General revenues:				
Investment income	275,000	275,000	70,361	(204,639)
Total revenues	10,275,000	10,275,000	70,361	(10,204,639)
EXPENDITURES				
Materials and services	73,410,000	73,410,000	120	73,409,880
Debt service	5,450,544	5,450,544	2,950,542	2,500,002
Total expenditures	78,860,544	78,860,544	2,950,662	75,909,882
Revenues under expenditures	(68,585,544)	(68,585,544)	(2,880,301)	65,705,243
OTHER FINANCING SOURCES (USES)				
Bonds issued	72,000,000	72,000,000	-	(72,000,000)
Transfers in	6,350,544	6,350,544	6,350,544	-
Transfers out	(265,000)	(265,000)	-	265,000
Total other financing sources (uses)	78,085,544	78,085,544	6,350,544	(71,735,000)
Revenues and other sources over expenditures and other uses	9,500,000	9,500,000	3,470,243	(6,029,757)
Beginning fund balance available for appropriation - July 1, 2015	6,487	6,487	10,010,615	10,004,128
Unappropriated ending fund balance - June 30, 2016	\$ 9,506,487	9,506,487	13,480,858	3,974,371

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

METRO**General Asset Management Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances-****Budget and Actual (Non-GAAP Basis of Budgeting)****For the fiscal year ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
Program revenues:				
Charges for services:				
Miscellaneous revenue	\$ -	-	28,500	28,500
Operating grants and contributions:				
Grants	182,250	182,250	12,468	(169,782)
Capital grants and contributions:				
Grants	-	72,000	238,790	166,790
General revenues:				
Investment income	26,930	26,930	77,098	50,168
Total revenues	209,180	281,180	356,856	75,676
EXPENDITURES				
Asset Management Program	3,309,310	4,668,310	2,324,245	2,344,065
Contingency	2,317,468	2,167,468	-	2,167,468
Total expenditures	5,626,778	6,835,778	2,324,245	4,511,533
Revenues under expenditures	(5,417,598)	(6,554,598)	(1,967,389)	4,587,209
OTHER FINANCING SOURCES (USES)				
Transfers in	2,318,719	3,796,301	3,766,485	(29,816)
Transfers out	(1,311,500)	(1,311,500)	(1,311,500)	-
Total other financing sources (uses)	1,007,219	2,484,801	2,454,985	(29,816)
Revenues and other sources over (under)				
expenditures and other uses	(4,410,379)	(4,069,797)	487,596	4,557,393
Beginning fund balance available for appropriation -				
July 1, 2015	4,410,379	4,410,379	9,981,820	5,571,441
Unappropriated ending fund balance -				
June 30, 2016	\$ -	340,582	10,469,416	10,128,834

METRO**Oregon Zoo Asset Management Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances-****Budget and Actual (Non-GAAP Basis of Budgeting)****For the fiscal year ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
Program revenues:				
Charges for services:				
Miscellaneous revenue	\$ 500,000	500,000	795,509	295,509
Operating grants and contributions:				
Contributions and donations	-	-	62,047	62,047
Capital grants and contributions:				
Capital contributions and donations	-	-	65,000	65,000
General revenues:				
Investment income	10,000	10,000	37,178	27,178
Total revenues	510,000	510,000	959,734	449,734
EXPENDITURES				
Visitor venues-Oregon Zoo	6,076,314	6,076,314	2,405,971	3,670,343
Contingency	260,809	260,809	-	260,809
Total expenditures	6,337,123	6,337,123	2,405,971	3,931,152
Revenues under expenditures	(5,827,123)	(5,827,123)	(1,446,237)	4,380,886
OTHER FINANCING SOURCES				
Transfers in	3,595,910	3,595,910	3,595,910	-
Transfers out	(198,400)	(198,400)	(198,400)	-
Total other financing sources	3,397,510	3,397,510	3,397,510	-
Revenues and other sources over (under)				
expenditures and other uses	(2,429,613)	(2,429,613)	1,951,273	4,380,886
Beginning fund balance available for appropriation -				
July 1, 2015	3,032,113	3,032,113	3,019,369	(12,744)
Unappropriated ending fund balance -				
June 30, 2016	\$ 602,500	602,500	4,970,642	4,368,142

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, 2016

	Allocated to:			Total
	General	Oregon Zoo	MERC	
REVENUES				
General revenues:				
Investment income	\$ 70,353	-	8	70,361
Total revenues	70,353	-	8	70,361
EXPENDITURES				
Materials and services	120	-	-	120
Debt service	1,360,717	403,650	1,186,175	2,950,542
Total expenditures	1,360,837	403,650	1,186,175	2,950,662
Revenues under expenditures	(1,290,484)	(403,650)	(1,186,167)	(2,880,301)
OTHER FINANCING SOURCES				
Transfers in	4,760,718	403,650	1,186,176	6,350,544
Revenues and other sources over expenditures	3,470,234	-	9	3,470,243
Beginning fund balance available for appropriation - July 1, 2015	10,010,242	-	373	10,010,615
Unappropriated ending fund balance - June 30, 2016	\$ 13,480,476	-	382	13,480,858

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



Other Financial Schedules



METRO
**Schedule of Property Tax Transactions and Outstanding Receivable
For the fiscal year ended June 30, 2016**

Fiscal Year	Original levy or balance of receivable July 1, 2015	Add (deduct)				Property taxes receivable June 30, 2016
		Discounts	Adjustments	Interest	Collections	
2015-16	\$ 56,981,126	(1,491,953)	(102,252)	4,832	(54,251,668)	1,140,085
2014-15	1,342,519	-	(36,356)	11,773	(590,874)	727,062
2013-14	735,873	-	(3,760)	9,060	(203,797)	537,376
2012-13	476,223	-	(2,516)	11,440	(161,700)	323,447
2011-12	258,417	-	(712)	3,777	(57,470)	204,012
2010-11	206,115	-	(623)	1,464	(10,667)	196,289
2009-10 & prior	237,226	-	(398)	2,577	(12,025)	227,380
Total	\$ 60,237,499	(1,491,953)	(146,617)	44,923	(55,288,201)	3,355,651

Reconciliation to property tax revenue presented in the Statement of Activities:		Governmental Activities
Cash collections July 1, 2015 to June 30, 2016	\$	55,288,201
Accrual of receivables:		
July 1, 2015 to August 31, 2015		(270,766)
July 1, 2016 to August 31, 2016		220,749
Timing difference between county tax collector and county treasurer		12,682
Payments in lieu of property taxes		146,641
Taxes earned but not available:		
June 30, 2015		(2,985,608)
June 30, 2016		3,134,902
Property tax revenue per Statement of Activities	\$	55,546,801

METRO
Schedule of Future Bonded Debt Service Requirements
General Obligation Bonds
June 30, 2016

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
2016-17	\$ 2,210,000	88,400	5,095,000	254,750	2,790,000	2,840,950
2017-18	-	-	-	-	3,350,000	2,701,450
2018-19	-	-	-	-	3,960,000	2,533,950
2019-20	-	-	-	-	4,610,000	2,335,950
2020-21	-	-	-	-	5,300,000	2,105,450
2021-22	-	-	-	-	6,045,000	1,840,450
2022-23	-	-	-	-	6,840,000	1,538,200
2023-24	-	-	-	-	7,690,000	1,196,200
2024-25	-	-	-	-	8,590,000	811,700
2025-26	-	-	-	-	9,555,000	382,200
2026-27	-	-	-	-	-	-
2027-28	-	-	-	-	-	-
Total	\$ 2,210,000	88,400	5,095,000	254,750	58,730,000	18,286,500

(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		2014 Series		2016 Series			
Oregon Zoo Infrastructure and Animal Welfare		General Obligation Refunding Bonds		Oregon Zoo Infrastructure and Animal Welfare		Total	
General Obligation Bonds				General Obligation Bonds			
Principal	Interest	Principal	Interest	Principal	Interest	Principal (1)	Interest
2,260,000	2,168,325	4,810,000	2,039,150	4,975,000	1,779,167	22,140,000	9,170,742
2,510,000	2,055,325	13,160,000	1,846,750	8,095,000	1,251,250	27,115,000	7,854,775
2,770,000	1,929,825	14,115,000	1,320,350	8,825,000	846,500	29,670,000	6,630,625
3,050,000	1,791,325	15,115,000	755,750	8,105,000	405,250	30,880,000	5,288,275
3,350,000	1,638,825	-	-	-	-	8,650,000	3,744,275
3,665,000	1,471,325	-	-	-	-	9,710,000	3,311,775
4,000,000	1,288,075	-	-	-	-	10,840,000	2,826,275
4,360,000	1,088,075	-	-	-	-	12,050,000	2,284,275
4,740,000	870,075	-	-	-	-	13,330,000	1,681,775
5,145,000	633,075	-	-	-	-	14,700,000	1,015,275
5,525,000	427,275	-	-	-	-	5,525,000	427,275
5,955,000	178,650	-	-	-	-	5,955,000	178,650
<u>47,330,000</u>	<u>15,540,175</u>	<u>47,200,000</u>	<u>5,962,000</u>	<u>30,000,000</u>	<u>4,282,167</u>	<u>190,565,000</u>	<u>44,413,992</u>

METRO
Schedule of Future Bonded Debt Service Requirements
Full Faith and Credit and Pension Obligation Bonds
June 30, 2016

Year of maturity	Full Faith and Credit Bonds						Pension Obligation Bonds	
	Refunding Bonds		Refunding Bonds		Oregon Local Governments		Metro Limited Tax Pension	
	2013 Series		2013 Series		2006 Series (1)		Obligation Bonds	
	(MRC) (2)		(Zoo) (1)				Series 2005 (2)	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016-17	\$ 1,245,000	138,443	165,000	825	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	\$ 9,125,000	598,276	165,000	825	8,680,000	1,918,109	20,155,000	7,403,434

(1) The principal amount of the bonds is reported net of unamortized premium or discount in business-type 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, 2016

	Principal				
	Outstanding July 1, 2015	Issued During Year	Matured and Paid During Year	Outstanding June 30, 2016	Interest Expenditure
DEBT SERVICE FUND					
2005 Series					
General Obligation Refunding Bonds with interest rate of 4.0%, final maturity 1/15/17	\$ 4,305,000	-	2,095,000	2,210,000	193,150
2007 Series Natural Areas					
General Obligation Bonds partially refunded 11/19/14 with interest rate of 5%, final maturity 6/1/17	9,945,000	-	4,850,000	5,095,000	497,250
2012A Series Natural Areas					
General Obligation Bonds with interest rates from 4.0 to 5.0%, final maturity 6/1/26	60,960,000	-	2,230,000	58,730,000	2,952,450
2012A Series Oregon Zoo Infrastructure and Animal Welfare					
General Obligation Bonds with interest rates from 3.0 to 5.0%, final maturity 6/1/28	49,330,000	-	2,000,000	47,330,000	2,268,325
2014 Series					
General Obligation Refunding Bonds with interest rates from 4.0 to 5.0%, final maturity 6/1/20	57,765,000	-	10,565,000	47,200,000	2,250,450
2016 Series Oregon Zoo Infrastructure and Animal Welfare					
General Obligation Bonds with interest rate of 5.0%, final maturity 6/1/20	-	30,000,000	-	30,000,000	-
Total	\$ 182,305,000	30,000,000	21,740,000	190,565,000	8,161,625

METRO

Schedule of Long-term Bonded Debt Transactions
 Full Faith and Credit and Pension Obligation Bonds
 For the fiscal year ended June 30, 2016

	Principal				
	Outstanding July 1, 2015	Issued During Year	Matured and Paid During Year	Outstanding June 30, 2016	Interest Expenditure
GENERAL FUND					
<u>Full Faith and Credit</u>					
Refunding Bonds 2013 Series (MRC)					
with interest rates from 1.0 to 2.2%, final maturity 8/1/22	\$ 10,335,000	-	1,210,000	9,125,000	150,717
<u>Pension Obligation</u>					
Metro Limited Tax Series 2005					
with interest rates from 4.859 to 5.004%, final maturity 6/1/28	20,975,000	-	820,000	20,155,000	1,041,882
Total	\$ 31,310,000	-	2,030,000	29,280,000	1,192,599
ENTERPRISE FUNDS					
OREGON ZOO FUND:					
<u>Full Faith and Credit</u>					
Refunding Bonds 2013 Series (Zoo)					
with interest rate of 1.0%, final maturity 8/1/16	\$ 565,000	-	400,000	165,000	3,650
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	9,445,000	-	765,000	8,680,000	421,175
Total	\$ 10,010,000	-	1,165,000	8,845,000	424,825

Statistical Section

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

Financial Trends Information	<u>Page</u>
These schedules contain trend information to help the reader understand how Metro's financial performance and well-being have changed over time.	132-144
Revenue Capacity Information	
These schedules contain information to help the reader assess the factors affecting Metro's ability to generate its most significant own-source revenue, solid waste fees.	145-147
Debt Capacity Information	
These schedules present information to help the reader assess the affordability of Metro's current levels of outstanding debt and Metro's ability to issue additional debt in the future.	148-156
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.	157-158
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.	159-164
Additional Information	
These schedules present information to meet Metro's continuing disclosure requirements under The Securities and Exchange Commission's Rule 15c2-12 pertaining to governmental debt issuers.	165-168

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

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

	Fiscal Year		
	2007	2008	2009
GOVERNMENTAL ACTIVITIES			
Net investment in capital assets (1)	\$ 70,472,572	101,632,452	142,681,077
Restricted	24,458,851	27,246,181	41,383,007
Unrestricted	57,456,789	59,035,445	38,868,189
Total governmental activities net position	152,388,212	187,914,078	222,932,273
BUSINESS-TYPE ACTIVITIES			
Net investment in capital assets	199,184,754	198,109,226	197,896,445
Restricted	12,688,488	16,295,656	14,548,959
Unrestricted	43,989,254	45,547,649	41,293,389
Total business-type activities net position	255,862,496	259,952,531	253,738,793
PRIMARY GOVERNMENT			
Net investment in capital assets (1)	269,657,326	299,741,678	320,942,522
Restricted	37,147,339	43,541,837	55,931,966
Unrestricted	101,446,043	104,583,094	99,796,578
Total primary government net position	\$ 408,250,708	447,866,609	476,671,066

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

2010	2011	2012 Restated	2013	2014	2015	2016
161,033,641	219,717,752	237,849,839	271,978,616	293,851,981	326,328,783	237,716,303
47,868,259	47,802,264	49,673,790	43,460,675	60,588,283	79,540,758	141,591,292
39,949,912	(4,511,250)	(13,149,913)	(17,127,868)	(24,867,150)	(51,369,202)	(151,660,696)
<u>248,851,812</u>	<u>263,008,766</u>	<u>274,373,716</u>	<u>298,311,423</u>	<u>329,573,114</u>	<u>354,500,339</u>	<u>227,646,899</u>
193,123,523	189,929,698	186,405,139	182,360,721	179,069,899	175,914,225	311,325,512
2,652,250	1,591,637	2,130,034	2,496,996	3,734,868	8,914,318	19,991,871
41,363,765	46,842,210	47,918,522	53,862,598	56,992,148	61,672,307	53,779,562
<u>237,139,538</u>	<u>238,363,545</u>	<u>236,453,695</u>	<u>238,720,315</u>	<u>239,796,915</u>	<u>246,500,850</u>	<u>385,096,945</u>
339,047,164	399,322,450	418,964,978	454,339,337	472,921,880	502,243,008	501,174,344
50,520,509	49,393,901	50,437,907	45,957,671	64,323,151	88,455,076	161,583,163
96,423,677	52,655,960	40,058,609	36,734,730	32,124,998	10,303,105	(50,013,663)
<u>485,991,350</u>	<u>501,372,311</u>	<u>509,461,494</u>	<u>537,031,738</u>	<u>569,370,029</u>	<u>601,001,189</u>	<u>612,743,844</u>

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

	Fiscal Year		
	2007	2008	2009
EXPENSES			
Governmental activities:			
General government operations	\$ 11,724,680	14,464,735	14,198,441
Regional planning and development	11,633,709	15,998,524	13,023,497
Culture and recreation	6,906,903	12,040,343	13,350,232
Zoo (4)	25,165,745	27,268,768	29,426,286
Interest on long-term debt	9,626,880	13,228,648	12,121,270
Total governmental activities expenses	65,057,917	83,001,018	82,119,726
Business-type activities:			
Solid Waste (1)	52,805,117	53,514,858	52,014,903
Oregon Zoo (4)	-	-	-
MERC	45,069,117	44,148,046	46,239,579
Total business-type activities expenses	97,874,234	97,662,904	98,254,482
Total primary government expenses	\$ 162,932,151	180,663,922	180,374,208
PROGRAM REVENUES			
Governmental activities:			
Charges for services:			
General government operations	\$ 1,359,684	1,440,462	1,394,695
Regional planning and development	1,024,612	1,271,625	1,682,136
Culture and recreation	2,519,340	2,824,138	2,648,864
Zoo (4)	15,699,595	15,991,730	18,040,150
Operating grants and contributions (2)	9,674,387	14,963,194	13,889,920
Capital grants and contributions	1,378,075	2,163,915	8,457,258
Total governmental activities program revenues	31,655,693	38,655,064	46,113,023
Business-type activities:			
Charges for services:			
Solid Waste	54,108,083	53,238,401	50,478,290
Oregon Zoo (4)	-	-	-
MERC	29,064,019	30,451,878	30,007,172
Operating grants and contributions (3)	692,146	861,851	830,902
Capital grants and contributions	-	-	265,740
Total business-type activities program revenues	83,864,248	84,552,130	81,582,104
Total primary government program revenues	\$ 115,519,941	123,207,194	127,695,127

2010	2011	2012	2013	2014	2015	2016
12,779,417	14,456,222	16,417,342	14,704,292	17,216,935	14,121,383	21,833,274
14,978,447	14,816,800	13,908,730	11,234,615	11,609,788	12,164,998	16,311,836
17,316,051	20,351,578	22,695,565	20,788,176	19,969,697	23,281,061	29,221,523
28,311,531	27,400,337	30,064,611	33,662,272	35,660,651	32,483,204	-
10,888,841	9,538,172	8,159,660	10,927,415	9,712,521	6,736,232	7,071,050
84,274,287	86,563,109	91,245,908	91,316,770	94,169,592	88,786,878	74,437,683
64,228,318	51,721,806	51,020,053	55,266,458	56,759,612	57,279,945	64,542,514
-	-	-	-	-	-	51,633,613
46,229,249	48,048,265	49,389,612	51,344,928	53,945,435	54,868,782	69,110,637
110,457,567	99,770,071	100,409,665	106,611,386	110,705,047	112,148,727	185,286,764
194,731,854	186,333,180	191,655,573	197,928,156	204,874,639	200,935,605	259,724,447
1,741,850	2,120,491	1,875,695	1,871,628	1,615,075	1,501,207	2,132,646
1,214,423	1,364,601	925,904	1,112,779	1,422,619	1,180,754	789,058
3,696,310	3,985,483	4,175,114	5,095,656	6,121,579	7,444,771	8,851,083
17,606,196	18,150,234	19,745,074	22,538,536	22,082,776	21,546,136	-
14,446,031	10,973,394	15,551,926	13,553,316	11,945,779	22,495,818	13,145,776
2,725,497	1,866,808	1,105,751	2,264,327	3,454,245	7,141,282	261,290
41,430,307	38,461,011	43,379,464	46,436,242	46,642,073	61,309,968	25,179,853
50,904,000	50,782,440	52,989,049	55,661,225	58,583,492	62,743,167	68,196,150
-	-	-	-	-	-	23,741,859
29,650,854	31,597,534	33,231,703	36,670,638	35,091,155	42,892,276	50,972,855
1,378,076	1,144,867	1,620,989	1,382,789	17,183,489	19,974,313	23,414,591
2,000,000	584,808	123,574	-	-	200,000	609,917
83,932,930	84,109,649	87,965,315	93,714,652	110,858,136	125,809,756	166,935,372
125,363,237	122,570,660	131,344,779	140,150,894	157,500,209	187,119,724	192,115,225

(Continued)

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

	Fiscal Year		
	2007	2008	2009
NET (EXPENSE)/REVENUE			
Governmental activities	\$ (33,402,224)	(44,345,954)	(36,006,703)
Business-type activities	(14,009,986)	(13,110,774)	(16,672,378)
Total primary government net expense	\$ (47,412,210)	(57,456,728)	(52,679,081)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION			
Governmental activities:			
Property taxes	\$ 28,686,523	46,901,621	45,447,596
Excise taxes	14,834,721	14,367,409	12,976,156
Construction excise tax	1,806,012	2,483,137	1,734,579
Cemetery revenue surcharge	33,000	23,267	24,168
Unrestricted local government shared revenues	519,463	545,550	500,473
Unrestricted investment earnings	4,945,208	9,182,961	4,996,270
Transfers	(289,417)	275,192	120,655
Total governmental activities	50,535,510	73,779,137	65,799,897
Business-type activities:			
Unrestricted local government shared revenues (3)	9,976,554	11,156,012	10,702,508
Unrestricted investment earnings	3,104,993	2,828,289	1,714,787
Transfers	289,417	(275,192)	(120,655)
Total business-type activities	13,370,964	13,709,109	12,296,640
Total primary government	\$ 63,906,474	87,488,246	78,096,537
CHANGE IN NET POSITION			
Governmental activities	\$ 17,133,286	29,433,183	29,793,194
Business-type activities	(639,022)	598,335	(4,375,738)
Total primary government	\$ 16,494,264	30,031,518	25,417,456
Prior period adjustment/cumulative change in accounting principle	\$ 6,554,744	9,584,383	-

(1) 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.

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

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

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

2010	2011	2012	2013	2014	2015	2016
(42,843,980)	(48,102,098)	(47,866,444)	(44,880,528)	(47,527,519)	(27,476,910)	(49,257,830)
(26,524,637)	(15,660,422)	(12,444,350)	(12,896,734)	153,089	13,661,029	(18,351,392)
(69,368,617)	(63,762,520)	(60,310,794)	(57,777,262)	(47,374,430)	(13,815,881)	(67,609,222)
51,668,586	49,624,399	39,609,807	51,609,216	59,506,228	61,957,344	55,546,801
12,945,697	14,066,453	14,410,951	15,354,852	15,999,908	16,584,669	18,144,766
1,427,730	1,440,755	1,765,024	2,349,487	2,537,894	2,669,188	3,338,479
25,670	27,056	33,619	28,792	49,581	48,335	46,711
509,323	468,776	466,123	555,198	-	-	-
1,632,756	885,490	506,774	754,672	1,202,458	904,399	1,383,708
553,757	(4,913,239)	2,439,096	(596,564)	(506,859)	(701,266)	(156,056,075)
68,763,519	61,599,690	59,231,394	70,055,653	78,789,210	81,462,669	(77,595,610)
9,941,144	11,558,961	12,581,998	14,463,987	-	-	-
537,995	412,229	391,598	231,302	416,652	425,728	891,412
(553,757)	4,913,239	(2,439,096)	596,564	506,859	701,266	156,056,075
9,925,382	16,884,429	10,534,500	15,291,853	923,511	1,126,994	156,947,487
78,688,901	78,484,119	69,765,894	85,347,506	79,712,721	82,589,663	79,351,877
25,919,539	13,497,592	11,364,950	25,175,125	31,261,691	53,985,759	(126,853,440)
(16,599,255)	1,224,007	(1,909,850)	2,395,119	1,076,600	14,788,023	138,596,095
9,320,284	14,721,599	9,455,100	27,570,244	32,338,291	68,773,782	11,742,655
-	659,362	(1,365,917)	-	-	(8,084,088)	-

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

	Fiscal Year		
	2007	2008	2009
General Fund (1)			
Nonspendable	\$ -	-	-
Restricted	-	-	-
Committed	-	-	-
Unassigned	-	-	-
Reserved	8,518,324	9,088,951	9,462,022
Unreserved	34,564,077	28,607,477	35,517,221
Total General Fund	43,082,401	37,696,428	44,979,243
All other governmental funds (1)			
Nonspendable	-	-	-
Restricted	-	-	-
Assigned	-	-	-
Reserved	12,082,430	13,661,489	13,133,831
Unreserved, reported in:			
Special Revenue Funds	5,930,679	6,052,654	6,221,690
Capital Projects Funds	131,173,017	110,314,883	85,037,915
Permanent Funds	222,452	256,340	288,683
Total all other governmental funds	\$ 149,408,578	130,285,366	104,682,119

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

2010	2011	2012	2013	2014	2015	2016
-	800,367	181,891	157,544	1,434,164	1,413,353	1,013,709
-	13,412,488	16,962,147	20,175,302	23,335,910	38,197,509	37,683,525
-	3,661,469	4,169,918	5,427,647	5,836,553	5,626,594	11,135,969
-	27,140,104	27,269,809	25,530,229	21,358,970	16,093,516	17,162,433
9,637,987	-	-	-	-	-	-
36,817,500	-	-	-	-	-	-
46,455,487	45,014,428	48,583,765	51,290,722	51,965,597	61,330,972	66,995,636
-	330,288	355,441	384,121	436,202	482,037	528,748
-	66,436,156	193,949,944	154,652,128	124,685,440	86,346,886	89,903,244
-	503,681	26,330	27,671	30,336	32,839	37,398
13,041,477	-	-	-	-	-	-
6,000,611	-	-	-	-	-	-
60,882,128	-	-	-	-	-	-
317,158	-	-	-	-	-	-
80,241,374	67,270,125	194,331,715	155,063,920	125,151,978	86,861,762	90,469,390

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

	Fiscal Year		
	2007	2008	2009
REVENUES			
Property taxes	\$ 28,669,525	46,312,638	44,897,096
Excise taxes	14,834,721	14,341,764	12,971,067
Construction excise tax	1,806,012	2,483,137	1,734,579
Cemetery revenue surcharge	33,000	23,267	24,168
Investment income	4,536,529	8,802,118	4,715,238
Government fees	441,531	576,342	481,480
Culture and recreation fees (1)	15,860,633	16,728,873	17,893,774
Solid waste fees	-	-	-
Other fees	3,012,834	2,569,892	3,246,604
Internal charges for services	661,007	849,709	917,250
Licenses and permits	409,332	405,408	388,375
Miscellaneous revenue	221,369	397,731	838,365
Grants	8,015,836	13,961,401	12,382,032
Local government shared revenues	519,463	545,550	500,473
Government contributions	342,540	12,500	266,319
Contributions and donations	1,316,011	1,391,471	1,241,569
Capital grants	-	-	1,851,255
Capital contributions and donations	1,378,075	2,163,915	6,606,003
Total revenues	82,058,418	111,565,716	110,955,647
EXPENDITURES			
General government operations	9,634,211	12,752,353	12,251,458
Regional planning and development	11,896,946	15,951,042	12,974,517
Culture and recreation	7,737,303	13,218,846	12,057,905
Zoo (1)	22,974,261	25,527,960	26,112,124
Debt service:			
Principal	12,703,945	24,181,585	26,447,275
Interest	8,469,032	14,847,345	12,745,812
Capital outlay	12,320,285	29,890,673	31,911,433
Total expenditures	85,735,983	136,369,804	134,500,524
Excess of revenues over (under) expenditures	(3,677,565)	(24,804,088)	(23,544,877)

2010	2011	2012	2013	2014	2015	2016
51,457,062	49,747,025	39,333,293	51,517,060	59,245,166	61,790,541	55,397,507
12,964,535	14,068,190	14,413,338	15,357,373	16,002,790	16,587,938	18,144,768
1,427,730	1,440,755	1,765,024	2,349,487	2,537,894	2,669,188	3,338,479
25,497	26,861	33,195	28,680	49,581	48,335	46,711
1,545,284	853,253	488,586	742,206	1,180,790	888,088	1,358,919
389,643	301,329	109,500	127,590	99,809	95,725	76,236
17,402,009	17,890,108	19,553,150	22,172,112	23,306,808	24,856,959	4,592,527
-	-	270,856	301,902	317,949	340,912	985,486
3,086,589	3,309,488	3,452,403	3,471,424	3,470,826	3,271,705	1,485,642
2,629,198	2,797,314	2,740,228	3,623,649	3,223,107	1,812,342	3,969,961
385,155	379,485	373,675	375,160	369,855	393,796	507,560
366,185	943,084	221,974	477,361	365,234	540,467	177,329
11,622,037	9,611,840	9,743,878	10,390,062	8,056,565	17,840,916	8,569,740
509,323	468,776	466,123	555,198	621,111	773,657	761,253
1,505,000	65,505	4,427,539	2,992,196	2,975,000	3,370,903	3,814,143
1,318,994	1,296,050	862,141	689,428	293,104	510,343	640
1,226,124	10,617	38,334	26,876	842,564	18,740	238,790
1,499,373	991,105	1,027,495	2,011,176	2,611,681	7,122,542	22,500
109,359,738	104,200,785	99,320,732	117,208,940	125,569,834	142,933,097	103,488,191
11,575,042	12,432,590	14,142,072	12,883,851	15,189,343	16,506,570	12,583,030
14,909,242	14,797,588	13,904,294	11,263,128	11,598,462	13,888,509	13,304,049
14,670,631	17,415,303	19,350,637	18,618,034	18,866,771	22,358,773	24,568,215
24,623,138	25,030,953	27,860,285	30,978,416	31,274,828	31,967,441	-
32,203,540	30,393,356	24,980,000	39,675,000	27,320,000	29,665,000	23,770,000
11,653,488	10,367,591	9,093,066	13,907,089	12,428,417	9,722,466	9,354,224
23,298,304	24,231,381	28,910,761	26,777,135	39,647,950	46,140,996	30,098,540
132,933,385	134,668,762	138,241,115	154,102,653	156,325,771	170,249,755	113,678,058
(23,573,647)	(30,467,977)	(38,920,383)	(36,893,713)	(30,755,937)	(27,316,658)	(10,189,867)

(Continued)

METRO

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

	Fiscal Year		
	2007	2008	2009
OTHER FINANCING SOURCES (USES)			
Bonds issued	124,295,000	-	5,000,000
Refunding bonds issued	-	-	-
Premium on bonds issued	6,383,369	-	-
Loan proceeds	592,500	-	-
Sale of capital assets	-	16,000	100,000
Transfers in	2,933,742	8,574,992	9,390,120
Payment to refunded bond escrow agent	-	-	-
Transfers out	(3,695,027)	(8,296,089)	(9,265,675)
Total other financing sources (uses)	130,509,584	294,903	5,224,445
Net change in fund balances	126,832,019	(24,509,185)	(18,320,432)
Prior period adjustment/cumulative change in accounting principle	\$ 7,004,744	-	-
Debt service as a percentage of noncapital expenditures	29.4%	37.4%	38.2%

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

2010	2011	2012	2013	2014	2015	2016
-	15,000,000	140,000,000	-	-	-	30,000,000
-	-	27,575,000	12,600,000	-	57,955,000	-
-	-	27,903,859	42,577	-	6,780,891	3,479,164
-	-	-	-	-	-	-
50,000	78,716	440,934	531,116	1,743,987	23,361	348,744
1,901,669	1,027,878	5,343,680	355,757	281,742	964,282	5,779,685
-	-	(29,679,329)	(12,515,811)	-	(65,967,620)	-
(1,342,523)	(710,287)	(2,032,834)	(680,764)	(506,859)	(1,364,097)	(20,145,434)
609,146	15,396,307	169,551,310	332,875	1,518,870	(1,608,183)	19,462,159
(22,964,501)	(15,071,670)	130,630,927	(36,560,838)	(29,237,067)	(28,924,841)	9,272,292
-	659,362	-	-	-	-	-
40.0%	37.6%	31.2%	42.2%	34.1%	31.8%	39.6%



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	
2007	610,853	\$ 69.86	798,065	\$ 21.92	21,639	183,291	1,613,848
2008	592,950	71.14	758,765	22.31	26,003	146,652	1,524,370
2009	514,710	75.75	687,296	25.01	27,832	151,488	1,381,326
2010	483,471	80.75	642,813	27.36	26,604	168,104	1,320,992
2011	453,790	85.85	628,743	27.66	23,143	142,515	1,248,191
2012	422,746	89.53	599,339	29.44	84,375	191,256	1,297,716
2013	398,139	93.84	646,479	30.75	101,386	227,608	1,373,612
2014	428,794	94.33	651,480	30.85	91,843	259,015	1,431,132
2015	471,781	93.33	663,504	29.97	86,753	346,475	1,568,513
2016	509,286	94.98	754,083	29.87	76,970	304,700	1,645,039

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

(2) "Waste" is mixed solid waste on which Metro levies a Public Goods Charge that generates revenue for the Solid Waste Fund and pays for solid waste programs, and on which an Excise Tax that generates revenue for the General Fund is levied. Waste delivered to Metro's own transfer stations also incurs a user charge that is deposited in the Solid Waste Revenue Fund to pay for station operation, transport, and disposal.

(3) "Organic" is source-separated wood waste, yard debris and compostable food wastes delivered to Metro's own transfer stations. Metro levies a user charge and host fee only on the food waste portion of this group of wastes.

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

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

METRO
Solid Waste Disposal Rates
Last Ten Fiscal Years
Unaudited

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
METRO FACILITIES										
Disposal fee	\$ 46.20	47.09	49.00	51.65	56.45	58.35	61.35	61.74	61.62	62.87
Regional system fee	13.57	14.08	16.04	17.53	16.72	17.64	18.56	18.56	18.21	18.39
Excise tax	8.35	8.23	8.97	9.83	10.94	11.80	12.19	12.29	11.76	11.48
Host fee	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	1.00
DEQ fees - orphan sites	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13
DEQ fees - promotion	1.11	1.11	1.11	1.11	1.11	1.11	1.11	1.11	1.11	1.11
Total rate per ton (1)	\$ 69.86	71.14	75.75	80.75	85.85	89.53	93.84	94.33	93.33	94.98
Transaction fee-scalehouse	\$ 8.50	8.50	8.50	10.00	11.00	12.00	12.00	12.00	12.00	12.00
Transaction fee-automated	\$ 3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
PRIVATELY-OWNED FACILITIES										
Regional system fee	\$ 13.57	14.08	16.04	17.53	16.72	17.64	18.56	18.56	18.21	18.39
Excise tax	8.35	8.23	8.97	9.83	10.94	11.80	12.19	12.29	11.76	11.48
Total rate per ton	\$ 21.92	22.31	25.01	27.36	27.66	29.44	30.75	30.85	29.97	29.87

(1) Rates are per ton of mixed waste disposal. For fiscal year 2016, 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 Property and Environmental Services Department.

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

Customer/Payer	2016			2007		
	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	\$ 15,072,435	1	23.84 %	\$ 8,883,451	1	17.09 %
Oregon City Garbage Company	3,035,894	2	4.80	2,225,561	4	4.28
Arrow Sanitary Services	2,923,414	3	4.62	-	-	-
Portland Disposal & Recycling	2,729,892	4	4.32	2,426,338	3	4.66
AGG Recology Inc.	2,501,582	5	3.96	2,752,583	2	5.30
Allied Waste Services of Portland	2,276,654	6	3.60	1,565,225	7	3.01
Heiberg Garbage Service	2,167,147	7	3.43	478,199	10	0.92
Trashco Services Inc.	2,133,689	8	3.38	1,793,267	6	3.45
Walker Garbage Services Inc.	1,096,680	9	1.73	-	-	-
Sunset Garbage Collection Inc.	892,296	10	1.41	-	-	-
Keller Drop Box Inc.	-	-	-	2,196,434	5	4.23
Gresham Sanitary Service Inc.	-	-	-	1,438,659	8	2.77
Oak Grove Disposal Company Inc.	-	-	-	1,206,465	9	2.33
Total	\$ 34,829,684		55.09 %	\$ 24,966,182		48.04 %

(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 146 for rate detail.

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

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

Fiscal year ended June 30,	Governmental Activities			
	General Obligation Bonds	Full Faith and Credit Refunding Bonds	Pension Obligation Bonds	Loans Payable
2007	\$ 252,287,497	\$ 18,652,639	\$ 24,044,639	\$ 1,072,239
2008	229,338,399	17,658,856	23,896,369	592,500
2009	209,351,110	16,640,072	23,688,100	-
2010	178,115,055	15,591,289	23,409,830	-
2011	163,799,185	14,502,505	23,061,561	-
2012	304,897,649	13,378,722	22,638,291	-
2013	265,579,168	13,985,000	22,300,000	-
2014	237,456,537	12,495,000	21,685,000	2,136
2015	209,240,729	10,900,000	20,975,000	-
2016	217,472,440	9,125,000	20,155,000	-

(1) See page 157 for personal income and population data.

* Not available

Business-type Activities

	Revenue Bonds	Full Faith and Credit Bonds	Loans Payable	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
\$	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	0.30	160.99
	-	12,311,164	-	229,427,338	0.26	139.51
	-	11,722,499	-	213,085,750	0.23	128.61
	-	11,108,835	-	352,023,497	0.35	210.42
	-	11,079,730	-	312,943,898	0.31	184.78
	-	10,357,673	-	281,996,346	0.26	164.16
	-	9,605,617	-	250,721,346	N/A *	143.65
	-	8,988,560	-	255,741,000	N/A *	143.74



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	Pension Obligation Bonds	Less: Amounts Restricted to Repaying Principal	Net General Bonded Debt			
2007	\$ 252,287,497	\$ 24,044,639	\$ 12,082,430	\$ 264,249,706	\$ 181,787,247,525	0.15 %	\$ 165.84
2008	229,338,399	23,896,369	13,661,489	239,573,279	207,455,843,980	0.12	148.39
2009	209,351,110	23,688,100	13,133,831	219,905,379	218,478,090,509	0.10	134.77
2010	178,115,055	23,409,830	13,041,458	188,483,427	208,123,520,973	0.09	114.61
2011	163,799,185	23,061,561	14,086,438	172,774,308	196,930,643,603	0.09	104.28
2012	304,897,649	22,638,291	11,134,999	316,400,941	186,113,692,723	0.17	189.13
2013	265,579,168	22,300,000	632,127	287,247,041	182,115,877,804	0.16	169.61
2014	237,456,537	21,685,000	1,107,953	258,033,584	191,403,168,645	0.13	150.21
2015	209,240,729	20,975,000	1,270,502	228,945,227	211,844,217,262	0.11	131.17
2016	217,472,440	20,155,000	495,726	237,131,714	232,729,794,715	0.10	133.28

Sources:

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

(2) See page 157 for population data.

METRO
Direct and Overlapping Governmental Activities Debt
As of June 30, 2016
Unaudited

Overlapping government	Net property tax backed debt	Percent within Metro	Share of Overlapping Debt
Banks Fire District 13	\$ 330,000	0.06 %	\$ 186
City of Beaverton	722,076	99.86	721,052
City of Cornelius	2,033,640	94.08	1,913,212
City of Durham	520,000	100.00	520,000
City of Fairview	526,335	100.00	526,335
City of Gladstone	1,614,000	100.00	1,614,000
City of Gresham	34,907,567	100.00	34,907,567
City of Happy Valley	3,530,000	100.00	3,530,000
City of Hillsboro	34,975,000	98.66	34,506,790
City of Lake Oswego	13,550,000	100.00	13,550,000
City of Milwaukie	4,938,244	100.00	4,938,244
City of Oregon City	385,000	99.93	384,735
City of Portland	194,580,568	100.00	194,579,206
City of Sherwood	28,091,621	99.70	28,006,672
City of Tigard	24,708,242	99.43	24,567,603
City of Troutdale	9,378,000	100.00	9,378,000
City of Tualatin	6,892,166	100.00	6,892,166
City of West Linn	17,740,000	100.00	17,740,000
Clackamas Community College	62,061,012	75.21	46,674,970
Clackamas County	101,775,136	75.21	76,543,858
Clackamas County ESD	425,637	75.44	321,082
Clackamas County RFPD 1	16,700,000	88.27	14,740,890
Clackamas County SD 115 (Gladstone)	49,095,891	100.00	49,095,891
Clackamas County SD 12 (North Clackamas)	306,389,340	98.77	302,624,121
Clackamas County SD 3J (West Linn-Wilsonville)	241,545,453	94.65	228,611,418
Clackamas County SD 46 (Oregon Trail)	105,330,487	6.60	6,951,917
Clackamas County SD 62 (Oregon City)	81,569,276	70.07	57,154,124
Clackamas County SD 7J (Lake Oswego)	96,022,877	100.00	96,022,877
Clackamas County SD 86 (Canby)	66,658,030	13.40	8,935,176
Columbia County SD 1J (Scappoose)	29,095,000	5.81	1,691,467
Corbett Water District	1,107,325	20.67	228,856
Lusted Water District	765,000	97.14	743,157
Mt. Hood Community College	23,735,000	86.59	20,551,828
Multnomah County	160,509,766	99.06	158,992,948
Multnomah County Drainage District 1	65,000	100.00	65,000
Multnomah County RFPD 10	3,560,538	84.10	2,994,274
Multnomah County SD 10J (Gresham-Barlow)	75,331,492	95.14	71,669,704
Multnomah County SD 1J (Portland)	710,094,161	99.68	707,831,091
Multnomah County SD 28J (Centennial)	24,641,858	100.00	24,641,858
Multnomah County SD 3 (Parkrose)	58,702,858	100.00	58,702,858
Multnomah County SD 39 (Corbett)	1,986,875	12.60	250,334
Multnomah County SD 40 (David Douglas)	90,977,481	100.00	90,977,481
Multnomah County SD 51J (Riverdale)	18,373,758	100.00	18,373,758
Multnomah County SD 7 (Reynolds)	217,866,522	100.00	217,866,522
Pleasant Home Water District	1,650,000	56.06	925,048
Portland Community College	335,095,000	92.63	310,404,195
Rivergrove Water District 14J	655,635	100.00	655,635
Tualatin Hills Park & Recreation District	86,871,694	99.90	86,783,954
Tualatin Valley Fire & Rescue District	52,000,000	97.05	50,465,740
Valley View Water District	1,621,692	100.00	1,621,692

METRO

Direct and Overlapping Governmental Activities Debt, *continued*

As of June 30, 2016

Unaudited

Overlapping government	Net property tax backed debt	Percent within Metro	Share of Overlapping Debt
Washington County	\$ 53,679,570	93.36 %	\$ 50,113,958
Washington County Enhanced Patrol District	90,020	99.92	89,944
Washington County SD 13 (Banks)	14,975,457	0.05	7,233
Washington County SD 15 (Forest Grove)	101,687,004	77.78	79,092,355
Washington County SD 1J (Hillsboro 7 Bond)	4,583,144	85.85	3,934,698
Washington County SD 1J (Hillsboro)	269,460,000	85.88	231,410,631
Washington County SD 23J (Tigard-Tualatin)	86,394,152	99.27	85,763,129
Washington County SD 48J (Beaverton)	808,153,784	99.76	806,205,325
Washington County SD 88J (Sherwood)	99,865,170	81.94	81,830,119
Subtotal, overlapping debt	<u>4,840,590,553</u>		<u>4,430,836,884</u>
Metro direct debt			<u>246,752,440</u>
Total direct and overlapping debt			<u>\$ 4,677,589,324</u>

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

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

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

METRO
Legal Debt Margin Information
Last Ten Fiscal Years
Unaudited

Legal Debt Margin Calculation for Fiscal Year 2016

True cash value		\$	232,729,794,715
Debt limit (10% of true cash value)			23,272,979,472
Debt applicable to limit:			
Gross bonded debt principal	\$	228,690,000	
Less legal deductions from debt limit:			
Full Faith and Credit Refunding Bonds 2013 Series (MRC)		(9,125,000)	
Full Faith and Credit Refunding Bonds 2013 Series (Zoo)		(165,000)	
Full Faith and Credit Oregon Local Governments Bonds 2006 Series		(8,680,000)	
Metro Limited Tax Pension Obligation Bonds Series 2005		(20,155,000)	
Total net debt applicable to limit			190,565,000
Legal debt margin		\$	23,082,414,472

	Fiscal Year		
	2007	2008	2009
Debt limit	\$ 18,178,724,753	20,745,584,398	21,847,809,051
Total net debt applicable to limit	244,378,256	221,976,671	202,536,896
Legal debt margin	\$ 17,934,346,497	20,523,607,727	21,645,272,155
Total net debt applicable to the limit as a percentage of the debt limit	1.34%	1.07%	0.93%

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.

2010	2011	2012	2013	2014	2015	2016
20,812,352,097	19,693,064,360	18,611,369,272	18,211,587,780	19,140,316,865	21,184,421,726	23,272,979,472
171,848,356	158,080,000	273,485,000	235,675,000	210,460,000	182,305,000	190,565,000
20,640,503,741	19,534,984,360	18,337,884,272	17,975,912,780	18,929,856,865	21,002,116,726	23,082,414,472
0.83%	0.80%	1.47%	1.29%	1.10%	0.86%	0.82%

METRO
Pledged Revenue Coverage
Last Ten Fiscal Years
Unaudited

Fiscal year ended June 30,	Solid Waste Revenue Bonds					
	Solid Waste operating revenue	Less: operating expenses	Net available revenue	Debt service (1)		Coverage
				Principal	Interest	
2007	\$ 56,198,701	49,919,528	6,279,173	640,903	1,600,400	2.80
2008	55,134,283	50,918,534	4,215,749	2,265,000	108,963	1.78
2009 (2)	-	-	-	-	-	-
2010	-	-	-	-	-	-
2011	-	-	-	-	-	-
2012	-	-	-	-	-	-
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-

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)
2007	1,593,370	\$ 85,542,797	\$ 40,014	5.0 %
2008	1,614,465	89,874,570	41,362	6.1
2009	1,631,665	86,819,125	39,343	10.9
2010	1,644,535	88,687,837	39,733	10.2
2011	1,656,775	94,577,916	41,845	9.0
2012	1,672,970	100,469,629	43,898	8.0
2013	1,693,600	101,893,020	44,019	7.1
2014	1,717,765	107,536,731	45,794	6.2
2015	1,745,385	N/A *	N/A *	5.3
2016	1,779,245 (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	2016			2007		
	Employees	Rank	Percentage of Total Metropolitan Area Employment	Employees	Rank	Percentage of Total Metropolitan Area Employment
State of Oregon	25,700	1	2.30 %	17,730	2	1.73 %
Intel Corporation	18,600	2	1.67	16,000	3	1.56
US Government	18,000	3	1.61	21,150	1	2.06
Providence Health System	16,139	4	1.45	15,000	4	1.46
Oregon Health & Science University	14,963	5	1.34	11,300	6	1.10
Kaiser Foundation Health Plan of the NW	11,898	6	1.07	8,747	9	0.85
Fred Meyer Stores	10,813	7	0.97	10,500	7	1.02
Legacy Health System	8,700	8	0.78	10,000	8	0.97
Nike, Inc.	8,500	9	0.76	7,000	10	0.68
City of Portland	5,481	10	0.49	-	-	-
Safeway, Inc.	-	-	-	13,000	5	1.27
Total	138,794		12.44 %	130,427		12.70 %

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

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

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
FUNCTIONS/PROGRAMS										
Primary Government:										
<i>Governmental activities:</i>										
General government operations	134.70	142.96	149.78	169.50	172.75	176.15	174.04	175.79	181.80	183.20
Regional planning and development	81.40	82.08	83.65	88.78	89.87	87.43	76.05	72.15	75.65	76.30
Culture and recreation	42.40	55.65	63.65	59.63	54.40	53.20	58.30	76.75	83.55	92.10
Zoo (6)	149.13	151.96	155.98	157.98	155.98	159.31	168.20	174.85	187.15	-
Total governmental activities	407.63	432.65	453.06	475.89	473.00	476.09	476.59	499.54	528.15	351.60
<i>Business-type activities:</i>										
Solid Waste	106.75	106.75	109.00	92.95	93.60	93.55	91.05	90.75	101.30	107.45
Oregon Zoo (6)	-	-	-	-	-	-	-	-	-	198.65
MERC	163.00	186.00	191.00	194.00	190.00	185.85	181.50	175.50	182.35	186.35
Total business-type activities	269.75	292.75	300.00	286.95	283.60	279.40	272.55	266.25	283.65	492.45
Total primary government	677.38	725.40	753.06	762.84	756.60	755.49	749.14	765.79	811.80	844.05
		(1)	(2)	(3)					(4)	(5)

(1) 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.

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

(3) 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.

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

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

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

Source: Metro Adopted Budget documents.

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

	Fiscal Year		
	2007	2008	2009
FUNCTIONS/PROGRAMS			
Primary Government:			
<i>Governmental activities:</i>			
General government operations:			
Business licenses issued	3,032	3,011	2,876
General obligation bond rating:			
Moody's	Aaa	Aaa	Aaa
Standard and Poor's	AAA	AAA	AAA
Regional planning and development:			
Data Resource Center sales of maps and aerials	\$ 178,972	175,897	137,344
Culture and recreation:			
Visitors to Blue Lake Park, Oxbow Park and Chinook Landing	695,176	711,009	824,375
Volunteer visits (1)	1,687	5,169	4,780
Volunteer hours	14,642	18,196	17,000
Acres acquired in Open Spaces and Natural Areas land target areas	316	426	312
<i>Business-type activities:</i>			
Solid Waste:			
Recycling Information Center calls/hits on website	134,489	147,186	148,465
Students reached in elementary and secondary school presentations	43,420	57,189	41,045
Regional recovery rate (2)	55.4%	55.1%	56.8%
Hazardous waste net cost per pound	\$ 0.78	0.82	0.87
Gallons of recycled paint produced	92,982	119,536	99,253
Latex paint revenue	\$ 955,802	1,009,012	1,159,152
PaintCare revenue (management of post-consumer paint)	\$ -	-	-
Oregon Zoo (4):			
Adult admission price (peak & off season)	\$ 9.75	9.75	9.75
Annual attendance	1,508,564	1,500,570	1,621,567
Volunteer hours	156,839	168,795	183,711
Enterprise revenue as percentage of operating revenue	60.2%	56.0%	61.8%
Contributions and donations as percent of total revenue	4.6%	5.0%	7.0%
MERC:			
Annual attendance			
Oregon Convention Center	608,673	639,000	574,199
Portland Expo Center	477,072	510,141	454,005
Portland'5 Centers for the Arts (3)	862,897	817,637	930,841
Number of events/performances			
Oregon Convention Center	91	104	92
Portland Expo Center	98	107	110
Portland'5 Centers for the Arts (3)	1,113	827	1,061
Capacity			
Occupancy rate (75% considered maximum)			
Oregon Convention Center	42%	46%	41%

*Not available

(1) The methodology for tracking volunteers was changed in 2008 from hours to visits; data prior to 2008 could not be restated.

(2) 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.

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

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

Source: Various Metro departments.

2010	2011	2012	2013	2014	2015	2016
2,851	2,811	2,768	2,779	2,739	2,918	3,079
Aaa AAA	Aaa AAA	Aaa AAA	Aaa AAA	Aaa AAA	Aaa AAA	Aaa AAA
146,199	102,727	73,091	75,279	78,635	81,943	70,467
743,546	704,430	754,351	813,194	739,324	719,804	850,623
5,457	5,278	4,101	2,634	2,011	2,736	2,630
19,497	20,328	15,664	10,357	9,384	14,385	15,349
1,438	392	1,117	398	234	361	180
136,178	135,789	138,438	130,110	147,389	147,875	146,708
58,413	42,767	46,636	31,636	26,591	44,482	45,150
56.5%	57.9%	59.3%	62.2%	64.2%	59.8%	N/A*
0.95	0.77	0.93	0.93	0.89	0.97	1.04
121,207	134,548	157,957	158,421	199,192	243,341	220,016
1,037,583	948,328	997,290	1,147,907	1,258,303	1,360,872	1,286,638
-	1,097,559	1,382,882	1,303,797	1,131,360	1,521,246	1,567,449
10.50	10.50	10.50	11.50	11.50	11.50	14.95 & 9.95
1,634,978	1,536,303	1,597,475	1,683,442	1,514,192	1,560,035	1,494,316
166,890	156,997	150,035	130,993	158,551	130,065	98,722
62.9%	64.0%	64.1%	62.4%	60.4%	61.2%	66.2%
6.0%	7.0%	4.0%	3.0%	2.4%	2.0%	3.8%
505,371	524,388	732,982	661,283	581,195	633,047	632,823
420,616	390,333	506,508	429,613	466,213	381,169	398,705
778,691	769,468	844,750	785,277	743,560	876,819	928,151
98	88	80	95	88	81	74
98	93	114	110	154	112	121
931	877	878	952	906	967	964
43%	46%	42%	46%	44%	51%	58%

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

	Fiscal Year		
	2007	2008	2009
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	6
Acres (including acres acquired using Natural areas bond proceeds)	1,572	1,572	1,701
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	8,185	8,185	8,001
Natural areas acquired using bond proceeds	27	27	27
Acres	304	730	1,037
<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
Oregon Zoo (1):			
Acres	65	65	65
Buildings and exhibits	70	70	70
Railways	1	1	1
MERC:			
Convention Centers	1	1	1
Square footage	907,000	907,000	907,000
Parking spaces	800	800	800
Exposition Centers	1	1	1
Square footage	330,000	330,000	330,000
Parking spaces	2,200	2,200	2,200

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

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

Source: Various Metro departments.

2010	2011	2012	2013	2014	2015	2016
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
7	7	8	8	8	8	8
1,957	1,957	2,207	2,207	2,207	2,305	2,305
14	14	14	14	14	14	14
67	67	67	67	67	67	67
1	1	1	1	1	1	1
232	232	232	232	232	232	232
2	2	2	2	2	2	2
3	3	3	3	3	3	3
7	7	7	7	7	7	7
2,422	2,422	2,422	2,422	2,422	2,422	2,422
20	20	20	20	20	20	20
7,745	7,745	7,668	7,668	7,684	7,684	7,684
27	27	27	27	27	27	27
2,465	2,838	4,032	4,430	4,647	4,910	5,090
2	2	2	2	2	2	2
1	1	1	1	1	1	1
1	1	1	1	1	1	1
65	65	65	65	65	65	65
71	73	73	71	67	67	67
1	1	1	1	1	2	2
1	1	1	1	1	1	1
907,000	907,000	907,000	907,000	907,000	907,000	907,000
800	800	800	800	800	800	716
1	1	1	1	1	1	1
330,000	330,000	330,000	330,000	330,000	330,000	330,000



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

Fiscal year ended June 30,	Total tax levy for fiscal year	Collected within the fiscal year of the levy		Collections in subsequent fiscal years	Total collections to date		Total uncollected taxes for the fiscal year
		Tax collections	Percentage of levy		Tax collections	Percentage of levy	
2007	\$ 29,415,279	\$ 27,895,188	94.8 %	\$ 696,526	\$ 28,591,714	97.2 %	\$ 1,140,509
2008	48,123,417	45,437,777	94.4	1,276,308	46,714,085	97.1	1,815,332
2009	46,756,581	43,824,192	93.7	1,545,379	45,369,571	97.0	2,427,570
2010	53,137,308	49,982,313	94.1	1,454,584	51,436,897	96.8	2,699,142
2011	51,113,288	48,209,584	94.3	1,157,087	49,366,671	96.6	2,524,787
2012	40,461,529	38,168,544	94.3	845,597	39,014,141	96.4	2,718,087
2013	53,097,952	50,317,145	94.8	1,010,329	51,327,474	96.7	2,846,442
2014	61,068,522	57,913,674	94.8	870,554	58,784,228	96.3	3,122,857
2015	63,625,056	60,524,636	95.1	590,874	61,115,510	96.1	3,256,373
2016	56,981,126	54,251,668	95.2	-	54,251,668	95.2	3,355,651

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

METRO
Taxable Property Values
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	Real Market Value (1)	Total Assessed Valuation (AV)	Urban Renewal Excess	AV used to Calculate Rates (2)
Metro – Total Area				
2007	\$ 181,787,247,525	\$ 110,333,415,537	\$ 4,718,856,416	\$ 105,614,559,121
2008	207,455,843,980	116,530,569,872	5,315,505,467	111,215,064,405
2009	218,478,090,509	122,534,341,174	6,020,017,669	116,514,323,505
2010	208,123,520,973	127,491,891,101	6,824,416,166	120,667,474,935
2011	196,930,643,603	131,057,532,855	6,703,067,043	124,354,465,812
2012	186,113,692,723	134,726,718,334	6,813,436,761	127,913,281,573
2013	182,115,877,804	137,952,858,654	7,117,486,446	130,835,372,208
2014	191,403,168,645	143,016,215,233	6,911,680,698	136,104,534,535
2015	211,844,217,262	149,658,475,167	7,196,823,537	142,461,651,630
2016	232,729,794,715	157,332,876,813	7,692,366,115	149,640,510,698
Portion of Metro Located in Multnomah County				
2007	\$ 86,176,149,516	\$ 50,806,632,375	\$ 3,206,806,710	\$ 47,599,825,665
2008	99,296,668,779	53,649,313,019	3,631,631,788	50,017,681,231
2009	106,260,520,938	56,250,379,076	4,144,208,538	52,106,170,538
2010	104,037,809,015	58,604,681,647	4,751,822,133	53,852,859,514
2011	100,581,687,913	60,307,166,969	5,039,772,399	55,267,394,570
2012	94,398,806,299	61,937,120,961	5,151,161,165	56,785,959,796
2013	92,813,634,950	63,238,726,207	5,323,183,349	57,915,542,858
2014	97,169,032,640	65,397,982,385	5,552,059,852	59,845,922,533
2015	107,182,217,862	68,400,496,894	5,690,908,219	62,709,588,675
2016	118,439,572,417	71,365,034,261	6,080,696,726	65,284,337,535
Portion of Metro Located in Washington County				
2007	\$ 59,556,128,428	\$ 36,875,102,158	\$ 517,123,028	\$ 36,357,979,130
2008	65,921,513,289	38,822,646,031	545,317,458	38,277,328,573
2009	67,919,881,085	40,853,200,871	580,739,692	40,272,461,179
2010	63,920,741,444	42,307,096,557	618,930,288	41,688,166,269
2011	60,514,716,319	43,432,392,813	193,090,521	43,239,302,292
2012	58,085,653,520	44,766,571,918	201,432,245	44,565,139,673
2013	56,826,665,878	46,038,212,248	213,290,719	45,824,921,529
2014	60,172,881,111	47,774,596,085	278,476,700	47,496,119,385
2015	66,641,438,168	49,956,068,958	328,606,130	49,627,462,828
2016	72,210,640,850	53,190,401,212	308,315,912	52,882,085,300
Portion of Metro Located in Clackamas County				
2007	\$ 36,054,969,581	\$ 22,651,681,004	\$ 994,926,678	\$ 21,656,754,326
2008	42,237,661,912	24,058,610,822	1,138,556,221	22,920,054,601
2009	44,297,688,486	25,430,761,227	1,295,069,439	24,135,691,788
2010	40,164,970,514	26,580,112,897	1,453,663,745	25,126,449,152
2011	35,834,239,371	27,317,973,073	1,470,204,123	25,847,768,950
2012	33,629,232,904	28,023,025,455	1,460,843,351	26,562,182,104
2013	32,475,576,976	28,675,920,199	1,581,012,378	27,094,907,821
2014	34,061,254,894	29,843,636,763	1,081,144,146	28,762,492,617
2015	38,020,561,232	31,301,909,315	1,177,309,188	30,124,600,127
2016	42,079,581,448	32,777,441,340	1,303,353,477	31,474,087,863

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

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

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

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

Fiscal Year Ended June 30,	Permanent Rate	Local Option Levy Rate	General Obligation Bond Levy Rate (1)	Total Rate
2007	\$ 0.0966	\$ -	\$ 0.1817	\$ 0.2783
2008	0.0966	-	0.3337	0.4303
2009	0.0966	-	0.3044	0.4010
2010	0.0966	-	0.3437	0.4403
2011	0.0966	-	0.3146	0.4112
2012	0.0966	-	0.2202	0.3168
2013	0.0966	-	0.4140	0.5106
2014	0.0966	0.0960	0.2768	0.4694
2015	0.0966	0.0960	0.2683	0.4609
2016	0.0966	0.0960	0.1982	0.3908

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

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

June 30, 2016

Unaudited

Taxpayer account	Type of business	Assessed valuation	Percent of total valuation
MULTNOMAH COUNTY			
Port of Portland	Marine and aviation facilities	\$ 571,028	0.87 %
Comcast Corporation	Telecommunications	441,354	0.68
Portland General Electric Co.	Electric utility	398,507	0.61
Pacificorp (PP&L)	Electric utility	335,076	0.51
Alaska Airlines, Inc.	Air travel	277,695	0.43
Weston Investment Co. LLC	Nonresidential construction	267,709	0.41
Evraz Inc. NA	Steel manufacturing	218,465	0.33
Centurylink	Telecommunications	195,515	0.30
AT & T Inc.	Telecommunications	191,088	0.29
CAPREF Lloyd Center LLC	Retail shopping mall	173,304	0.27
All other taxpayers	-	62,214,597	95.30
	Total	\$ 65,284,338	100.00 %
WASHINGTON COUNTY			
Intel Corporation	Computer electronics	\$ 2,213,627	4.19 %
Nike, Inc.	Athletic apparel	643,094	1.22
Portland General Electric Co.	Electric utility	383,350	0.72
Pacific Realty Associates	Real estate	339,536	0.64
Comcast Corporation	Telecommunications	302,004	0.57
Northwest Natural Gas Co.	Natural gas utility	251,328	0.48
Frontier Communications	Telecommunications	178,196	0.34
Verizon Communications	Telecommunications	172,093	0.33
Genentech, Inc.	Biotechnology	165,226	0.31
PPR Washington Square LLC	Retail shopping mall	142,626	0.27
All other taxpayers	-	48,091,005	90.93
	Total	\$ 52,882,085	100.00 %
CLACKAMAS COUNTY			
Shorenstein Properties LLC	Real estate	\$ 276,495	0.88 %
Portland General Electric Co.	Electric utility	273,227	0.87
General Growth Properties, Inc.	Real estate	240,172	0.76
Comcast Corporation	Telecommunications	200,574	0.64
Fred Meyer, Inc.	Retailer	155,790	0.49
PCC Structural, Inc.	Metal castings and machining	129,004	0.41
Northwest Natural Gas Co.	Natural gas utility	125,761	0.40
ROIC Oregon LLC	Real estate	71,880	0.23
Marvin F. Poer & Company	Property tax consulting	71,048	0.23
Mentor Graphics Corp.	Electronics	67,538	0.21
All other taxpayers	-	29,862,599	94.88
	Total	\$ 31,474,088	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 subject to the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). As a result, Metro's audit is also required to be performed in compliance with Generally Accepted Government Audit Standards.

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



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

Metro Council and Metro Auditor
Portland, Oregon

We have audited the basic financial statements of Metro as of and for the year ended June 30, 2016 and have issued our report thereon dated November 17, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Oregon Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

Compliance

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

		Instances of Non-Compliance
		Identified?
OAR	Section	
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)	Yes
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

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162-010-0240	Public Fund Deposits	None Noted
162-010-0250	Indebtedness	None Noted
162-010-0260	Budget	None Noted
162-010-0270	Insurance and Fidelity Bonds	None Noted
162-010-0280	Programs Funded from Outside Sources	None Noted
162-010-0295	Highway Funds	Not applicable
162-010-0300	Investments	None Noted
162-010-0310	Public Contracts and Purchasing	None Noted
162-010-0315	State School Fund	Not applicable
162-010-0316	Public Charter Schools	Not applicable
162-010-0320	Other Comments and Disclosures	None Noted
162-010-0330	Extensions of Time to Deliver Audit Reports	Not applicable

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

- Metro experienced a budgetary over-expenditure in one fund which is disclosed in the notes to the financial statements.

Internal Control Over Financial Reporting

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

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

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

MOSS-ADAMS_{LLP}**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 17, 2016

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, 2016, and the related notes to the financial statements, which collectively comprise Metro's basic financial statements, and have issued our report thereon dated November 17, 2016. 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.



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 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 *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 17, 2016

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM
 AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
 GUIDANCE**

Metro Council and Metro Auditor
 Portland, Oregon

Report on Compliance for the Major Federal Program

We have audited Metro's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Metro's major federal program for the year ended June 30, 2016. Metro's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Metro's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Metro's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, Metro complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2016.



Report on Internal Control Over Compliance

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

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

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

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

Moss Adams, LLP

Eugene, Oregon
November 17, 2016

METRO
**Schedule of Expenditures of Federal Awards
For the fiscal year ended June 30, 2016**

Grantor and Program Title	Federal CFDA Number	Grant/Pass Through Number	Federal Expenditures
U. S. DEPARTMENT OF AGRICULTURE			
Forest Service-			
Direct Programs:			
UNO Program	10.U01	15-CS-11062200-006	\$ 10,000
Passed through the Clackamas River Basin Council:			
Stewardship Agreement	10.U02	15-SA-11060600-011	90,909
Total U. S. Department of Agriculture			100,909
U. S. DEPARTMENT OF COMMERCE			
National Oceanic and Atmospheric Administration-			
Passed through the Oregon Watershed Enhancement Board:			
Pacific Coast Salmon Recovery, Pacific Salmon Treaty Program	11.438	214-3040	70,997
Total U. S. Department of Commerce			70,997
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 #14-04995	50,000
Total U. S. Department of Defense			50,000
U. S. DEPARTMENT OF THE INTERIOR			
Bureau of Land Management-			
Direct Programs:			
Fish, Wildlife and Plant Conservation Resource Management; Federal Land Policy and Management Act (FLPMA)	15.231	L15AC00108	40,000
Fish and Wildlife Service-			
Direct Programs:			
Endangered Species Conservation-Recovery Implementation Funds	15.657	F15AC000653	13,192
Endangered Species Conservation-Recovery Implementation Funds	15.657	F14AC00611	5,759
Endangered Species Conservation-Recovery Implementation Funds	15.657	F14AC00825	20,000
Endangered Species Conservation-Recovery Implementation Funds	15.657	F15AC000681	20,634
Subtotal Endangered Species Conservation-Recovery Implementation Funds			59,585
Passed through Oregon Department of Parks and Recreation:			
Cooperative Endangered Species Conservation Fund	15.615	FY14-E28TW6 OZ	17,873
Cooperative Endangered Species Conservation Fund	15.615	FY15-E28TW8 OZ	11,803
Subtotal Cooperative Endangered Species Conservation Fund			29,676
Passed through Oregon State Marine Board:			
Clean Vessel Act	15.616	N/A	1,800
Passed through Ducks Unlimited:			
North American Wetlands Conservation Fund	15.623	OR-208-1-SSA	54,991
North American Wetlands Conservation Fund	15.623	US-OR-191-1	136,982
North American Wetlands Conservation Fund	15.623	F10AP00700 / US-OR-32-6	3,375
North American Wetlands Conservation Fund	15.623	F10AP00700 / US-OR-220-1	27,742
Subtotal North American Wetlands Conservation Fund			223,089
Passed through Washington Department of Fish & Wildlife:			
State Wildlife Grants	15.634	WA-S-2013-002-0	5,459
Passed through Oregon Parks and Recreation:			
Clean Vessel Act	15.916		9,523
Total U. S. Department of the Interior			369,132

METRO
Schedule of Expenditures of Federal Awards
For the fiscal year ended June 30, 2016

Grantor and Program Title	Federal CFDA Number	Grant/Pass Through Number	Federal Expenditures
U. S. DEPARTMENT OF TRANSPORTATION			
Federal Highway Administration-			
Highway Planning and Construction Cluster-			
Passed through Oregon Department of Transportation:			
2016 Planning & 2014 Planning Carryover funds	20.205	ODOT # 30814-01	1,968,441
2016 STP & 2014 STP Carryover funds	20.205	ODOT # 30814-01	974,948
2016 Powell Division STP funds & 2015 Carryover funds	20.205	ODOT # 30814-01	470,656
2016 TSMO STP funds & 2014 Carryover funds	20.205	ODOT # 30814-01	74,354
2016 Technical Studies (Sec 5303) & 2014 Carryover funds	20.205	ODOT # 30814-01	707,607
Drive Less Connect - Spanish Language Outreach	20.205	ODOT # 28609	142,465
Individualized Marketing Travel Options	20.205	ODOT # 30843	195,482
SW Corridor 2015-2016 Work Plan	20.205	ODOT # 30681	400,000
Total Highway Planning and Construction Cluster			4,933,953
Federal Transit Administration-			
Federal Transit - Formula Grants (Federal Transit Cluster)-			
Direct Programs:			
Congestion Mitigation & Air Quality Improvement Program (CMAQ)			
Regional Travel Options	20.507	OR-95-X037	61,024
Passed through to subrecipients:			
Drive Oregon		0000931982	61,024
Surface Transportation Funds			
Regional Travel Options	20.507	OR-95-X051	1,641,790
Passed through to subrecipients:			
Beaverton School District		0000933347	65,650
Bicycle Transportation Alliance (BTA)		0000933343	106,399
City of Gresham		0000933337	3,940
City of Portland - # 931970		0000931970	117,054
City of Portland - # 933338		0000933338	116,464
City of Tigard		0000933346	61,113
Clackamas Community College		0000933334	47,401
Clackamas County		0000931973	4,362
Community Cycling Center		0000931977	11,591
Gresham Area Chamber of Commerce - # 931972		0000931972	5,482
Gresham Area Chamber of Commerce - # 933336		0000933336	15,276
Home Forward		0000930697	(7)
Oregon Walks		0000933658	25,831
Portland Community College		0000933339	16,471
Ride Connection Inc - # 931981		0000931981	17,346
Ride Connection Inc - # 933344		0000933344	108,622
Safe Routes to School National		0000933350	6,276
Swan Island Business Association		0000931978	77,649
Tri Met - # 929340		0000929340	1,897
Tri Met - # 931908		0000931908	17,617
Verde - # 931976		0000931976	(13,684)
Verde - # 933141		0000933141	60,000
Washington County		0000933348	17,833
Westside Transportation Alliance Inc. - # 931971		0000931971	15,061
Westside Transportation Alliance Inc. - # 933345		0000933345	87,705
Subtotal Regional Travel Options Grants			1,702,813
Alternative Analysis-			
Direct Programs:			
Streetcar/Eastside/LO-PDX (Sec 5339)	20.522	OR-39-0002	12,845
Total U. S. Department of Transportation			6,649,611
U. S. ENVIRONMENTAL PROTECTION AGENCY			
Passed through State of Oregon Business Development:			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	Q15001 Oregon project	176,000
Total U. S. Environmental Protection Agency			176,000
Total Expenditures of Federal Awards			\$ 7,416,649

The accompanying notes are an integral part of this schedule.

METRO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because this Schedule presents only a selected portion of the operations of Metro, it is not intended to and does not present the financial position, changes in net position or cash flows of Metro.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in note II.C to Metro's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenses are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where applicable. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3 – ELECTION OF DE MINIMIS INDIRECT RATE

During the current year end, June 30, 2016, Metro did not elect to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

METRO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Section I – Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:

• Material weaknesses identified?

___ yes ☒ no

• Significant deficiencies identified?

___ yes ☒ none reported

Noncompliance material to financial statements noted?

___ yes ☒ no

Federal Awards

Internal control over major federal programs:

• Material weaknesses identified?

___ yes ☒ no

• Significant deficiencies identified?

___ yes ☒ none reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

___ yes ☒ no

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

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor's Report Issued on Compliance for Major Federal Programs</i>
20.507	Federal Transit Cluster	Unmodified

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

\$750,000

Auditee qualified as low-risk auditee?

☒ yes ___ no

Section II—Financial Statement Findings

None reported

Section III—Federal Award Findings and Questioned Costs

None reported

