

**MULTNOMAH COUNTY, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(dollar amounts expressed in thousands)**

---

**Note 1. Summary of Significant Accounting Policies**

**A. Reporting entity**

Multnomah County, Oregon (the County) was established in 1854 and is organized under the Oregon Revised Statutes (ORS) as a municipal corporation. The County is governed by an elected Board of Commissioners, comprised of a Board Chair and four commissioners. The accompanying financial statements present the County and its component units, entities for which the County is considered to be financially accountable. Financial accountability is defined as the appointment of a voting majority of the organization's governing board and where (1) the County is able to significantly influence the programs or services performed or provided by the organization or (2) the County is legally entitled to or can otherwise access the organization's resources. Blended component units, although legally separate entities, are, in substance, part of the County's operations. Component units may also include organizations which are fiscally dependent on the County in that the County approves the budget, the issuance of debt or levying of taxes. Multnomah County has two blended component units which are included in this report.

**Blended component units.** The Dunthorpe-Riverdale Sanitary Service District and the Mid County Street Lighting Service District serve residents within each district's geographical boundaries and are governed by a board comprised of the County's elected Board. The rates for user charges for both districts are approved by the Board. Each District is reported as an enterprise fund. Complete financial statements for each of the individual component units may be obtained at the County's administrative offices.

The County also maintains a Hospital Facilities Authority (Authority) that issues conduit debt for health care facilities. The Authority is considered to be a blended component unit of the County because the board for the Authority consists of board members from the County. There are no balances or activity of the Authority and therefore the financial statements of the County do not include the Authority. The County is not fiscally accountable for the Authority, nor does there exist any financial benefit or burden relationship between the County and the Authority.

**Discretely presented component unit.** The Library Foundation (TLF) is a legally separate, tax exempt component unit of the County. TLF's purpose is to support the County's libraries through raising, receiving, administering and disbursing funds, grants, bequests and gifts for the benefit of the County libraries. Although the County does not control the timing or amount of receipts from TLF, the majority of resources, or income thereon that TLF holds and invests are restricted to the County libraries' activities by the donors. TLF is a discretely presented component unit as the nature and relationship with the County is significant and to exclude TLF would cause the County's financial statements to be misleading.

**MULTNOMAH COUNTY, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(dollar amounts expressed in thousands)**

---

TLF is a private non-profit organization that reports under the Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to TLF's financial information in the County's financial reporting entity for these differences. TLF is an organization that is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. A complete copy of The Library Foundation's financial statements can be obtained by contacting: The Library Foundation, 522 SW Fifth Ave, Suite 1103, Portland, Oregon, 97204

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the County (the primary government) and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the County is financially accountable. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. In addition, functional expenses on the statement of activities include allocated indirect expenses. *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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement focus, basis of accounting, and financial statement preparation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**MULTNOMAH COUNTY, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(dollar amounts expressed in thousands)**

---

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, excise taxes, personal income taxes, business income taxes, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following major governmental funds:

The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Federal State Program Fund* accounts for the majority of revenues and expenditures related to federal and state financial assistance programs.

The *PERS Pension Bond Fund* accounts for payment of principal and interest on general obligation bonds that were issued to fund the County's PERS unfunded liability. Revenues consist of charges to departments and interest.

*Proprietary Funds* account for the operations of predominantly self-supporting activities. Proprietary funds are classified as either enterprise or internal service. *Enterprise Funds* account for services rendered to the public on a user charge basis. The following are the County's major enterprise funds:

The *Dunthorpe-Riverdale Service District No. 1 Fund* accounts for the operation of the sanitary sewer system in southwest unincorporated Multnomah County.

The *Mid County Service District No. 14 Fund* accounts for the operation of the street lighting system throughout unincorporated Multnomah County.

**MULTNOMAH COUNTY, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(dollar amounts expressed in thousands)**

---

The *Behavioral Health Managed Care Fund* accounts for all financial activity associated with the State required behavioral health capitated services.

Additionally, the County reports the following fund types:

*Special revenue funds* are primarily operating funds that account for revenue derived from specific taxes or other revenue sources, which are legally restricted to finance particular functions or activities. When a special revenue fund is not an operating fund, transfers are made from the special revenue fund to the operating funds authorized to make expenditures.

*Debt service funds* account for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

*Capital projects funds* account for expenditures on major construction projects or equipment acquisition. The principal sources of revenues are proceeds from certificates of participation issued to finance capital acquisitions, proceeds from the sale of County-owned property, general obligation bond proceeds, full faith and credit bonds, and revenue bonds.

*Internal Service funds* account for activities and services performed primarily for other organizational units within the County. The County reports five internal service funds: Risk Management Fund, Fleet Management Fund, Information Technology Fund, Mail/Distribution Fund and the Facilities Management Fund.

*Fiduciary Funds* reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four categories: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the County under a trust agreement or applicable legislative enactment for individuals, private organizations or other governments and are therefore, not available to support the County's own programs. Agency funds are custodial in nature (i.e. assets equal liabilities) and do not measure the results of operations. The County's agency funds are primarily established to account for the collection and disbursement of various taxes and to account for receipts and disbursements for individuals who are not capable of handling their own financial affairs.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

**MULTNOMAH COUNTY, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(dollar amounts expressed in thousands)**

---

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer and lighting functions and various other functions of the County. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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 sewer and lighting districts, of the Behavioral Health Managed Care fund, and of the County's internal service funds are charges to customers for sales and services. The sewer district also recognizes as operating revenue the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds 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.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Assets, liabilities, and net assets or equity**

***1. Cash and investments***

The County's cash and cash equivalents are comprised of cash on hand, demand deposits, and investments with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows, each fund's share of pooled cash is treated as cash and equivalents.

State statutes authorize the County to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, municipal bonds, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). Investments for the County, as well as for its component units, are reported at fair value. The LGIP operates in accordance with appropriate state laws and regulations.

**MULTNOMAH COUNTY, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(dollar amounts expressed in thousands)**

---

The County reports cash with fiscal agent and cash and investments with special restrictions imposed by grantors or regulations from other governments as restricted cash and investments.

**2. *Receivables and payables***

Activities between funds that are representative of lending / borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to / from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Property tax receivables are deemed to be substantially collectible or recoverable through foreclosure. Accordingly, no allowance for doubtful tax accounts is deemed necessary. All other receivables are shown net of an allowance for uncollectibles.

Property taxes are levied and become a lien on July 1. Property taxes are assessed in October and tax payments are due November 15<sup>th</sup> of the same year. Under the partial payment schedule, the first one-third of taxes are due November 15<sup>th</sup>, the second one-third on February 15<sup>th</sup>, and the remaining one-third on May 15<sup>th</sup>. A three percent discount is allowed if full payment is made by November 15<sup>th</sup> and a two percent discount is allowed if two-thirds payment is made by November 15<sup>th</sup>. Taxes become delinquent if not paid by the due date and interest accrues after each trimester at a rate of one percent per month. Property foreclosure proceedings are initiated four years after the tax due date.

Multnomah County residents approved a personal income tax effective from calendar year 2003 through calendar year 2005. The tax was a 1.25% levy on the Oregon taxable income of Multnomah County residents reduced by an exemption amount. The tax generated an estimated \$120,000 for each calendar year the tax was in effect. The revenues generated from the tax provided funding for public school districts within Multnomah County in addition to funding for elderly, disabled and mentally ill persons, and programs for public safety and health. As of fiscal year 2009, the County continues to collect delinquent accounts. Included in the financial statements is an allowance for uncollectible accounts of \$11,637 for personal income taxes. This amount is shown net with taxes receivable on both the fund financial statements and the statement of net assets. In the statement of activities the reduction is recorded to the related income tax revenues, and on the fund financial statements the offset is recorded in deferred revenues.

**3. *Inventories and prepaid items***

Inventories of materials and supplies in the governmental funds are valued at average cost and are offset by a reservation of fund balance. Inventories of materials and supplies in the internal service funds are valued at the lower of average cost or market. All inventories are recorded as expenditures when consumed rather than when purchased.

**MULTNOMAH COUNTY, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(dollar amounts expressed in thousands)**

---

Payments in excess of \$10 to vendors which reflect costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements.

**4. *Fund balances and net assets***

In the financial statements, assets in excess of liabilities are presented in one of two ways depending on the measurement focus used in the reporting fund.

On the *Balance Sheet – Governmental Funds*, assets in excess of liabilities are reported as fund balances and are segregated between reserved and unreserved amounts. Reserves are legal requirements that make funds unavailable for appropriation by segregating them for a specific use. Conversely, unreserved fund balances are generally available for appropriation by segregating them for a specific use. However management may also make designations of unreserved fund balance that define management's intent that certain fund balance amounts are currently unavailable for appropriation. Designated unreserved fund balances are not legally segregated.

On the government-wide *Statement of Net Assets*, the proprietary funds' *Statement of Net Assets*, and the fiduciary funds' *Statement of Fiduciary Net Assets*, net assets are segregated into restricted and unrestricted balances. Restrictions are limitations on how the net assets may be used. Restrictions may be placed on net assets by an external party that provided the resources, by enabling legislation or by the nature of the asset.

Certain revenues derived from specific taxes or other earmarked revenue sources are considered restricted assets. Such revenues include dedicated property taxes, temporary personal income tax, state gas tax, intergovernmental grants, and charges for services which are legally restricted to finance particular functions or activities. In addition, proceeds from general obligation bonds, revenue bonds, and full faith and credit bonds are restricted to support the specific purpose for which the debt was issued. Such net assets are reported as restricted on the *Statement of Net Assets* and are recorded in separate funds supporting the specific function or operation.

**5. *Capital assets***

Capital assets, which includes property, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, sewers, street lighting, and similar items), and their improvements, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5 for equipment and \$10 for infrastructure with an estimated useful life of at least three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**MULTNOMAH COUNTY, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(dollar amounts expressed in thousands)**

---

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction phases of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the year, the County incurred no interest expense for capital assets for business-type activities.

Property, plant, and equipment of the County, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

- Motor vehicles 3 to 10 years
- Sewer systems 50 years
- Street lighting 30 years
- Equipment, including software 3 to 20 years
- Roads and bridges 40 years
- Buildings and improvements 40 years

**6. *Other assets***

Included in other assets are unamortized bond issuance costs and the unamortized pension asset. In governmental fund types, bond issuance costs are recognized in the current period. In the government-wide financial statements bond issuance costs are capitalized and amortized over the term of the bond using the straight-line method, which approximates the effective interest method. The net pension asset in the Statement of Net Assets has been recognized in connection with the debt issued by the County in 1999 to fund the County's Public Employees Retirement System (PERS) unfunded accrued actuarial liability (UAAL). The pension asset is amortized over the life of the debt or thirty years. Amortization expense on the pension asset and the bond issuance costs are included in the general government line item on the Statement of Activities.

**7. *Unearned / Deferred revenues***

Unearned revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Deferred revenues reported in the governmental fund financial statements represent unearned revenues or revenues which are measurable but not available. In accordance with the modified accrual basis of accounting, these items are reported as deferred revenues.

**8. *Compensated absences***

It is the County's policy to permit employees to accumulate earned but unused vacation, compensatory and sick leave benefits. There is no liability for unpaid accumulated sick leave since the County does not have a policy to pay any amounts when employees



**MULTNOMAH COUNTY, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(dollar amounts expressed in thousands)**

---

separate from service with the County. All vacation pay and compensatory time is accrued when incurred in the government-wide statements and proprietary funds statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements at June 30. Liabilities for compensated absences are liquidated as employees separate from service and receive payment for accumulated leave benefits. Expenditures for liquidating the liabilities are recorded in the General, Special Revenue, Capital Projects, Enterprise, and Internal Service Funds.

**9. *Long-term obligations***

In the government-wide financial statements and for proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. When incurred, bond premiums and discounts are deferred and amortized over the life of the bonds using a method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. The difference between the reacquisition price (funds required to refund the old debt) and the net carrying value of the refunded debt is an economic gain or loss, and is treated as a deferred charge on refunding. This deferred charge is reported as a reduction to the bonds payable on the Statement of Net Assets and is being amortized as a component of interest expense.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Certain facility leases contain fluctuating or escalating payments, where the rent expense is recorded on a straight-line basis over the lease term. This liability is recorded on the Statement of Net Assets as a deferred lease obligation representing the cumulative difference between rent expense and rent payments.

**10. *Net other post-employment benefits obligation (Net OPEB Obligation)***

The County implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* for fiscal year ending June 30, 2006. The County used a five year look-back approach to compute its net OPEB obligation. The net OPEB obligation is recognized as a long-term liability in the government-wide financial statements. The liability reflects both the lump sum payments to employees and the present value of expected future payments. The net other post employment benefits liability and

**MULTNOMAH COUNTY, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(dollar amounts expressed in thousands)**

---

expenditure in the governmental fund financial statements are limited to amounts that become due and payable as of the end of the fiscal year.

***11. Pollution Remediation Obligations***

The County implemented Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement is effective beginning with fiscal year June 30, 2009. GASB 49 is retroactive, however the County did not report any obligations that required a restatement of beginning net assets. Under this accounting standard, when the County determines a pollution remediation obligation exists and management is able to make a reasonable and supportable estimation of expected outlays, a long-term liability is recorded.

In the County's Government-wide and Proprietary Fund Financial Statements on a full accrual basis, pollution remediation costs are reported in the Statement of Revenues, Expenses and Changes in Fund Net Assets as a program or operating expense (or as revenues for recoveries received after all remediation activities have been completed), special item or extraordinary item.

In the County's Governmental Fund Financial Statements on a modified accrual basis, expenditures and liabilities are recognized upon receipt of goods and services. Estimated recoveries from insurers and other responsible parties reduce any associated pollution remediation expenditures when the recoveries are measurable and available.

***12. Contributions and in-kind donations***

Contributions of cash, property or equipment received from other governments are credited directly to the contribution accounts recorded in the government wide financial statements. The County also receives financial gifts and gifts in-kind from The Library Foundation. These in-kind donations from The Library Foundation are recorded at fair value upon receipt in the government wide and fund financial statements.

***13. Estimates***

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

***14. Reclassifications***

Certain amounts from the financial statements of the discretely presented component unit have been reclassified to conform with the presentation requirements of the primary government's financial statements.

**MULTNOMAH COUNTY, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(dollar amounts expressed in thousands)**

---

**Note 2. Stewardship, compliance, and accountability**

**A. Budgetary information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the trust funds. All annual appropriations lapse at fiscal year end.

During the month of February each year, all agencies of the County submit requests for appropriations to the County Chair so that a budget may be prepared. By May 15, the proposed budget is presented to the County Board of Commissioners for approval. The Board holds public hearings and a final budget must be prepared and adopted no later than June 30.

The adopted budget is prepared by fund and department. The County's department managers may make transfers of appropriations within a department and fund. Transfers and changes (increases) of appropriations between departments or funds require the approval of the Board. The legal level of budgetary control, (i.e., the level at which expenditures may not legally exceed appropriations) is the fund and department level. The Board approved one supplemental budget and several other budgetary appropriations throughout the year.

**B. Expenditures in excess of appropriations**

Oregon state law requires disclosure of fund expenditures in excess of budgeted appropriations. For the year-ended June 30, 2009, expenditures exceeded appropriations in the following areas:

<u>Fund</u>	<u>Agency</u>	<u>Amount</u>
Federal State Program Fund	Community Services	\$ 37
Federal State Program Fund	Health Services	2,484
Revenue Bond Fund	Nondepartmental	1,439

In the Federal State Program Fund, the Community Services Department exceeded its appropriation as a result of a higher than expected beginning balance related to prior year revenues that were not expended until fiscal year 2009. The required budget amendments were not submitted for approval prior to the end of the fiscal year. This was a one-time adjustment with available fund balance to cover the expenditure.

In the Federal State Program Fund, the Health Department exceeded its appropriation primarily due to an increase in patient visits related to the Health Department's dental, pharmacy and primary care programs. These programs are funded by Medicaid revenues, private insurance and self-pay. In addition, the Health Department's annual vaccine allotment received from the State was greater than expected and the Department's budget

**MULTNOMAH COUNTY, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(dollar amounts expressed in thousands)**

---

did not reflect the increase in cost. The over expenditures were funded by available fund balance.

In the Revenue Bond Fund, the County exceeded its appropriation as a result of the early redemption of revenues bonds issued in October 1998. This early redemption was as a result of revenues recognized on a property sale in fiscal year 2008 committed for future revenues on this debt. The over expenditure was funded by available fund balance.

**Note 3. Detailed notes on all funds**

**A. Cash and investments**

Multnomah County pools virtually all funds for investment purposes. All appropriate funds are allocated interest based on the average daily cash balance of the fund and the average monthly yield of the County's investment portfolio. Each fund's portion of this pool is displayed as "Cash and Investments."

Changes to Oregon Revised Statutes, Chapter 295 have resulted in the Office of the State Treasurer being given responsibility for overseeing collateralization of public funds by depositories of public funds in Oregon. The County independently monitors its depository institutions for indications that could potentially cause loss of County funds. Funds deposited with fiscal agents for the purpose of meeting the payment of principal or interest on bonds or like obligations are not required to be collateralized per Oregon Revised Statutes, Chapter 295.005.

Oregon Revised Statutes, Chapter 294, authorizes the County to invest in obligations of the U.S. Treasury, U.S. Government agencies and instrumentalities, bankers' acceptances guaranteed by a qualified financial institution, commercial paper, corporate bonds, repurchase agreements, State of Oregon Local Government Investment Pool (LGIP), and various interest-bearing bonds of Oregon and other municipalities.

The County's investments are governed by a written investment policy that is reviewed annually by both the Oregon Short-Term Fund Board and the Multnomah County Investment Advisory Board, and is adopted annually by the Board of County Commissioners. The policy specifies the County's investment objectives, benchmarks, required diversification by security type and by maturity, and the reporting requirements.

The County's investment policy requires that a third party be used for safekeeping of investment instruments. Investment securities purchased or sold pursuant to the County's investment policy are delivered via payment by book entry or physical delivery to a third party custodian.

The County's investment policy also requires that the market value plus accrued interest of the securities collateralizing repurchase agreements exceeds the face amount of the

**MULTNOMAH COUNTY, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(dollar amounts expressed in thousands)**

---

repurchase agreement by margins prescribed in writing by the Oregon Short-Term Fund Board, providing the County with a margin against a decline in the market value of the securities. The market value plus accrued interest of the securities purchased under repurchase agreements did not fall below the required level during the year.

The County is authorized to invest in the LGIP, an external investment pool, within prescribed limits. The investments are booked at fair value and are the same as the value of the pool shares. The LGIP investments and all other investments are governed by a written investment policy that is reviewed annually by the Oregon Short-Term Fund Board. The Oregon Short-Term Fund Board is comprised of members of local government and private investment professionals, who are appointed by the Governor of the State of Oregon. LGIP is not rated by any national rating service.

At year-end, the carrying amount of the County's deposits was \$60,837 and the bank balance was \$60,871. The bank balance was covered by federal depository insurance (FDIC) or by collateral held by one or more of the State's authorized collateral pool managers. The remaining balance of \$34 represents petty cash accounts that were uninsured and uncollateralized.

As a means of limiting its exposure to fair value losses resulting from rising interest rates, the County's investment policy limits maturities as follows:

<u>Maturity</u>	<u>Cumulative Constraint</u>
Less than 30 days	10%
Less than 90 days	25%
Less than 270 days	50%
Less than 1 year	70%
Less than 3 years	100%

If the goals of maturity limits are exceeded by 5% or more for ten successive business days, prompt notification to the County's Chief Financial Officer and the County's Investment Advisory Board is required. In addition, to limit its exposure to losses due to asset concentration, the County's investment policy and Oregon Revised Statutes limit asset concentration as follows:

1. Corporate indebtedness must be rated on the settlement date A-1 or AA or better by Standard and Poor's Corporation or P-1 or Aa by Moody's Investors Service, or the equivalent rating by any nationally recognized statistical rating organization.
2. Notwithstanding item one, corporate indebtedness must be rated A-2 or A by Standard & Poor's and P-2 or A by Moody's, or the equivalent rating by any nationally recognized statistical rating organization when issued by a business enterprise that has its headquarters in Oregon, employs more than 50% of its

**MULTNOMAH COUNTY, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(dollar amounts expressed in thousands)**

permanent workforce in Oregon, or has more than 50% of its tangible assets in Oregon.

3. Purchase of commercial paper and other corporate debt not insured by an agency of the U.S. Government up to 25% of the total investment portfolio is allowed, but may exceed that limit up to 30% for a period not to exceed ten consecutive business days.
4. U.S. Government Agencies are limited to 75% of the investment portfolio.
5. Investments guaranteed by an agency of the U.S. Government (.e.g., the U.S. Treasury or the Federal Depository Insurance Corporation) may be owned without limit.

Additionally, to limit its exposure to asset concentration risk, the County restricts the total investment that can be made in the corporate indebtedness of a single corporate entity and its affiliates and subsidiaries to 5% of the total investment portfolio. The County did not have any investments that exceeded this limit during the year.

Multnomah County manages custodial credit risk for deposits and investments in accordance with Oregon Revised Statutes and the County's investment policy. As of June 30, 2009, \$34 of the County's bank balance of \$60,871 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At June 30, 2009, the County had the following corporate debt in its investment portfolio with the credit ratings noted by Standard & Poor's and Moody's respectively:

<u>Investment Type / Issuer</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Maturity</u>
Corporate note – MBNA Bank NA (BAC)	\$ 5,010	A+ / Aa3	08/03/2009
Corporate note – Wal-Mart Stores Inc.	5,031	AA/Aa2	08/10/2009
Corporate note – Wal-Mart Stores, Inc.	1,710	AA/Aa2	08/10/2009
Corporate note – Heller Financial (GE)	1,015	AA+/Aa2	11/01/2009
Corporate note – Heller Financial (GE)	2,029	AA+/Aa2	11/01/2009
Corporate note – Heller Financial (GE)	5,074	AA+/Aa2	11/01/2009
Corporate note – Firststar Bank (US Bank)	4,049	AA+/Aa2	12/01/2009
Corporate note – Wachovia Mortgage (WF Corp)	1,310	AA/Aa2	12/15/2009
Corporate note – Berkshire Hathaway	2,799	AAA/Aa2	01/15/2010
Corporate note – Berkshire Hathaway	2,034	AAA/Aa2	01/15/2010
Corporate note – Wachovia Bank (WF Corp)	1,533	AA/Aa2	01/19/2010
Corporate note – Berkshire Hathaway	2,062	AAA/Aa2	01/25/2010
Totals	<u>\$ 33,656</u>		

**MULTNOMAH COUNTY, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(dollar amounts expressed in thousands)**

At June 30, 2009, the County had the following investments in US Government Agencies that were implicitly guaranteed by the US Government:

Investment Type / Issuer	Fair Value	Credit Rating
Agency notes – Federal Home Loan Bank	\$ 80,959	AAA
Agency notes – Federal Home Loan Mortgage Corp	5,014	AAA
Agency notes – Federal Farm Credit Bank	3,108	AAA
Total	\$ 89,081	

As of June 30, 2009, the County had the following unrestricted cash and investments:

Investment Type	Fair Value	Weighted Average Yield	Risk Concentration	Weighted Average Maturity (in months)
US Agencies	\$ 88,802	1.216%	35.8%	2.5
Corporate Debt	33,656	2.345%	13.6%	4.7
Bankers' Acceptances	14,574	0.763%	5.9%	2.4
Local Government				
Investment Pool	49,684	0.950%	20.1%	< 1
Cash and Equivalents	60,859	0.848%	24.6%	< 1
Total unrestricted cash and investments	\$ 247,575		100%	
			Portfolio weighted average maturity	2.4

As of June 30, 2009, the County had the following restricted cash and investments. Cash with Fiscal Agent and Miscellaneous Restricted Funds had weighted average maturities less than one month. The Pledged Investment had a weighted average maturity less than two months.

Investment Type	Fair Value	Weighted Average Yield	Risk Concentration
Cash with Fiscal Agent	\$ 1,035	0.167%	78.0%
Pledged Investment	279	0.195%	21.1%
Misc Restricted Funds	12	0.000%	0.9%
	\$ 1,326	0.362%	100.0%

The County maintains cash with fiscal agent accounts to set aside for debt service requirements per the trustees and bond indentures.

**MULTNOMAH COUNTY, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(dollar amounts expressed in thousands)**

---

The County's unrestricted and restricted cash and investments are reported in Governmental Activities, Business-type activities, and in Fiduciary Funds.

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Governmental Activities	\$ 215,909	\$ 1,314	\$ 217,223
Business-type Activities	14,281	-	14,281
Fiduciary Funds	<u>17,385</u>	<u>12</u>	<u>17,397</u>
Total Cash and Investments	<u>\$ 247,575</u>	<u>\$ 1,326</u>	<u>\$ 248,901</u>

**B. Receivables**

Receivables as of year-end for the County's individual major funds, and nonmajor and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are noted on the following page. Included in General fund loans receivable balance is a loan from Multnomah County to a community based health organization. The loan agreement was executed in fiscal year 2008 in order to sustain operating costs for the health organization. As of June 30, 2009 the total loan receivable balance was \$1,358, netted with a related allowance for uncollectible accounts of \$970.



**MULTNOMAH COUNTY, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2009**  
(dollar amounts expressed in thousands)

**MULTNOMAH COUNTY**  
**Accounts Receivable**

	Governmental Activities						
	General Fund	Federal State Program Fund	Internal Service Funds	Nonmajor Funds	Total Governmental Activities	Business-type Activities	Total
Receivables:							
Taxes:							
Income	\$ 14,406	\$ -	\$ -	\$ -	\$ 14,406	\$ -	\$ 14,406
Property	12,754	-	-	2,765	15,519	-	15,519
Other	3,912	-	-	1,864	5,776	-	5,776
Accounts	7,111	52,588	1,418	7,194	68,311	6	68,317
Loans	1,358	744	-	-	2,102	-	2,102
Interest	1,048	-	-	-	1,048	-	1,048
Special assessments	11	-	-	-	11	54	65
Contracts	1,229	-	650	2,691	4,570	-	4,570
Gross receivables	41,829	53,332	2,068	14,514	111,743	60	111,803
Less: allowance for discounts/uncollectibles	(12,857)	(1,407)	-	-	(14,264)	(3)	(14,267)
Net total receivables	<u>\$ 28,972</u>	<u>\$ 51,925</u>	<u>\$ 2,068</u>	<u>\$ 14,514</u>	<u>\$97,479</u>	<u>\$ 57</u>	<u>\$97,536</u>

**MULTNOMAH COUNTY, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(dollar amounts expressed in thousands)**

Revenues of Dunthorpe-Riverdale and Mid County Service Districts are reported net of uncollectible amounts. Total uncollectible amounts related to revenues are all for prior periods.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Personal income tax receivable	\$ 13,957	\$ -	\$ 13,957
Allowance for doubtful accounts – personal income tax	(11,637)	-	(11,637)
Property taxes receivable (General Fund)	10,372	-	10,372
Property taxes receivable (other governmental funds)	2,252	-	2,252
Grant draws prior to meeting all eligibility requirements	-	2,162	2,162
Contracts receivable	-	3,920	3,920
Contract revenue received in advance	-	150	150
Loans receivable	-	744	744
Tax title land sales inventory	-	162	162
Special assessments receivable	-	11	11
Total deferred revenue for governmental funds	<u>\$ 14,944</u>	<u>\$ 7,149</u>	<u>\$ 22,093</u>

Amounts reported above as unearned are reported as unearned revenue in governmental activities on the Statement of Net Assets. Governmental activities also include Internal Service Funds, which report \$41 in unearned revenue, resulting in total unearned revenue on the Statement of Net Assets of \$7,190.

**MULTNOMAH COUNTY, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2009**  
(dollar amounts expressed in thousands)

**C. Capital assets**

Capital asset activity for the year ended June 30, 2009 was as follows:

**Primary Government**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfers</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 16,296	\$ -	\$ -	\$ (181)	\$ 16,115
Construction in process	317	1,437	(317)	-	1,437
Buildings-not in service	51,164	-	-	-	51,164
Total capital assets, not being depreciated	<u>67,777</u>	<u>1,437</u>	<u>(317)</u>	<u>\$ (181)</u>	<u>68,716</u>
Capital assets, being depreciated:					
Buildings	365,124	2,922	256	(411)	367,891
Improvements other than buildings	343	57	61	-	461
Machinery and equipment	122,180	9,376	-	(15,091)	116,465
Bridges	146,179	7,044	-	-	153,223
Infrastructure	551,598	5,683	-	(828)	556,453
Total capital assets being depreciated	<u>1,185,424</u>	<u>25,082</u>	<u>317</u>	<u>(16,330)</u>	<u>1,194,493</u>
Less accumulated depreciation for:					
Buildings	(124,156)	(8,828)	-	31	(132,953)
Improvements other than buildings	(155)	(10)	-	-	(165)
Machinery and equipment	(88,177)	(8,729)	-	14,981	(81,925)
Bridges	(63,147)	(3,043)	-	-	(66,190)
Infrastructure	(364,424)	(13,853)	-	569	(377,708)
Total accumulated depreciation	<u>(640,059)</u>	<u>(34,463)</u>	<u>-</u>	<u>15,581</u>	<u>(658,941)</u>
Total capital assets being depreciated, net	<u>545,365</u>	<u>(9,381)</u>	<u>317</u>	<u>(749)</u>	<u>535,552</u>
Governmental activities capital assets, net	<u>\$ 613,142</u>	<u>\$ (7,944)</u>	<u>-</u>	<u>\$ (930)</u>	<u>\$ 604,268</u>
<b>Business-type activities:</b>					
Capital assets, being depreciated:					
Improvements other than buildings	\$ 5,765	\$ 142	-	\$ -	\$ 5,907
Total capital assets being depreciated	<u>5,765</u>	<u>142</u>	<u>-</u>	<u>-</u>	<u>5,907</u>
Less accumulated depreciation for:					
Improvements other than buildings	(2,341)	(124)	-	-	(2,465)
Machinery and equipment	-	-	-	-	-
Total accumulated depreciation	<u>(2,341)</u>	<u>(124)</u>	<u>-</u>	<u>-</u>	<u>(2,465)</u>
Business-type activities capital assets, net	<u>\$ 3,424</u>	<u>\$ 18</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 3,442</u>

**MULTNOMAH COUNTY, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(dollar amounts expressed in thousands)**

During fiscal year 2005 the County finalized the construction of the Wapato Jail. The total cost of the jail was \$51,164 and is included in the above capital asset schedule. Currently the County has not approved an operating budget for the jail and therefore the jail has not been placed into service and is not being depreciated. When the jail becomes operational it will be depreciated over forty years. The County is currently considering various plans to operate the Wapato Jail.

Depreciation expense was charged to functions / programs of the primary government as follows:

Governmental activities:	
General government	\$ 12,650
Health services	117
Social services	53
Public safety & justice	1,216
Community services	262
Library	4,739
Roads and bridges	15,426
Total depreciation expense – governmental activities	<u>\$ 34,463</u>
Business-type activities:	
Sewer	\$ 64
Lighting	60
Total depreciation expense – business-type activities	<u>\$ 124</u>

**D. Other assets**

Other assets, net of accumulated amortization at June 30, 2009 consist of the following:

Bond issuance costs	\$ 332
Negative net pension asset	<u>125,595</u>
	<u>\$ 125,927</u>

Amortization expense in the statement of activities on bond issuance costs and the negative net pension asset were \$32 and \$6,152, respectively for the year ended June 30, 2009.

**E. Interfund receivables, payables, and transfers**

Due from / to other funds:

The County records “due from” and “due to” transactions in order that individual funds will be able to meet cash flow needs at year end and prevent a fund from reporting a negative cash balance. The amount payable to the Risk Fund is related to a capital loan for sewer improvements in the Dunthorpe Riverdale Service District Fund. This balance

**MULTNOMAH COUNTY, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(dollar amounts expressed in thousands)**

is expected to be collected in the subsequent year. The composition of interfund balances as of June 30, 2009 is as follows:

Receivable Funds	Payable Funds	Amount
Risk Fund*	Dunthorpe Riverdale Service District Fund	\$ 80

\*Internal service fund

Advances to / from other funds:

The amount payable to the General Fund is related to providing interim working capital financing for federal reimbursement grants. The \$23,200 is also noted as a reservation of the General Fund's fund balance. The amounts payable to the Risk Fund relate to a capital loan for sewer improvements in the Dunthorpe Riverdale Service District Fund. None of the balances are scheduled to be collected in the subsequent year.

Receivable Funds	Payable Funds	Amount
General Fund	Federal State Fund	\$ 23,200
Risk Fund*	Dunthorpe Riverdale Service District Fund	173
		\$ 23,373

\*Internal service fund

Interfund Transfers:

Following are the County's interfund transfers for the year ended June 30, 2009. The general fund transfers to nonmajor governmental funds includes \$15,636 to the Library special revenue fund to provide for various County Library upgrades and projects, as well as \$24,200 to the Capital Debt Retirement fund for the early retirement of debt.

	Transfers in:			Total
	General Fund	Nonmajor Governmental Funds	Internal Service Funds	
Transfers out:				
General Fund	\$ -	\$ 46,446	\$ 1,660	\$ 48,106
Nonmajor Governmental Funds	3,241	7,083	-	10,324
Internal Service Funds	175	5,033	-	5,208
Total transfers out:	\$ 3,416	\$ 58,562	\$ 1,660	\$ 63,638

**F. Long-term liabilities**

General Obligation Bonds

The County issues general obligation bonds to provide funds for the rehabilitation, construction and acquisition of various library and public safety facilities and related

**MULTNOMAH COUNTY, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(dollar amounts expressed in thousands)**

equipment. General obligation bonds have been issued for these governmental activities. The 1996 general obligation issue in the amount of \$108,700 is subject to Federal arbitrage regulations. As of June 30, 2009, the balance on the 1996 general obligation bonds was zero. In February 1999, the County advance refunded a portion of these general obligation bonds by issuing \$66,115 in new general obligation bonds. At June 30, 2009 the balance on the 1999 Advance Refunding was \$56,570.

General obligation bonds are direct obligations, pledge the full faith and credit of the County and are backed by the County's authority to levy property taxes. These bonds are generally issued as 20-year serial bonds with equal amounts of principal and interest maturing each year. General obligation bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
Governmental activities	3.00-4.75%	\$ 56,570

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30	Principal	Interest
2010	\$ 6,860	\$ 2,387
2011	7,160	2,093
2012	7,470	1,780
2013	7,490	1,451
2014	7,835	1,106
2015 – 2017	19,755	1,397
Total	\$ 56,570	\$ 10,214

**Revenue Bonds**

The County also issues bonds where the government pledges specific revenue sources or income derived from the acquired or constructed assets to pay debt service. In October 1998, the County issued \$3,155 of revenue bonds to finance constructing, renovating, improving and equipping County-owned facilities, and entered into a public / private partnership with the Regional Children's Campus (RCC), a 501(c)(3) non profit agency. On October 1, 2008 the County paid off the remaining balance of \$1,710 on the 1998 revenue bonds as a result of revenues recognized on a property sale committed for future revenues on this debt.

In November 2000, the County issued \$2,000 of revenue bonds to finance the costs of acquiring land and constructing, renovating, improving and equipping certain facilities to be used as a vocational training center for developmentally disabled residents of Multnomah County. This debt issue is subject to Federal arbitrage regulations. The County entered into a public / private partnership agreement with Port City Development (Port City), a 501(c)(3) non profit agency. The future lease payments from Port City are pledged revenues for the debt service on these bonds. The term of the agreement with

**MULTNOMAH COUNTY, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(dollar amounts expressed in thousands)**

Port City for future pledged revenues is through fiscal year 2034, and the outstanding balance on these future lease payments at June 30, 2009 was \$1,687. During fiscal year 2009 Port City paid \$33 towards the outstanding balance on this lease agreement. The total principal and interest paid on the bonds during the fiscal year were \$135 and \$62 respectively. The outstanding balance on the bonds was \$1,175 at June 30, 2009. The debt matures in fiscal year 2016.

Also in November 2000, the County issued \$3,500 of revenue bonds to re-finance the costs of acquiring real property and constructing facility improvements related to the Oregon Food Bank. In fiscal year 2006 the Oregon Food Bank satisfied their commitment to pledge future lease payments and no longer has any commitment to the County for this debt issue. The total principal and interest paid during the fiscal year were \$235 and \$108 respectively. The outstanding balance on the debt was \$2,065 at June 30, 2009. The debt matures in fiscal year 2016.

Revenue bonds outstanding at year-end are as follows:

Purpose	Interest Rates	Amount
Governmental activities	4.45-5.20%	\$ 3,240

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending June 30	Principal	Interest
2010	\$ 395	\$ 152
2011	415	133
2012	435	113
2013	460	91
2014	485	66
2015 – 2016	1,050	55
Total	\$ 3,240	\$ 610

Full Faith and Credit Bonds

On April 1, 1999, the County issued \$36,125 in Certificates of Participation with interest rates from 4.00% to 4.75% to finance the costs of acquiring land and facilities. In October 2004, the County advance refunded \$22,015 of the 1999 Certificates of Participation by issuing \$54,235 in full faith and credit bonds. Certificates of Participation are direct obligations and pledge the full faith and credit of the County. At June 30, 2009, \$1,685 of the 1999 Certificates of Participation were outstanding.

On December 1, 1999, the County issued \$184,548 in taxable Revenue Pension Obligation Bonds with interest rates from 6.49% to 7.74% to fund the County's unfunded accrued actuarial liability (UAAL). The County estimates that by funding the actuarial liability, the County will receive a present value savings of about \$35,776 between the

**MULTNOMAH COUNTY, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(dollar amounts expressed in thousands)**

---

amount calculated by the Oregon Public Employees Retirement System (PERS) to retire the UAAL and the amount of the debt repayment. Payment of principal and interest, except for a term bond, will be guaranteed by MBIA. At June 30, 2009, \$159,113 of these bonds were outstanding.

On April 1, 2000, the County issued \$61,215 in Full Faith and Credit Bonds with interest rates from 5.00% to 5.50% to finance the costs of acquiring and installing the integrated enterprise computer system, acquire land, acquire facilities and construct other County facilities and structures. In October 2004, the County advance refunded \$27,985 of these full faith and credit bonds by issuing \$54,235 in full faith and credit bonds. Full faith and credit bonds are direct obligations and pledge the full faith and credit of the County. At June 30, 2009, \$2,820 of these bonds were outstanding.

On May 15, 2003, the County issued \$9,615 in Full Faith and Credit Refunding Obligations, Series 2003 with interest rates from 1.50% to 3.25%. At June 30, 2009, \$5,135 of these bonds were outstanding.

On October 1, 2004, the County issued \$54,235 in Full Faith and Credit Refunding Obligations, Series 2004 at a premium of \$5,089, with interest rates from 3.00% to 5.00%. At June 30, 2009 the unamortized premium on the debt was \$3,562. This issue was used to refund \$27,985 of outstanding Full Faith and Credit Bonds, Series 2000 with interest rates from 5.00% to 5.50%, \$22,015 of outstanding Certificates of Participation, Series 1999 with interest rates from 4.00% to 4.75%, and \$4,960 of outstanding Certificates of Participation, Series 1998 with interest rates from 3.75% to 4.90%. The difference between the present value of the old debt service requirements and the present value of the new debt service requirements is a deferred charge of \$3,887, which is amortized as a component of interest expense over the life of the new debt. At June 30, 2009 the deferred charge was \$2,721. The entire amount of this debt issue was outstanding at June 30, 2009.

Full faith and credit bond obligations outstanding at year-end are as follows:

Purpose	Interest Rates	Amount
Governmental activities	1.50-7.74%	\$ 222,988



**MULTNOMAH COUNTY, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(dollar amounts expressed in thousands)**

Annual debt service requirements to maturity for full faith and credit bonds are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 13,770	\$ 9,535
2011	15,550	8,633
2012	17,440	7,662
2013	11,549	14,512
2014	11,537	15,181
2015 – 2019	95,464	41,075
2020 – 2024	30,580	115,539
2025 – 2029	22,836	161,644
2030	4,262	38,887
Total, before deferred charge	222,988	<u>\$ 412,668</u>
Deferred charge, net	(2,721)	
Premium on long-term debt, net	3,562	
Total	<u>\$ 223,829</u>	

Capital Leases

The County has entered into various lease/purchase agreements to acquire property and equipment. These lease agreements qualify as capital leases for accounting purposes and have been capitalized in accordance with accounting principles generally accepted in the United States of America. Total assets acquired through capital leases are as follows:

<u>Asset</u>	<u>Governmental Activities</u>
Buildings	\$ 75,103
Less: Accumulated depreciation	(28,372)
Total	<u>\$ 46,731</u>

Capital lease obligations outstanding at year-end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	2.50-4.90%	<u>\$ 10,757</u>

**MULTNOMAH COUNTY, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(dollar amounts expressed in thousands)**

Future minimum lease payments are as follows:

Year Ending June 30	Governmental	
	Principal	Interest
2010	\$ 2,277	\$ 723
2011	2,384	584
2012	2,500	436
2013	2,622	276
2014	19	100
2015 – 2019	128	463
2020 – 2024	213	377
2025 – 2029	355	236
2030 – 2032	259	36
Total	\$ 10,757	\$ 3,231

Loans Payable

During fiscal year 2009, the County entered into a loan with another governmental agency for the purpose of making capital improvements to the County road system. The loan obligation outstanding at year-end are as follows:

Purpose	Interest Rates	Amount
Governmental activities	3.98%	\$ 623

Annual debt service requirements to maturity for long term loans outstanding at year-end are as follows:

Year Ending June 30	Principal	Interest
2010	\$ -	\$ -
2011	-	2
2012	413	2
2013	210	2
Total	\$ 623	\$ 6

**MULTNOMAH COUNTY, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(dollar amounts expressed in thousands)**

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2009 was as follows:

<u>Governmental Activities</u>	Beginning Balance	Additions	Adjustments & Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 63,125	\$ -	\$ 6,555	\$ 56,570	\$ 6,860
Revenue Bonds	5,320	-	2,080	3,240	395
Full Faith and Credit Bonds	235,609	-	11,780	223,829	14,531
Capital Leases	13,604	-	2,847	10,757	2,277
Loans Payable	242	623	242	623	-
Long-term debt before other long-term liabilities	317,900	623	23,504	295,019	24,063
Pollution Remediation Obligations	-	87	87	-	-
Compensated Absences	22,354	26,500	25,377	23,477	6,614
Governmental activity long-term liabilities	<u>\$ 340,254</u>	<u>\$ 27,210</u>	<u>\$ 48,968</u>	<u>\$ 318,496</u>	<u>\$ 30,677</u>
<u>Business-Type Activities</u>					
Compensated Absences	<u>\$ 38</u>	<u>\$ 40</u>	<u>\$ 39</u>	<u>\$ 39</u>	<u>\$ 8</u>

Pollution Remediation Obligations

Multnomah County implemented *Accounting and Financial Reporting for Pollution Remediation Obligations*, GASB Statement No. 49, for fiscal year 2009. Included in the current year's additions and reductions are pollution remediation activities related to various properties the County is responsible for clean up costs. During the year a special revenue fund, a capital project fund and an internal service fund all paid for pollution remediation costs. At June 30, 2009, the County did not have any outstanding obligations for pollution remediation.

Subsequent to year-end management identified a gas leak at the County's Yeon Fueling Station property site. The County is in preliminary stages and conducting soil testing as well as working with DEQ to assess the total pollution remediation costs. Management estimates the total clean up costs related to this site will be \$150.

Defeased Full Faith and Credit Bonds

On October 1, 2004 the County defeased certain full faith and credit bonds by placing the proceeds of the new bonds in irrevocable trusts to provide for all future service on the old bonds. Accordingly, the trust account assets and related liability for the defeased bonds are not included in the County's financial statements. On August 1, 2008, \$4,960 was called and paid by the escrow agent on the Series 1998. At June 30, 2009, Series 2000A

**MULTNOMAH COUNTY, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(dollar amounts expressed in thousands)**

---

and Series 1999A were outstanding in the amount of \$27,985 and \$22,015, respectively. Subsequent to year-end, the \$22,015 on the 1999A was called and the bonds were paid off.

Conduit Financing

*Multnomah County Conduit Financing*

On November 1, 1997, the County issued \$31,600 in Educational Facilities Revenue Bonds which have not been recorded in the County's financial statements. The proceeds of these bonds were assigned to the University of Portland (the University) to finance capital improvements to the University, pay issue costs and advance refund \$17,750 of the Series 1994 issue. On April 1, 2000, the County issued an additional \$17,160 in Conduit Educational Revenue Bonds for the University to finance the construction of a student housing facility, parking garage and street lighting. These bonds are not recorded on the books of the County but are assigned to the University. The responsibilities of the County in this bond transaction were limited to adopting the resolution authorizing the issuance of the bonds, executing the bonds and the bond documents to which it is a party, issuing and delivering the Bonds, assigning certain of its rights to the Trustee as provided in the indenture, and directing the Trustee as to the application of monies received from the University to pay the bonds in accordance with the indenture. The County has no obligation to take any other action relating to the bonds. Since the County does not own any of the assets constructed or assume any liabilities associated with repayment, there is no balance sheet disclosure or recognition of revenues and expenditures within the County's financial statements. As of June 30, 2009, \$30,930 of Educational Facilities Revenue Bonds were outstanding.

On December 1, 1999, the County issued \$9,830 in Higher Education Variable Rate Demand Revenue Bonds. The proceeds of these bonds were used to provide funds to reimburse Concordia University for the costs of acquiring, constructing and improving the educational facilities of the University (the Project), fund a debt service reserve fund and pay the costs of issuing the bonds. The Higher Education Revenue Bonds have not been recognized as a liability of the County because the bonds are secured solely by the provisions of the Bond indenture and payments are made by Concordia University. As the County does not own any of the assets constructed or assume any liabilities associated with the Project, there is no balance sheet disclosure or recognition of revenues and expenditures within the County's financial statements. As of June 30, 2009, \$8,065 of the Higher Education Variable Rate Demand Revenue Bonds were outstanding.

On October 21, 2008, the County issued \$7,400 in Higher Education Revenue Bonds. The proceeds of the bonds were used to provide financing for Pacific Northwest College of Art (PNCA) for costs of acquisition, construction, additions, renovations and improvements to buildings used by the College to accommodate new programs and enrollment growth. The Higher Education Revenue Bonds have not been recognized as a

**MULTNOMAH COUNTY, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(dollar amounts expressed in thousands)**

---

liability of the County because the bonds are secured solely by the provisions of the Bond indenture and payments are made by PNCA. As the County does not own any of the assets constructed or assume any liabilities associated with the project, there is no balance sheet disclosure or recognition of revenues and expenditures within the County's financial statements. As of June 30, 2009, \$7,005 of the Higher Education Revenue Bonds were outstanding.

The County's total conduit debt at June 30, 2009 was \$46,000. The County is not responsible or obligated for the repayment of conduit debt.

*Hospital Facilities Authority of Multnomah County Conduit Financing*

On December 3, 1998, the County created a component unit, the Hospital Facilities Authority of Multnomah County, Oregon (the Authority). The Authority issues hospital revenue bonds for construction and improvements to health facilities in Multnomah County. On March 1, 1999, the Authority issued \$26,000 in Hospital Revenue Bonds (Terwilliger Plaza). On December 4, 2003, the Authority issued an additional \$17,200 in Hospital Revenue Bonds (Holladay Park Plaza). On July 13, 2004, the Authority issued \$100,000 in Hospital Revenue Bonds (Providence Health Systems). On December 12, 2006, the Authority issued \$39,765 in revenue bonds (Terwilliger Plaza). On July 2, 2007, the Authority issued \$8,200 in Revenue Bonds (Pacific Mirabella). On October 26, 2008, the Authority issued an additional \$221,645 in Variable Rate Demand Revenue Bonds (Mirabella at South Waterfront). Then on March 1, 2009, the Authority issued \$7,050 in Variable Rate Demand Revenue and Refunding Bonds (Oregon Baptist Retirement Homes Project). The proceeds of these bonds issues were used by health care facilities to finance various capital projects and refund outstanding bonds. The debt issues have not been recognized as a liability of the County or the Authority because the bonds are secured solely by the provisions of the Bond indenture and payments are made by the health care facilities. Terwilliger Plaza, Holladay Park Plaza, Providence Health Systems, Mirabella and Oregon Baptist have pledged the gross revenues of the health care facilities to secure payment of the bonds. The bonds shall not be payable from a charge upon any fund or asset, nor shall the County or the Authority be subject to any liability. No holder or holders of the bonds shall ever have the right to exercise the taxing power of the County to pay the bonds or the interest, nor to enforce payment against any property of the County. Upon completion of the project, the assets constructed or purchased are owned by Terwilliger Plaza, Holladay Park Plaza, Providence Health Systems, Mirabella and Oregon Baptist. Since neither the County nor the Authority own any assets or assume any liabilities associated with the repayment, there is no balance sheet disclosure or recognition of revenues within the County's financial statements. As of June 30, 2009, the total debt outstanding for the Hospital Facilities Authority of Multnomah County was \$404,675 of these bonds were outstanding.

**MULTNOMAH COUNTY, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(dollar amounts expressed in thousands)**

**Note 4. Other information**

**A. Risk management**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the County carries commercial insurance. The County established risk management programs for liability and workers' compensation, whereby premiums are calculated on payroll expenses in all funds and are paid into the risk management fund. The funds are available to pay claims, claim reserves, and reduce administrative costs of the program. These interfund premiums are used to offset the amount of claims expenditure reported in the risk management fund. As of June 30, 2009, interfund premiums exceeded reimbursable expenditures.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are re-evaluated periodically to consider the effect of inflation, recent claim settlement trends (including frequency and amount of payouts), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. The County's excess insurance coverage policies cover claims in excess of \$750 for workers' compensation and \$1,000 for all liability claims. Settlements have not exceeded coverages for each of the past three fiscal years. The County anticipates the balance in the claims liability account at year-end will be paid within the next fiscal year.

Changes in the balances of claims liabilities during the past two years are as follows:

	Fiscal Year Ended 6/30/09	Fiscal Year Ended 6/30/08
Unpaid claims, beginning of fiscal year	\$ 11,414	\$ 8,668
Incurred claims (including IBNRs)	24,321	21,726
Actuarial adjustment	(1,571)	489
Claim payments	(21,303)	(19,469)
Unpaid claims, end of fiscal year	<u>\$ 12,861</u>	<u>\$ 11,414</u>

**B. Subsequent events**

In September of 2009, the Hospital Facilities Authority of Multnomah County issued \$66,535 as a tax-exempt loan. The tax-exempt debt has not been recognized as a liability

**MULTNOMAH COUNTY, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(dollar amounts expressed in thousands)**

---

of the County or the Authority because the notes are secured solely by the provisions of the loan agreement and payments are made by the retirement facility.

In October of 2009, the Board of County Commissioners approved a short-term internal loan from the Risk Fund to the General Fund to help support County operations prior to property tax collections. The amount of the loan was \$15 million and the entire loan was repaid in November 2009.

**C. Commitments and contingent liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County's legal counsel the resolution of these matters will not have a material adverse effect on the financial condition of the County.

The following is a schedule by years of future minimum rental payments required under operating leases for certain land, buildings and equipment used in governmental operations that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2009.

<u>Year ended June 30</u>	
2010	4,120
2011	3,475
2012	3,421
2013	3,375
2014	3,444
2015 – 2019	6,609
2020 – 2024	85
2025	4
Total minimum payments	<u>\$ 24,533</u>

The County recorded \$3,590 in rent expense for the year ended June 30, 2009.

**MULTNOMAH COUNTY, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(dollar amounts expressed in thousands)**

---

**D. Post employment benefits other than pensions**

*Plan description.* The County administers a single-employer defined benefit healthcare plan per the requirements of collective bargaining agreements. The plan provides postretirement healthcare insurance for eligible retirees and their spouses through the County's group health insurance plans, which cover both active and retired participants. Benefit provisions are established through negotiations between the County and representatives of collective bargaining units. The County's post employment medical plan does not issue a publicly available financial report. The County implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* for fiscal year ending June 30, 2006.

*Funding policy.* The County has not established a trust fund to supplement the costs for the net OPEB obligation. Contribution requirements also are negotiated between the County and union representatives. In general, the County pays 50% of the premiums of health care coverage for retirees from age 58 to age 65. The County's regular health care benefit providers underwrite the retirees' policies. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans. The County is contractually obligated by collective bargaining agreements to contribute 1.5% of annual covered payroll. At June 30, 2009, there were 585 retirees that were receiving the post employment healthcare benefit. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2009, the County contributed \$2,196 to the plan or approximately 38% of total premiums. Plan members receiving benefits contributed \$3,521 or approximately 62% of the total premiums during fiscal year 2009.

*Annual OPEB cost and net OPEB obligation.* The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the guidance of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the fiscal year ending June 30, 2009, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual required contribution (ARC)	\$ 11,664
Interest on net OPEB obligation	3,156
Adjustment to annual required contribution	<u>(2,588)</u>
Annual OPEB cost (expense)	12,232
Contributions made	<u>(2,195)</u>
Increase in net OPEB obligation	10,037
Net OPEB obligation - beginning of year	<u>70,136</u>
Net OPEB obligation - end of year	<u><u>\$ 80,173</u></u>



**MULTNOMAH COUNTY, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(dollar amounts expressed in thousands)**

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and the three preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/06	\$ 12,716	16%	\$ 44,742
6/30/07	15,083	12%	57,990
6/30/08	14,902	18%	70,136
6/30/09	12,232	18%	80,172

*Funded status and funding progress.* As of the most recent actuarial report, January 1, 2009, the actuarial accrued liability for benefits was \$122,605, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$122,605. The covered payroll (annual payroll of active employees covered by the plan) was \$263,380 for fiscal year 2009 and the ratio of the UAAL to the covered payroll was 47%.

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 healthcare 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 the types of benefits provided at the time of each valuation and historical pattern of sharing of benefit costs between the employer and the plan members to that point. 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 most recently conducted, actuarial valuation (as of January 1, 2009), the unit credit method actuarial cost method was used. This method attempts to track the actual economic pattern of benefit accrual over an employee's working lifetime. The discount rate is selected based on historical and expected returns on the County's short-term investment portfolio. A discount rate of 4.5% was used in the most recent actuarial valuation for the closed period. The report states health care costs rates are trending

**MULTNOMAH COUNTY, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(dollar amounts expressed in thousands)**

---

down from 9.0% in 2009 to 7.3% in 2015 for the major medical component, which is representative for the overall plan. Both rates include a 2.5% inflation rate assumption. The County's unfunded actuarial accrued liability is re-determined each valuation and amortized over a 30 year period as a level percentage of payroll. The remaining amortization period at June 30, 2009 is 30 years.

**E. Employee retirement systems, pension plans and deferred compensation plan**

Pension plans

The County participates in the Oregon Public Employees Retirement System, a cost-sharing multiple-employer defined benefit public employee pension plan that covers substantially all employees and maintains a defined contribution plan for substantially all County employees for the purpose of individual retirement savings.

Oregon Public Employees Retirement System (PERS)

*Plan description.* The County participates in PERS, a cost-sharing, multiple-employer defined benefit pension plan administered by the PERS Pension board. PERS provides retirement, disability, and death benefits to plan members and their beneficiaries. State statutes authorize the State to establish and amend all plan provisions. PERS issues a publicly available financial report that includes financial statements and required supplementary information. The reports may be obtained by writing:

PERS  
PO Box 23700  
Tigard, OR 97281-3700

*Summary of significant accounting policies – basis of accounting and valuation of investments.* The financial statements of PERS are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. The County's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair market value.

*Funding policy.* The contribution requirements of the County are established and may be amended by the State. The County is contractually obligated by collective bargaining agreements to pay the required employee contribution of 6.0% of annual covered payroll. The County is also required to contribute at an actuarially determined rate; the current rate is 11.05% of annual covered payroll. In addition to the funding requirements, the County also charges an internal rate of 6.75% of payroll to departments to fund the repayment of the pension obligation bonds issued in 1999.

**MULTNOMAH COUNTY, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(dollar amounts expressed in thousands)**

---

*Annual pension cost.* For 2009, the County's annual pension cost of \$42,368 for PERS was equal to the County's required and actual contributions. The required contribution was determined as part of the December 31, 2008 actuarial valuation using the projected unit credit actuarial cost method. This actuarial valuation is the most recent available at the time of printing this report. The actuarial assumptions included (a) 8.0% investment rate of return (net of administrative expenses), (b) projected salary increases due to inflation of 2.75% per year, (c) projected wage growth, excluding seniority / merit raises, of 3.75% per year and (d) trending healthcare costs from 7.0% in 2009 to 4.5% in 2029. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The County's unfunded actuarial accrued liability is being amortized using the closed group fixed term method. The remaining amortization period at December 31, 2008, was 20 years.

Three Year Trend Information for PERS

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/07	\$ 42,557	100%	\$ -
6/30/08	39,337	100%	-
6/30/09	42,368	100%	-

Deferred Compensation Plan

*Plan description.* The County offers employees a deferred compensation plan (the Plan) administered by the County. The Plan is a defined contribution plan created in accordance with Internal Revenue Code Section 457. The Plan is available to all represented and non-represented County employees, and permits them to defer a portion of their salary until future years. Amounts deferred are not available to employees until termination, retirement, death, or unforeseeable emergency. All assets and income of the Plan are held in trust for the exclusive benefit of the participants and their beneficiaries. No Plan assets have been used for purposes other than the payment of benefits.

At June 30, 2009, the amount deferred and investment earnings thereon, adjusted to fair market value, amount to \$145,808. The amounts accumulated under the Plan including investment earnings, are excluded from the financial statements of the County.