



Department of County Management
MULTNOMAH COUNTY OREGON

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Multnomah County, Oregon, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2010. 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 1-7 of this report. All dollar amounts, unless otherwise indicated, are expressed in thousands.

Financial Highlights

- Multnomah County's assets exceeded its liabilities at June 30, 2010, by \$732,712 (*net assets*). Of this amount, \$31,746 is restricted for capital improvement projects, \$7,207 is restricted for various community support programs, and \$64,647 is restricted for future years' debt service.
- Total net assets increased by \$24,207 or 3% in fiscal year 2010. The primary reasons for the increase over the prior year are discussed in more detail below.
- Health Services charges for services increased by \$10,115 or 17% over the prior year. Federally Qualified Health Centers (FQHC) wraparound billable Managed Care visits increased by 13.5% from the prior year and the prospective payment system (PPS) billable rate per visit increased in January of 2010 resulting in increased fee revenue for the Health Department. Also, a 12% Multicare Dental enrollment increase resulted in a 15% increase in capitation revenue for the year. A new ARRA award for the Department, Increased Demand Service (IDS), in fiscal year 2010 supported a \$1.1 million increase in additional fee revenue generated through the addition of new medical staff at designated Primary Care Clinics.
- General Government expenses decreased by \$10,429 from the prior year or 15%. The decrease is in part due to a decrease in personal income taxes by \$4,197 as the collections from a three year temporary income tax that ended in calendar year 2005 continue to decline. Only collections of delinquent accounts were recognized in fiscal year 2010. The decrease in General Government expenses is also attributable to reductions in personnel costs.
- In fiscal year 2010, the County implemented Governmental Accounting Standards Board Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. In implementing this standard, the County identified \$197,846 in right of way assets that had accumulated depreciation of \$137,371. This amount adjusted the beginning of the year net assets as a cumulative effect of correction of an error.
- Net assets for business-type activities increased by \$4,223 or 32% in fiscal year 2010. The increase is primarily attributable to the Behavioral Health Managed Care fund where the total revenues exceeded total expenditures by \$3,724. During fiscal year 2010, the total clients enrolled in the County's Department of County Human Services Verity mental health program increased over 2009 as the economic recession has directly affected the number of Verity enrollees and client numbers have increased due to the recession and the expansion of the Oregon Health Plan by the State.

- Total assets for business-type activities increased by \$4,332 or 25% over the prior year and total liabilities increased by \$109 or 2% from fiscal year 2009. The increase is due to the Behavioral Health Managed Care fund as cash balances have increased over the prior year as a result of fee for service premiums received from the State and a lag in the corresponding disbursements for services using a fee for service model.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$187,229, an increase of \$14,878 or 9 %.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$34,399, or approximately 11% of total General Fund expenditures. This is consistent with the County's finance and budget policies requiring a 10% reserve.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Multnomah County's basic financial statements. The County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *Statement of Activities* presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets 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 taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, health and social services, public safety and justice, community services, roads and bridges, and libraries. The business-type activities of the County include sanitary sewer and street lighting districts, and a behavioral health managed care operation.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also a legally separate sanitary sewer district and a legally separate street lighting district, for which the County is financially accountable. The statements also include a legally separate, tax exempt foundation whose 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. Financial information for the two *blended component units* and one *discretely presented component unit* is reported separately from the financial information presented for the County itself.

The government-wide financial statements can be found on pages 30-32 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. The County, like other state and local

governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial 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. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains 25 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, the Federal State Program Fund, the Library fund and the PERS Pension Bond Fund and which are considered to be major governmental funds. Data from the remaining governmental funds (non-major governmental funds) are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided for each fund to demonstrate compliance with this budget.

The basic governmental fund financial statements and respective reconciliations can be found on pages 33-39 of this report.

Proprietary funds. The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its sewer and lighting operations, and for behavioral health managed care services. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses *internal service funds* to account for its risk management activities, fleet operations, telephone and data processing systems, mail distribution, and facilities management operations. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise fund financial statements provide aggregate information for the sewer and lighting districts and the behavioral health fund. The internal service funds are also combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the proprietary and internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 43-45 of this report.

Fiduciary funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support County programs. The accounting used for fiduciary funds is similar to that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 46 of this report. The combining balance sheet for agency funds and combining statement of changes in assets and liabilities for agency funds can be found on pages 127-128 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the financial data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 47 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the notes to the basic financial statements. Combining and individual fund statements and schedules can be found beginning on page 84 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 the County's progress in funding its other post employment healthcare benefits obligations. Required supplementary information can be found on page 83.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the County's financial position. The County's assets exceeded liabilities by \$732,712 at the close of the most recent fiscal year.

Multnomah County's Net Assets

	Governmental Activities		Business- Type Activities		Total	
	2010	2009 (Restated)	2010	2009	2010	2009 (Restated)
Current and other assets	\$ 468,665	\$ 446,254	\$18,163	14,085	\$ 486,828	\$ 460,339
Capital assets	735,358	741,639	3,696	3,442	739,054	745,081
Total assets	<u>1,204,023</u>	<u>1,187,893</u>	<u>21,859</u>	<u>17,527</u>	<u>1,225,882</u>	<u>1,205,420</u>
Long-term liabilities outstanding	360,839	369,715	16	31	360,855	369,746
Other liabilities	127,768	122,746	4,547	4,423	132,315	127,169
Total liabilities	<u>488,607</u>	<u>492,461</u>	<u>4,563</u>	<u>4,454</u>	<u>493,170</u>	<u>496,915</u>
Net assets:						
Invested in capital assets, net of related debt	620,544	607,797	3,696	3,442	624,240	611,239
Restricted	103,600	98,542	-	-	103,600	98,542
Unrestricted	(8,728)	(10,907)	13,600	9,631	4,872	(1,276)
Total net assets	<u>\$ 715,416</u>	<u>\$ 695,432</u>	<u>\$17,296</u>	<u>13,073</u>	<u>\$ 732,712</u>	<u>\$ 708,505</u>

The largest portion of the County's net assets, approximately 87%, reflects investment in capital assets (land, work in progress, buildings, improvements, machinery and equipment, bridges and infrastructure), net of accumulated depreciation, and the outstanding debt used to acquire the assets in the amount of \$624,240 as compared to \$607,797 a year ago. During fiscal year 2010, an annexation of County roads were contributed to the City of Portland. The County uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The County's restricted net assets in the amount of \$103,600 or approximately 14% are restricted for capital projects, debt service, and various community support programs. Restricted net assets represent resources that are subject to external restrictions on how they may be used. The remaining balance is the County's unrestricted net assets of \$4,872 or approximately 1%. Unrestricted net assets reflect a negative balance in the governmental activities primarily due to the outstanding long-term liabilities in the County's governmental activities with no offsetting asset. At the end of the current year, the County is able to report positive balances in the three categories of net assets for the government as a whole.

At the end of the fiscal year there is a deficit in unrestricted net assets in Governmental activities, however the County as a whole is able to report a positive balance in all three categories of net assets. The County's unrestricted net assets at year-end increased \$6,148 from 2009. This increase is primarily due to favorable outcomes in the General Fund and the Behavioral Healthcare Enterprise Fund. Unrestricted net assets are County resources that may be used to meet the County's ongoing obligations to citizens and creditors while restricted net assets are resources subject to external restriction. The County's restricted net assets increased from 2009 by \$5,085. This increase reflects the County's action to set aside and reserves to be used for future debt service, capital projects and certain community services.

Total net assets increased by \$24,207 during the current fiscal year. This increase is attributable to the factors discussed in the financial highlights section of management's discussion and analysis. Below is a summary of the County's changes in net assets for fiscal years 2009 and 2010.

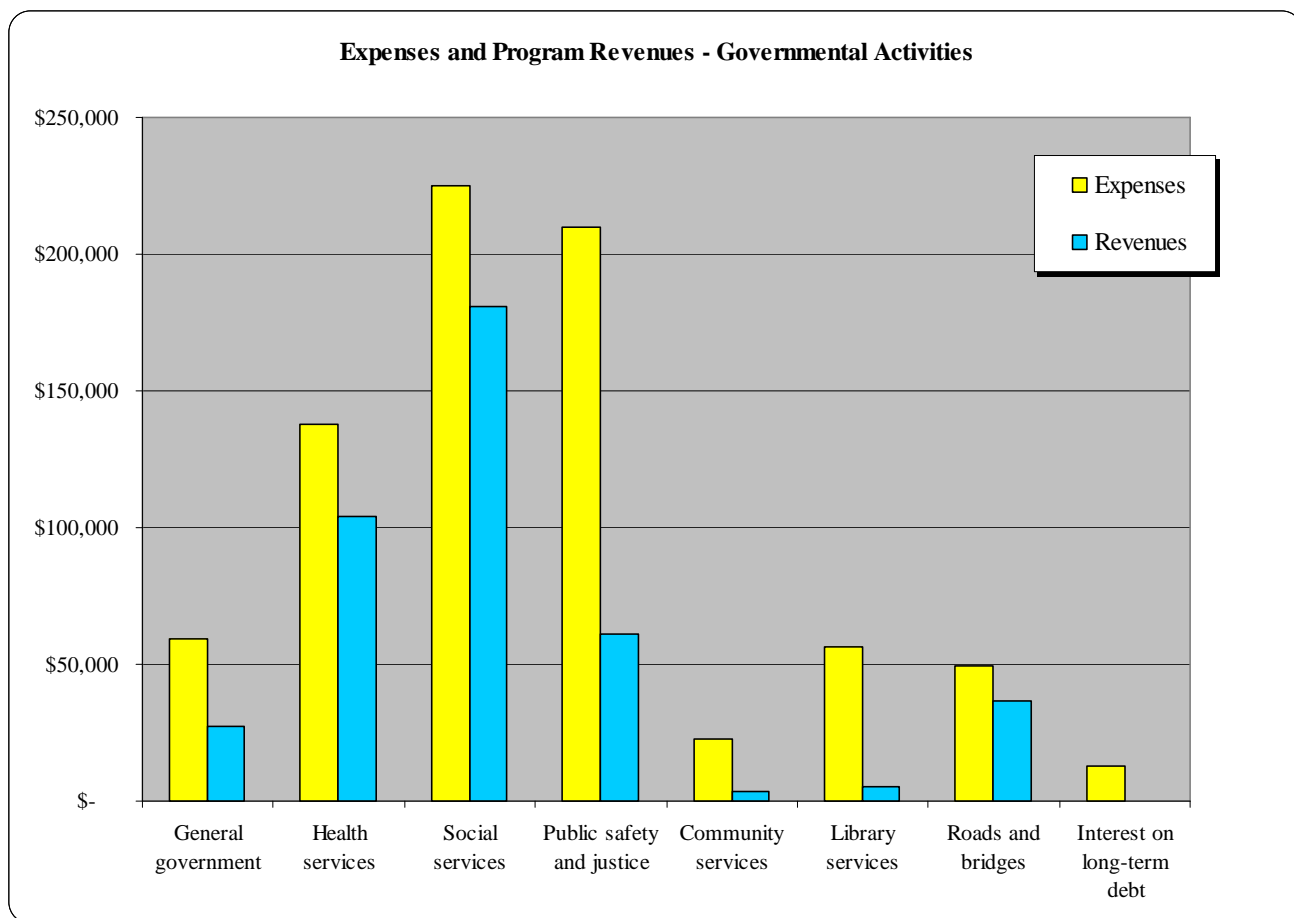
Multnomah County's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009 (Restated)	2010	2009	2010	2009 (Restated)
Revenues:						
Program revenues:						
Charges for services	\$ 115,554	\$ 103,989	\$44,081	\$40,004	\$159,635	\$143,993
Operating grants and contributions	299,735	291,018	-	-	299,735	291,018
Capital grants and contributions	2,885	3,831	133	80	3,018	3,911
General revenues:						
Taxes:						
Property taxes	275,295	266,427	-	-	275,295	266,427
Business income taxes	44,150	42,900	-	-	44,150	42,900
Other taxes	43,997	40,677	-	-	43,997	40,677
State government shared revenues	7,768	8,562	-	-	7,768	8,562
Grants and contributions not restricted to specific programs	27	14	-	-	27	14
Interest and investment earnings	2,589	5,767	128	235	2,717	6,002
Miscellaneous	1,665	1,797	7	-	1,672	1,797
Gain on sale of capital assets	228	628	-	-	228	628
Total revenues	<u>793,893</u>	<u>765,610</u>	<u>44,349</u>	<u>40,319</u>	<u>838,242</u>	<u>805,929</u>
Expenses:						
General government	59,572	70,001	-	-	59,572	70,001
Health services	137,615	133,751	-	-	137,615	133,751
Social services	224,928	210,590	-	-	224,928	210,590
Public safety and justice	210,079	217,215	-	-	210,079	217,215
Community services	22,796	24,320	-	-	22,796	24,320
Library services	56,548	55,181	-	-	56,548	55,181
Roads and bridges	49,571	48,517	-	-	49,571	48,517
Interest on long-term debt	12,800	14,041	-	-	12,800	14,041
Dunthorpe-Riverdale Service						
District Number 1	-	-	516	458	516	458
Mid County Service District						
Number 14	-	-	403	420	403	420
Behavioral Health Managed Care	-	-	39,207	32,720	39,207	32,720
Total expenses	<u>773,909</u>	<u>773,616</u>	<u>40,126</u>	<u>33,598</u>	<u>804,035</u>	<u>807,214</u>
Increase (decrease) in net assets	19,984	(8,006)	4,223	6,721	24,207	(1,285)
Cumulative effect of correction of error	-	132,426	-	-	-	132,426
Beginning net assets	<u>695,432</u>	<u>571,012</u>	<u>13,073</u>	<u>6,352</u>	<u>708,505</u>	<u>577,364</u>
Ending net assets	<u>\$715,416</u>	<u>\$695,432</u>	<u>\$17,296</u>	<u>\$13,073</u>	<u>\$737,712</u>	<u>\$708,505</u>

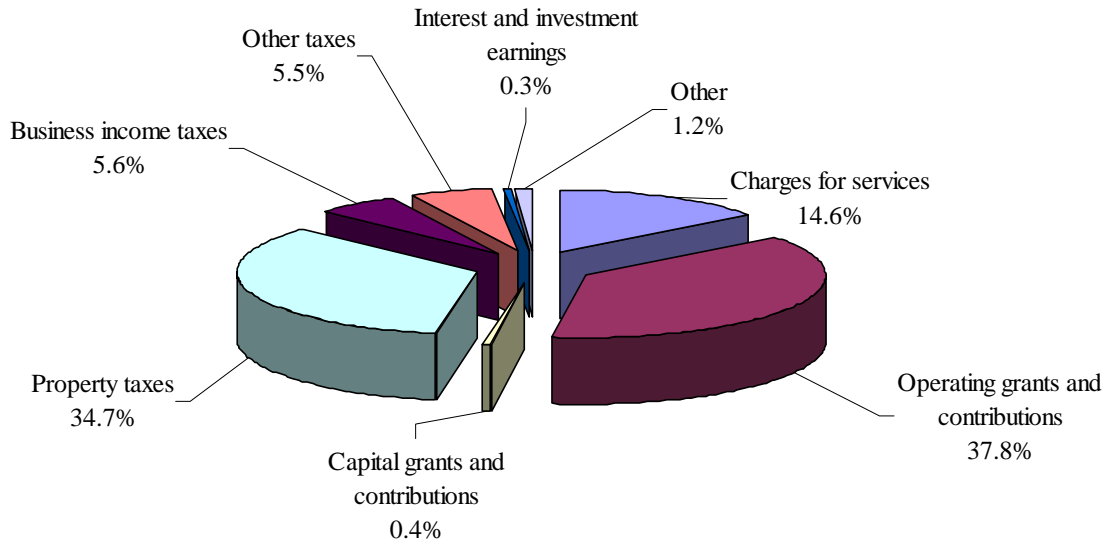
Governmental activities. Governmental activities increased the County’s net assets by \$19,984; key elements of this increase are highlighted below:

- Fees, fines and charges for services increased by \$10,565 or 11%. The increase is primarily Health Services which increased \$10,115 or 17% over the prior year due to an increase in Medicaid funded fee for services.
- Included in General Government expenses is a decrease of \$4,197 or 79% for the distribution of personal income tax collections. Calendar year 2005 was the last year for the three year temporary income tax, and only collections of delinquent accounts were recognized in fiscal year 2009. In addition, the adjustment to recognize the allowance on any uncollectible accounts decreased over the prior year.
- Business income taxes significantly decreased by \$22,750 or 35% from the prior year. Prior to fiscal year 2009, business income tax revenues have grown an average of 20% annually over the past five years. However, as the economic recession set in during fiscal year 2009, the County’s business income tax revenues plummeted. This decrease has also mirrored shrinking revenues in the regional economy.
- Due to poor market conditions and lower cash balances, interest and investment earnings were down by \$3,178 or 55% from fiscal year 2009. Investment earnings were at 1.31% as of June 2009 compared to .57% as of June 2010. Interest is allocated based on the average daily cash balance and the average monthly yield of the County’s investment portfolio.
- In General Revenues, Selective excise and use taxes increased by \$3,531 or 9% over 2009. The increase was due to an increase in the motor vehicle rental tax from 12.5% in 2009 to 17.0% in 2010 and the increase in the tax was to assist with the General Fund shortfall.

The graph below and on the following page, shows the County’s Governmental Activities expenses and revenues by program area and revenue by sources.



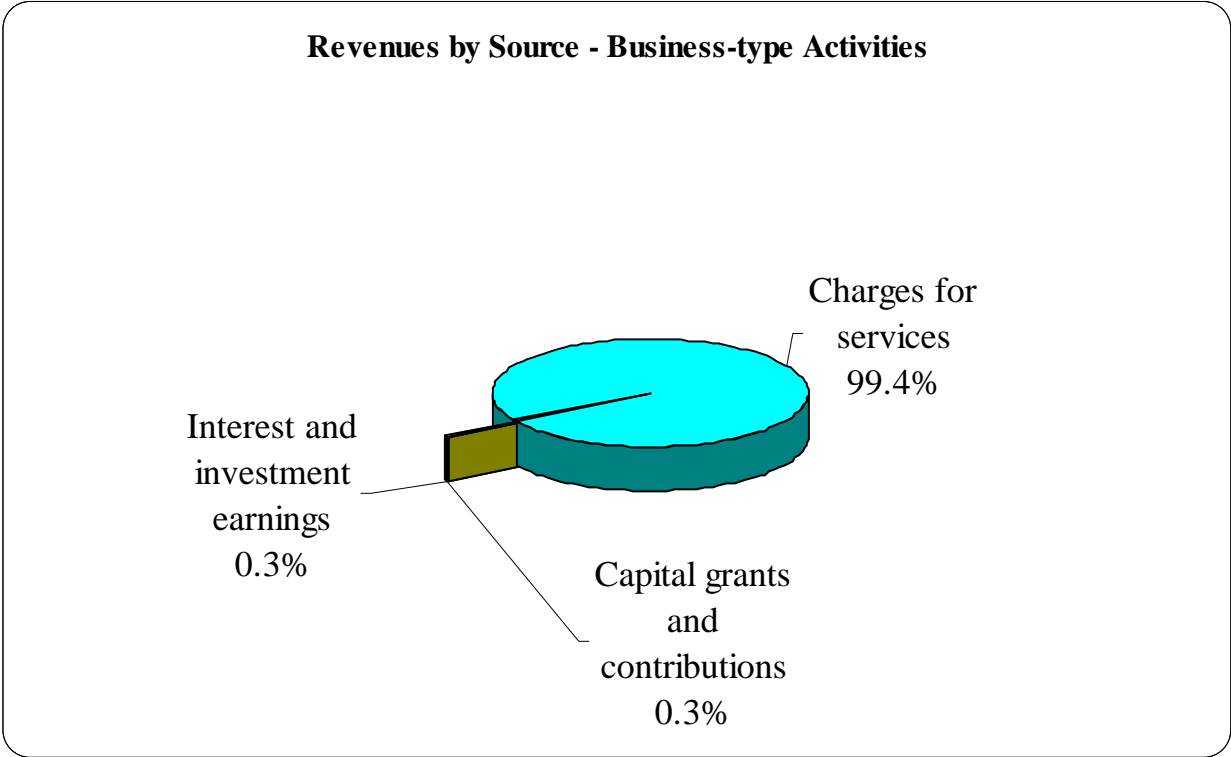
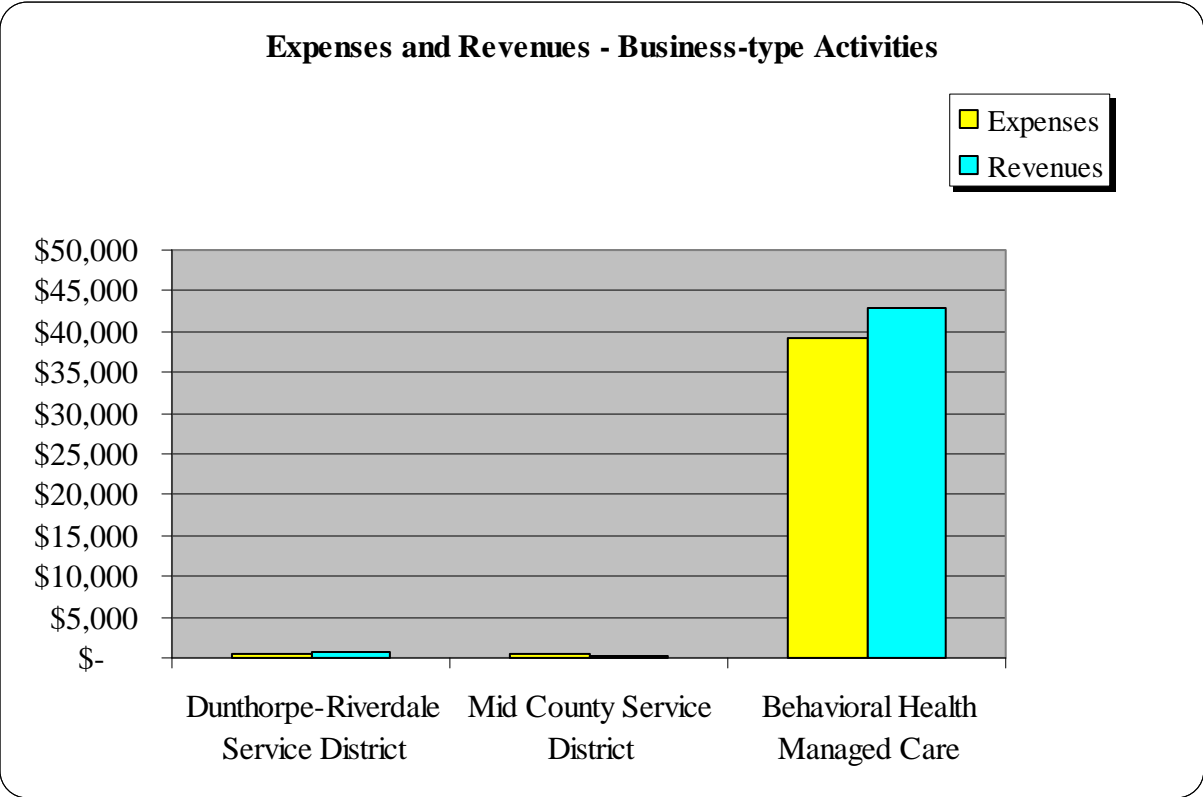
Revenues by Source, Governmental Activities



Business-type activities. Business-type activities increased the County's net assets by \$4,223, compared to an increase of \$6,721 in the prior year. The primary reasons for the current year's increase are:

- The Behavioral Health Managed Care fund manages the insurance for Medicaid and Oregon Health Plan enrolled members within Multnomah County. Net assets in this fund increased by \$3,845 as compared to an increase of \$6,523 in the prior year. In 2010 the cost for inpatient claims increased by approximately 30% due to an increase in the number of patients served as a result of the economic recession and the expansion of the Oregon Health Plan.
- The Dunthorpe-Riverdale Service District's revenue source is primarily sewer assessments collected through property taxes. During fiscal year 2010 the District collected \$809 in fines, fees and charges for services which is an increase over the prior year by \$96 or 13%. The increase is due to steady gradual annual increases in customer sewer user assessment fees to assist with rising utility costs, capital improvements and debt service payments.
- The Mid County Service District's revenue source is primarily street lighting assessments collected through property taxes. During fiscal year 2010 the District collected \$341 in fines, fees and charges for services which is an increase of \$77 or 29% over the prior year collections of \$264. This increase is attributable to an increase of approximately 29% in user fees from 2009.
- Interest revenue decreased by \$107 as interest rates fell from 1.31% in June 2009 to .57% in June 2010. Interest is allocated based on the average daily cash balance and the average monthly yield of the County's investment portfolio.

The following graphs show the County’s Business-type Activities expenses and revenues by program area and revenue by sources.



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$187,229, an increase of \$14,878 over the prior year. Approximately 34% or \$64,993 of this total amount constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for discretionary spending because it has already been committed 1) to interfund receivables (\$23,600), 2) to prepaid items and inventories (\$2,667), 3) to pay debt service (\$64,237), or 4) to pay for ongoing capital projects (\$31,732).

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance was \$34,399 in the General Fund or approximately 58% of the total fund balance of \$59,415. As a measure of the General Fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Unreserved fund balance represents 11% of total General Fund expenditures.

The fund balance of the County's General Fund increased by \$28,038 during the current fiscal year. Total revenues for the General Fund were up by \$13,721 or 4% over 2009. The primary reasons for the increase are due to an increase in the motor vehicle rental tax coupled with a slight increase in property tax revenues.

The Federal and State Program Special Revenue Fund has a total fund balance of \$5,942, of which \$739 is reserved for prepaid items and inventories. The remaining \$5,203 is unreserved. In general, Federal revenues are closely matched with Federal expenditures. Ending fund balance in the Federal and State Program fund decreased from the prior year by \$793 or 12% due to current year expenditures applied to grants and awards in the Department of County Human Services that had been carried forward from fiscal year 2009.

The Library Special Revenue Fund reported a total fund balance of \$19,095 which is unreserved at year-end. This is a decrease of \$1,196 or 6% from the prior year. The decrease is primary attributable to costs related to the addition of two new Library branches during the fiscal year. Included in fiscal year 2010 is the cost for the materials movement project that includes RFID system theft detection gates, self-check machines and necessary library software for all library locations. Debt proceeds of \$800 were used to fund the materials movement project in County libraries.

The PERS Pension Bond Fund is a debt service fund with a total fund balance of \$41,503 which is an increase of \$10,064 or 32% over the prior year's ending fund balance of \$31,439. The total fund balance is reserved for future debt service. The increase in fund balance is due to an increase in the internal service rates charged to County departments as a part of personnel costs.

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

Unrestricted net assets of the proprietary funds at year end amounted to:

- Dunthorpe-Riverdale Service District Fund, \$376
- Mid County Service District Fund, \$249
- Behavioral Health Managed Care Fund, \$12,975

The total change in net assets for all proprietary funds was an increase of \$4,223. Other factors concerning the finances of these three funds have already been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

The adjustments necessary to bring the expenditure budget into agreement with the revised revenue budget account for some of the differences between the original General Fund budget and the final adopted budget. Total final adopted budgeted revenues were increased by \$417 and total final adopted budgeted expenditures were increased by \$1,475 from the original budgeted numbers. During the year the General Fund contingency was reduced by \$1,450 or 20% for the following reasons:

- Sheriff – \$500 had been set aside in the Sheriff's Office budget for an investigation and search effort for a missing person.
- Sheriff – Approximately \$500 was allocated for Labor Contract Settlement with the Deputy Sheriff's Association.
- Sheriff – \$144 for training, premium pay overtime and other associated costs to re-establish the Corrections Emergency Response Team and the Crisis Negotiations Team with the Multnomah County Corrections Deputy Association in the Sheriff's Office.
- County Management – Approximately \$400 in the Department of County Management to pay in full an assessment from the City of Portland for the Portland Mall Revitalization Project Local Improvement District.
- Human Services – \$210 was set aside for a Housing Stabilization project in the Department of County Human Services (DCHS). DCHS will work with community providers serving homeless families to identify clients who would benefit from rapid housing placement assistance, rental assistance for up to six months, and up to six months of supportive services.
- Multiple Departments – Approximately \$370 increased the General Fund revenues as a result of additional grants and awards to various County Departments in restricted funds that allowed for indirect costs or an overhead allocation.

The contingency transactions account for increases in budgeted expenditures not related to increased revenues, and may be used only when approved by the Board for a specific purpose and department. There was no effect on the ending General Fund budgetary fund balance as a result of these budget amendments. The following list highlights department expenditures that had significant changes from the original budget to the final adopted budget or variances between the final adopted budget to actual expenditures in the General Fund:

- Sheriff – The Sheriff's office final budget exceeded the original budget by \$1,141. This increase is explained by the changes in the Sheriff's Office General Fund contingency as noted above.
- An overall reduction of 4% in General Fund spending as compared to the adopted budget.

Capital Projects and Debt Administration

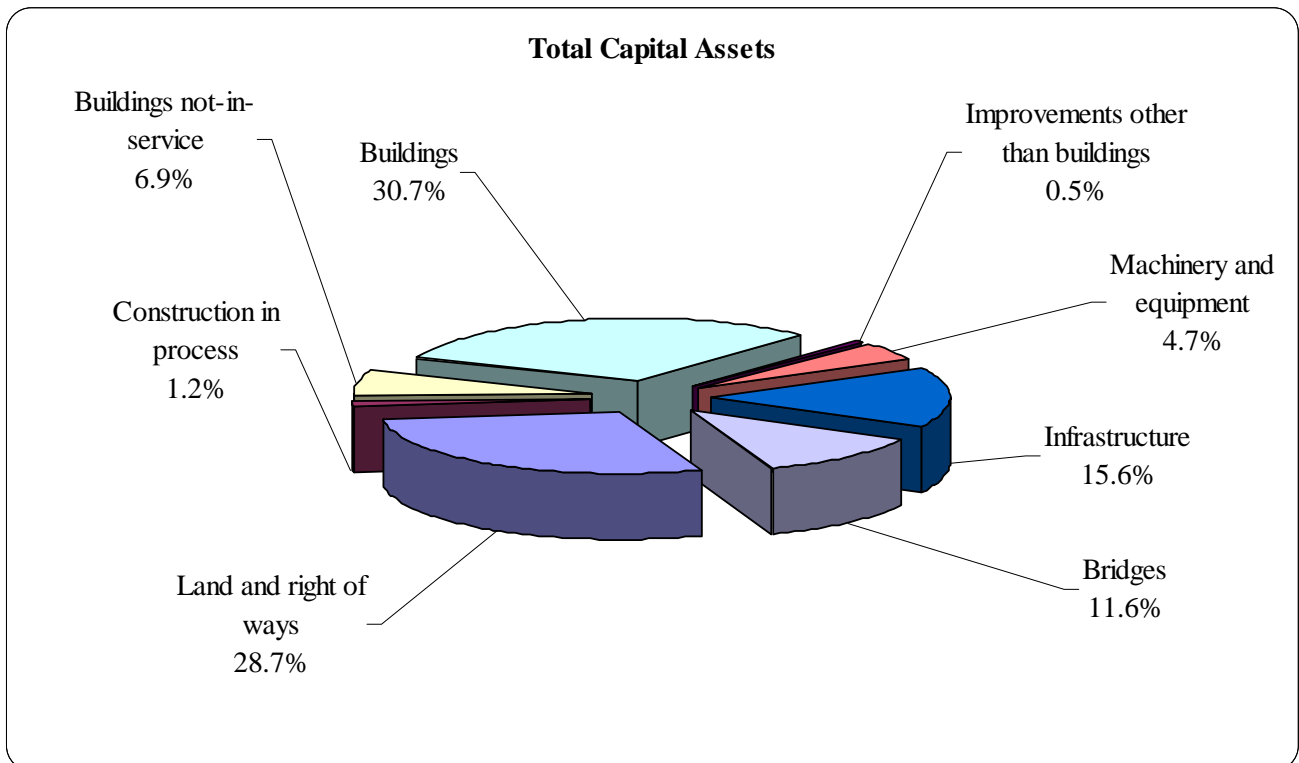
Capital assets. The County's investment in capital assets for its governmental and business-type activities as of June 30, 2010, amounts to \$739,054 (net of accumulated depreciation). This investment in capital assets includes land, right of ways, buildings and improvements, machinery and equipment, internally developed software, roads and bridges, sewer and street lighting systems, and motor vehicles. The total overall change in the County's investment in capital assets for the current fiscal year was a decrease of \$6,027 or approximately 1%. One building disposition along with the related land and a road annexation accounted the majority of the total decrease in capital assets.

The presentation below includes the cumulative adjustment of a correction of an error in the amount of \$137,371. This amount represents the effects of right of ways previously being depreciated in error. The County identified this error in connection with the implementation of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, for year-ended June 30, 2010. Additionally, buildings not-in-service represents a County jail facility whose construction was completed in fiscal year 2005. However, the County does not have sufficient resources to operate the facility.

Multnomah County’s Capital Assets
(net of depreciation, where applicable)

	Governmental Activities		Business- Type Activities		Total	
	2010	2009 (Restated)	2010	2009	2010	2009 (Restated)
Land and right of ways	\$ 212,024	\$ 213,515	\$ -	\$ -	\$ 212,024	\$ 213,515
Construction in process	8,401	1,437	305	-	8,706	1,437
Buildings not-in-service	51,164	51,164	-	-	51,164	51,164
Buildings	227,121	234,938	-	-	227,121	234,938
Improvements other than buildings	283	296	3,391	3,442	3,674	3,738
Machinery and equipment	34,979	34,540	-	-	34,979	34,540
Bridges	85,825	87,033	-	-	85,825	87,033
Infrastructure	115,561	118,716	-	-	115,561	118,716
Total capital assets	\$ 735,358	\$ 741,639	\$ 3,696	\$ 3,442	\$ 739,054	\$ 745,081

The following chart indicates the County’s capital assets as of June, 30, 2010. Additional information on the County’s capital assets can be found in note 3.C on pages 66 – 67 of this report.



Long-term debt. At the end of the current fiscal year, the County had total debt outstanding of \$276,394. Of this amount, \$50,045 comprises debt backed by the general obligation bonds; \$220,352 represents debt backed by the full faith and credit bonds; \$2,132 comprises long term loan obligations; and the remainder of the County's debt represents bonds secured solely by specified sources (e.g., revenue bonds, capitalized leases). Both general obligation bonds and full faith and credit bonds are direct obligations pledging the full faith and credit of the County.

Multnomah County's Outstanding Debt

	Governmental Activities		Business- Type Activities		Total	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ 50,045	\$ 56,570	\$ -	\$ -	\$ 50,045	\$ 56,570
Revenue bonds	2,845	3,240	-	-	2,845	3,240
Full faith and credit bonds	220,352	223,829	-	-	220,352	223,829
Capital leases	1,020	10,757	-	-	1,020	10,757
Loans	2,132	623	-	-	2,132	623
Total outstanding debt	<u>\$ 276,394</u>	<u>\$ 295,019</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 276,394</u>	<u>\$ 295,019</u>

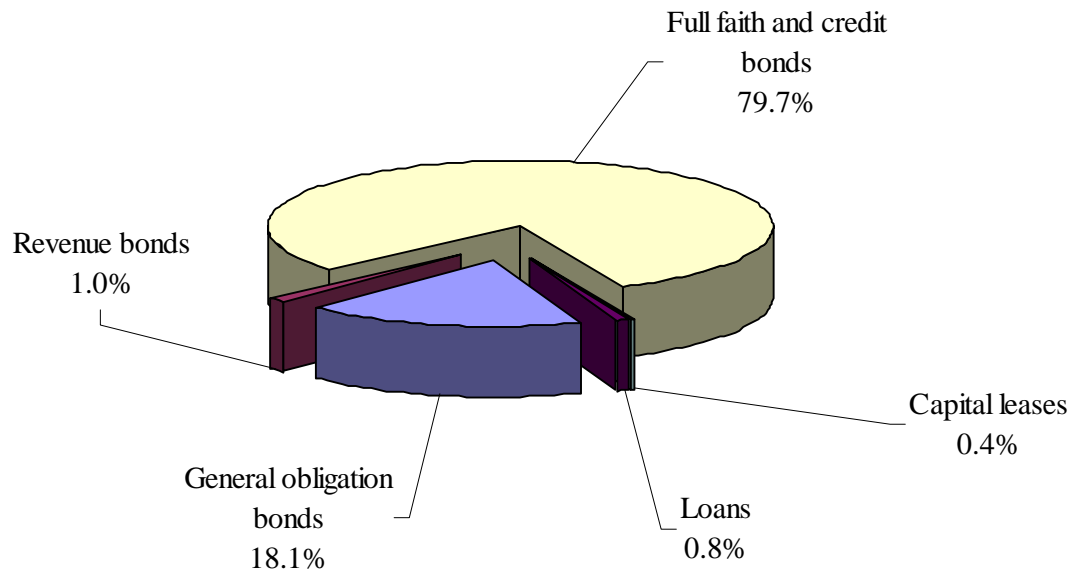
The County's total debt decreased by \$18,625 or approximately 6% during the current fiscal year. In fiscal year 2010 the County issued \$45,710 in General Obligation refunding bonds. These bond refunded \$49,710 in outstanding general obligation bonds. In addition, the County issued \$9,800 in Full Faith and Credit bonds that were issued to finance the replacement cost for the County's IT data center, provide for telephone enhancements, deferred facilities maintenance and assist with a project to automate the movement of library materials. Other changes to the County's long-term debt during fiscal year 2010 consisted primarily of principal payments.

The County maintains an "Aaa" rating with a stable outlook from Moody's, for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to two percent of the real market value of all taxable property within the government's boundaries. The current debt limitation for the County for general obligation debt is \$2,100,560, which is significantly in excess of the County's outstanding general obligation debt. State statutes also limit the amount of full faith and credit obligations to one percent of the real market value of all taxable property within the government's boundaries. The current debt limitation for the County for full faith and credit obligations is \$1,050,280, which is in excess of the County's outstanding full faith and credit debt. The County is also subject to State statute on revenue bonds used to finance pension liabilities by 5% of the real market value of all taxable property within the County's boundaries. The current debt limitation for pension revenue bonds is \$5,251,401, which is also in excess of the County's outstanding pension revenue bonds.

The following chart indicates the County's long-term liabilities as of June 30, 2010. Additional information on the County's long-term liabilities can be found in note 3.F on pages 69 – 76 of this report.

Total Outstanding Long-Term Debt



Key Economic Factors and Budget Information for Next Year

- The unemployment rate for the Portland-Vancouver-Beaverton PMSA (Primary Metropolitan Statistical Area) at the close of the fiscal year was approximately 10.2% which is down from 11.4% at the same time last year. The unemployment rate has remained above 10% since the onset of the economic recession in 2008.
- The forecast for fiscal year 2011 anticipates business income tax revenues will be slightly higher than fiscal year 2010 levels. Actual collections could be higher or they could be lower. Business income tax is highly sensitive to economic conditions. Over the past five years tax collections have grown by as much as 40% and declined by as much as 35% on a year over year basis.
- Property tax revenues are not expected to be significantly different than the original budget estimates. Voter approved Property Tax measures, while they have limited revenue growth, have tended to make tax collections more stable and predictable from year to year.
- Recording fees and the CAFFA grant are expected to increase by 7.5% which is expected to primarily be attributable to refinancing activity associated with low mortgage rates.

All of these factors were considered in preparing the County's budget for fiscal year 2010-2011.

During the current fiscal year, unreserved fund balance in the General Fund increased to \$34,399. At this level, the County is able to fully fund the reserve account in the General Fund unappropriated fund balance as described in the Financial and Budget policies, and approximately half of the second reserve. The County maintains General Fund reserves outlined in the County's Financial and Budget Policies. In fiscal year 2011, reserves are equal to 10% of specifically identified General Fund revenues. The fiscal year 2010-2011 budget fully funds the reserve in the General Fund.

Requests for Information

This financial report is designed to provide a general overview of Multnomah County'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 separately issued component unit reports should be directed to the following address:

Multnomah County
Department of County Management
501 SE Hawthorne Blvd. Suite 531
Portland, OR 97214