



Department of County Management
MULTNOMAH COUNTY OREGON

501 SE Hawthorne Blvd, Suite 531
Portland, Oregon 97214
(503) 988-3312 phone
(503) 988-3292 fax

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, 2009. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages 1-6 of this report. All dollar amounts, unless otherwise indicated, are expressed in thousands.

Financial Highlights

- Multnomah County's assets exceeded its liabilities at June 30, 2009, by \$571,134 (*net assets*). Of this amount, \$22,620 is restricted for capital improvement projects, \$8,896 is restricted for various community support programs, and \$67,026 is restricted for future years' debt service.
- Total net assets decreased by \$6,230 or 1% in fiscal year 2009. There is not one primary factor for the decrease in net assets, but rather various reasons account for the overall decrease in net assets which are discussed by management below.
- In governmental activities, business income tax revenues decreased by \$22,750 or 35% over the prior year. The primary factor for the large decrease from 2008 is due to the economic downturn and recession during most of fiscal year 2009.
- Personal income tax revenues decreased by \$8,089 from the prior year. 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 was significantly higher over the prior year as additional accounts are identified as uncollectible.
- Capital grants and contributions decreased by \$6,674. During fiscal year 2008, the County received \$8,820 as a one time contribution to help fund costs to construct a new County courthouse.
- Interest and investment earnings were down from the prior year by \$6,120 or 51%. The primary reason for this decrease is a drop in average interest rates from 4.2% in fiscal year 2008 to 1.9% in fiscal year 2009.
- The gain on sale of capital assets decreased by \$9,578 or 94%. Included in the prior year balance was a gain for \$10,105 related to the sale of property in East Multnomah County to a private party.
- General government expenses for governmental activities decreased by \$10,887 or 14% from the prior year. The primary reason for the decrease is due to the reduction in the distribution of personal income tax collections reflecting a decrease in expected future collections and distributions from what was accrued in fiscal year 2008. Calendar year 2006 was the last year the tax was in effect. In addition, the County went through a 4% overall spending reduction in the general fund mid-year of 2009 which resulted in cost savings Countywide.
- Social services expenses increased by \$14,053 or 7% from fiscal year 2008. Approximately \$11,000 of this increase was noted in the Federal State special revenue program fund in Department of County Human Services (DCHS) programs. Specifically DCHS programs for weatherization repair and replacement and low income energy assistance significantly increased over 2008 due to a much harsher winter in 2009. Also DCHS programs funded by the State Mental Health grant (SMHG) increased over the prior year. Specifically SMHG services for mental health and developmental disabilities saw the greatest increases as a result of programmatic changes at the State level to reduce the total number of clients served by case managers in these programs and increase spending in other areas directed by the State.

- Net assets for business-type activities increased by \$6,721 or 105% in fiscal year 2009. The increase is primarily attributable to the Behavioral Health Managed Care fund. During fiscal year 2009, the Department of County Human Services instituted a utilization review program that provided for additional oversight and diagnosis over claims in order to ensure the correct services were delivered and to reduce unnecessary provider services. This review program resulted in significant cost savings to programs in the Behavioral Health Managed Care fund.
- Total assets for business-type activities increased by \$6,238 or 55% over the prior year and total liabilities decreased by \$483 or 10% from fiscal year 2008. The increase is primarily in the Behavioral Health Managed Care fund as cash balances have increased for the fund 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 \$172,351, a decrease of \$16,730 in comparison with the prior year's increase of \$28,411.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$7,486, or approximately 2% of total General Fund expenditures.

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 28-30 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 26 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, and the PERS Pension Bond Fund, 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 31-34 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 37-39 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 40 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 124-125 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 41 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 77 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 76.

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 \$571,134 at the close of the most recent fiscal year.

Multnomah County's Net Assets

	Governmental Activities		Business- Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 446,254	\$ 469,917	\$14,085	\$ 7,865	\$ 460,339	\$ 477,782
Capital assets	604,268	613,142	3,442	3,424	607,710	616,566
Total assets	<u>1,050,522</u>	<u>1,083,059</u>	<u>17,527</u>	<u>11,289</u>	<u>1,068,049</u>	<u>1,094,348</u>
Long-term liabilities outstanding	369,715	382,106	31	28	369,746	382,134
Other liabilities	122,746	129,941	4,423	4,909	127,169	134,850
Total liabilities	<u>492,461</u>	<u>512,047</u>	<u>4,454</u>	<u>4,937</u>	<u>496,915</u>	<u>516,984</u>
Net assets:						
Invested in capital assets, net of related debt	470,426	465,079	3,442	3,424	473,868	468,503
Restricted	98,542	77,979	-	-	98,542	77,979
Unrestricted	(10,907)	27,954	9,631	2,928	(1,276)	30,882
Total net assets	<u>\$ 558,061</u>	<u>\$ 571,012</u>	<u>\$13,073</u>	<u>\$ 6,352</u>	<u>\$ 571,134</u>	<u>\$ 577,364</u>

The largest portion of the County's net assets, approximately 81%, 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 \$473,868 as compared to \$468,503 a year ago. During fiscal year 2009 the County paid approximately \$14,874 in debt related to capital assets. 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 \$98,542 or approximately 17% 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 a deficit for the County's unrestricted net assets of \$1,276 or approximately (.2)%. Unrestricted net assets had a negative balance 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 two out of three categories of net assets for the government as a whole.

In fiscal year 2009 there is a deficit in unrestricted net assets. A primary reason for the decrease from 2008 in unrestricted net assets is due to the \$24,200 one-time General Fund resources to retire debt related to County facilities and pay off other debt issues. Considering the County's long-term obligations in the Statement of Net Assets, the County recognizes the necessity to be able to meet current financial obligations and has no reason to believe that liabilities will not be met in future periods.

Total net assets decreased by \$6,230 during the current fiscal year. This decrease is attributable to various factors discussed in the financial highlights section of management's discussion and analysis.

On the following page is a summary of the County's changes in net assets for fiscal years 2008 and 2009.

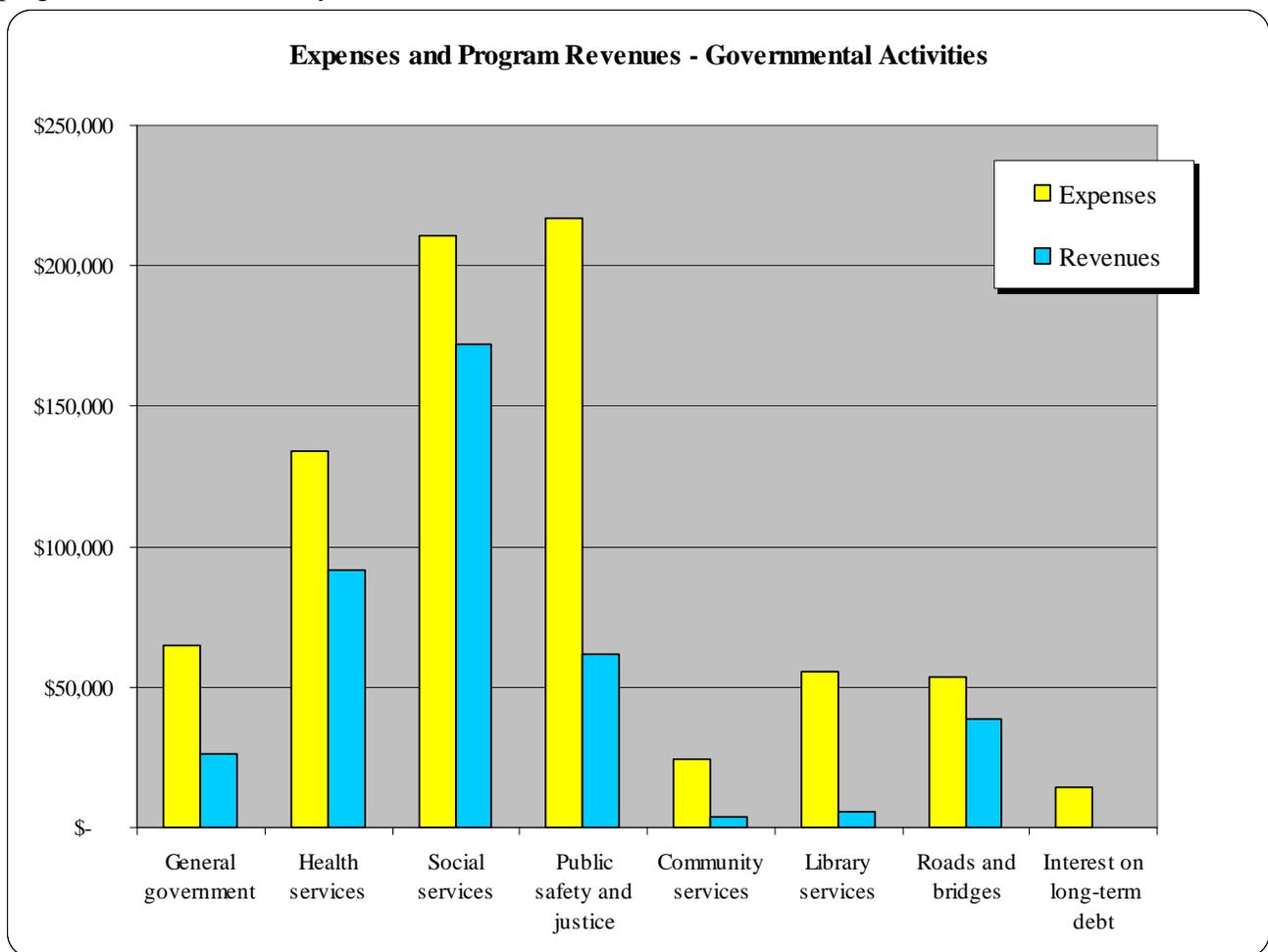
Multnomah County's Changes in Net Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 103,989	\$ 97,348	\$40,004	\$36,967	\$143,993	\$134,315
Operating grants and contributions	291,018	265,271	-	-	291,018	265,271
Capital grants and contributions	3,831	10,505	80	10	3,911	10,515
General revenues:						
Taxes:						
Property taxes	266,427	258,523	-	-	266,427	258,523
Personal income taxes	(5,341)	2,748	-	-	(5,341)	2,748
Business income taxes	42,900	65,650	-	-	42,900	65,650
Other taxes	40,677	44,349	-	-	40,677	44,349
State government shared revenues	8,562	9,613	-	-	8,562	9,613
Grants and contributions not restricted to specific programs	14	10	-	-	14	10
Interest and investment earnings	5,767	11,887	235	398	6,002	12,285
Miscellaneous	1,797	1,410	-	1	1,797	1,411
Gain on sale of capital assets	628	10,206	-	-	628	10,206
Total revenues	760,269	777,520	40,319	37,376	800,588	814,896
Expenses:						
General government	64,660	75,547	-	-	64,660	75,547
Health services	133,751	125,355	-	-	133,751	125,355
Social services	210,590	196,537	-	-	210,590	196,537
Public safety and justice	217,215	208,253	-	-	217,215	208,253
Community services	24,320	26,069	-	-	24,320	26,069
Library services	55,181	52,087	-	-	55,181	52,087
Roads and bridges	53,462	56,716	-	-	53,462	56,716
Interest on long-term debt	14,041	16,443	-	-	14,041	16,443
Dunthorpe-Riverdale Service District Number 1	-	-	458	476	458	476
Mid County Service District Number 14	-	-	420	377	420	377
Behavioral Health Managed Care	-	-	32,720	37,803	32,720	37,803
Total expenses	773,220	757,007	33,598	38,656	806,818	795,663
Increase (decrease) in net assets	(12,951)	20,513	6,721	(1,280)	(6,230)	19,233
Beginning net assets	571,012	550,499	6,352	7,632	577,364	558,131
Ending net assets	\$558,061	\$571,012	\$13,073	\$ 6,352	\$571,134	\$577,364

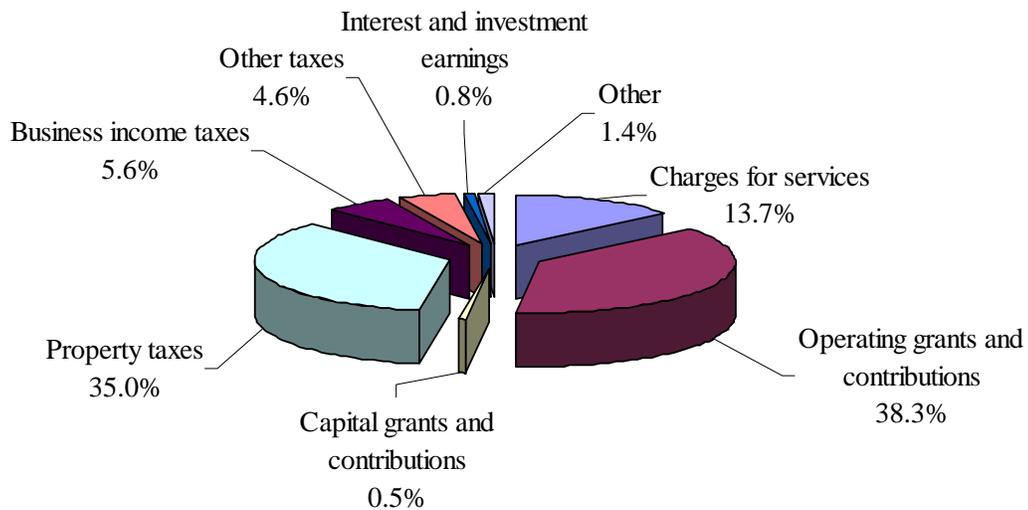
Governmental activities. Governmental activities decreased the County’s net assets by \$12,951; key elements of this increase are highlighted below:

- Capital grants and contributions decreased by \$6,674 or 64%. Included in the 2008 balance is a one-time capital contribution for \$8,820 to set aside funds to build a new County courthouse.
- 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 \$6,120 or 51% from fiscal year 2008.
- The gain on sale of capital assets decreased by \$9,578 or 94%. The prior year’s balance consists of a gain on a sale of property to a local private party.
- Expenses for social services increased by \$14,053 or 7% over 2008. The increase was noted in the Department of County Human Services, specifically in the Federal State special revenue fund. Federal awards that increased from the prior year included grants for weatherization and energy assistance due to a severe winter storm. State grants for mental health and developmental disabilities also increased over 2008 as the State focused on the services provided by these programs, increasing funding to allow for additional case managers and other directed spending.

The graphs on the following page show the County’s Governmental Activities expenses and revenues by program area and revenue by sources.



Revenues by Source, Governmental Activities

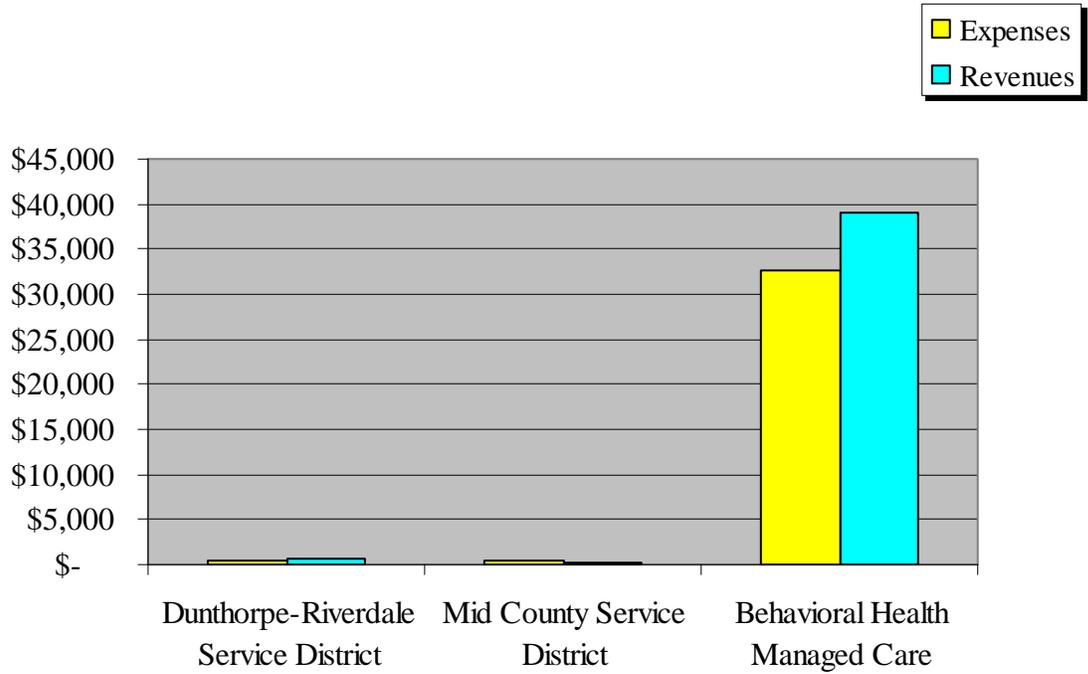


Business-type activities. Business-type activities increased the County’s net assets by \$6,721, compared to a decrease of \$1,280 in the prior year. The primary reasons for the current year’s increase are:

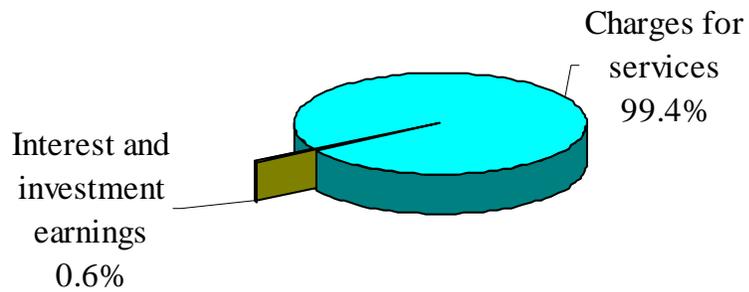
- The Behavioral Health Managed Care fund manages the insurance for Medicaid and Oregon Health Plan enrolled members within Multnomah County. Net assets in this fund increased by \$6,523 as compared to a decrease of \$1,374 in the prior year. The current year increase is a result of a utilization review program implemented by the Department of County Human Services in fiscal year 2009. This program drastically reduced expenses by \$5,083 or 13% in the Behavioral Health Managed Care fund from \$37,803 in fiscal year 2008 to \$32,720 in fiscal year 2009. The effect of the review program was to eliminate any unnecessary services delivered by the program’s providers.
- The Dunthorpe-Riverdale Service District’s revenue source is primarily sewer assessments collected through property taxes. During fiscal year 2009 the District collected \$713 in fines, fees and charges for services which is an increase over the prior year by \$86 or 14% due to an increase 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 2009 the District collected \$264 in fines, fees and charges for services which is comparable to the prior year collections of \$268. The District did not increase fee charges in fiscal year 2009.
- Interest revenue decreased by \$163 reflecting declining interest rates throughout fiscal year 2009.

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

Expenses and Revenues - Business-type Activities



Revenues by Source - Business-type Activities



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 \$172,351, a decrease of \$16,730 over the prior year. Approximately 33% or \$57,204 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 (\$23,200), 2) to prepaid items and inventories (\$2,716), 3) to pay debt service (\$66,608), or 4) to pay for ongoing capital projects (\$22,623).

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance was \$7,486 in the General Fund or approximately 24% of the total fund balance of \$31,377. 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 2% of total General Fund expenditures.

The fund balance of the County's General Fund decreased by \$40,236 during the current fiscal year. The primary factor for this decrease can be attributed to a significant decrease in business income tax revenues. Business income tax revenues were budgeted at \$55,665 while actual revenue collections were only \$42,900 for the year as compared to a budget of \$53,020 and actual collections of \$65,650 for the prior fiscal year. The decrease is also attributed to one-time transfers from the General Fund for early debt retirement of \$24,200.

The Federal and State Program Special Revenue Fund has a total fund balance of \$6,735, of which \$1,085 is reserved for prepaid items and inventories. The remaining \$5,650 is unreserved. In general, Federal revenues are closely matched with Federal expenditures. The fund balance increased over the prior year by \$2,306 or 52% as a result of a significant amount of Department of County Human Services awards that carried forward into the following fiscal year.

The PERS Pension Bond Fund is a debt service fund with a total fund balance of \$31,439 which is an increase of \$4,240 over the prior year's ending fund balance of \$27,199. The total fund balance is reserved for future debt service.

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, \$251
- Mid County Service District Fund, \$250
- Behavioral Health Managed Care Fund, \$9,130

The total change in net assets for all proprietary funds was an increase of \$6,721. 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 \$450 and total final adopted budgeted expenditures were increased by \$5,945 from the original budgeted numbers. During the year the General Fund contingency was reduced by \$11,830 for the following reasons:

- Approximately \$2,100 had been set aside for cost of living adjustments in labor contracts for corrections deputies in the Sheriff's Office and probation and parole officers in the Department of Community Justice. These labor agreements were finally settled during fiscal year 2009.
- \$500 was spent towards specific classification compensation studies among various union classifications.
- \$2,236 was set aside for an inmate supervision program in the Sheriff's Office that previously was administered by the Department of Community Justice.
- \$6,389 was transferred out via cash transfer from the General Fund and into the Capital Improvement capital project fund in order to make necessary capital improvements to County buildings. Specifically the County's courthouse needed roof repairs as well as exterior maintenance and elevator replacements.
- Approximately \$300 was set aside in the General Fund for the Sheriff's Office to provide for additional jail beds in County jails.
- \$285 was transferred via cash transfer to the Facilities Management internal service fund to fund minimal operating costs at the Wapato jail facility which currently remains unopened.

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 changes from the original budget to the final adopted budget or variances between the final adopted budget to actual expenditures in the General Fund greater than \$4,000:

- Sheriff – The Sheriff's office final budget exceeded the original budget by \$4,302. Approximately \$1,666 accounts for Sheriff's Office corrections deputies' cost of living adjustment as a result of executing labor agreements. \$339 was set aside in the General Fund for additional jail beds. The remaining amount was funding set aside for an inmate supervision program. The Sheriff's office also spent less than their final budget by \$4,785, which is primarily the result of reductions in various programs in response to a request by the Chair's Office for all departments to spend at least 4% under their General Fund appropriation for fiscal year 2009.
- Nondepartmental – Nondepartmental offices and agencies spent less than their final budget by \$4,148 which was largely related to personal income tax distributions, which were budgeted at \$1,733 without any related actual expenditures. Additionally, business income tax distributions were budgeted at \$5,578 but actual expenditures were only \$4,432. The County also budgeted \$880 in interest expense for a short-term borrowing which wasn't needed.

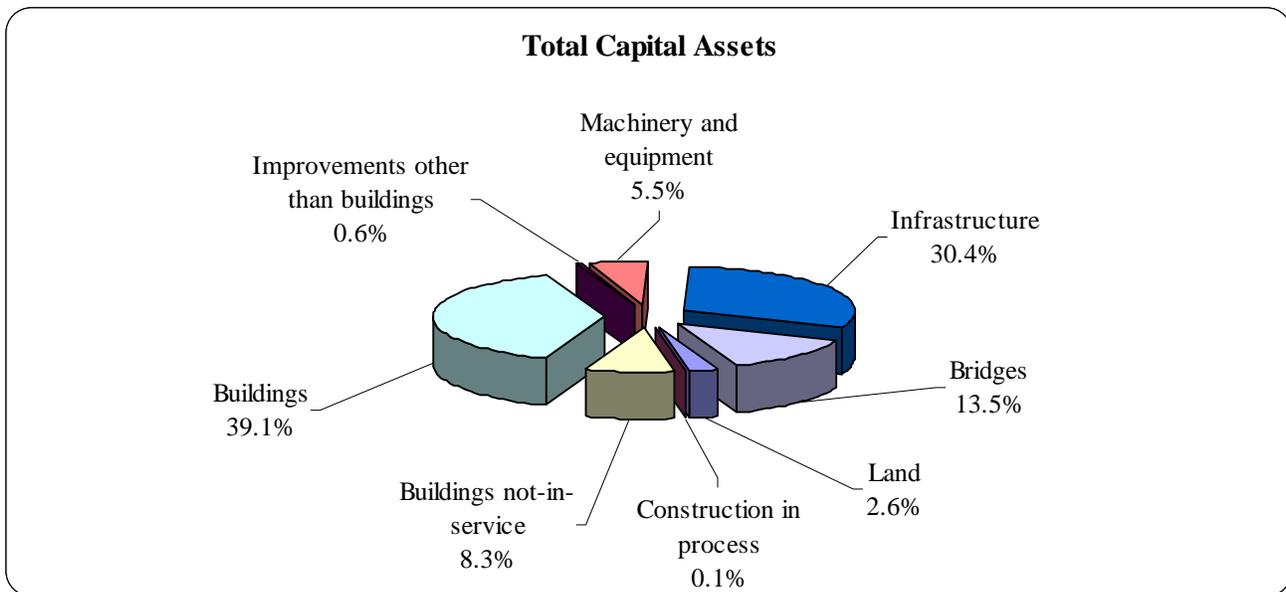
Capital Projects and Debt Administration

Capital assets. The County's investment in capital assets for its governmental and business-type activities as of June 30, 2009, amounts to \$607,710 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, 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 \$8,856 or approximately 1%. There were no significant capital asset events during the current fiscal year. Governmental buildings decreased by \$6,029 or 3%, due to depreciation on existing buildings. 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	
	2009	2008	2009	2008	2009	2008
Land	\$ 16,115	\$ 16,296	\$ -	\$ -	\$ 16,115	\$ 16,296
Construction in process	1,437	317	-	-	1,437	317
Buildings not-in-service	51,164	51,164	-	-	51,164	51,164
Buildings	234,938	240,967	-	-	234,938	240,967
Improvements other than buildings	296	188	3,442	3,424	3,738	3,612
Machinery and equipment	34,540	34,003	-	-	34,540	34,003
Bridges	87,033	83,033	-	-	87,033	83,033
Infrastructure	178,745	187,174	-	-	178,745	187,174
Total capital assets	\$ 604,268	\$ 613,142	\$ 3,442	\$ 3,424	\$ 607,710	\$ 616,566

The following chart indicates the County's capital assets as of June, 30, 2009. Additional information on the County's capital assets can be found in note 3.C on pages 59-60 of this report.



Long-term debt. At the end of the current fiscal year, the County had total debt outstanding of \$295,019. Of this amount, \$56,570 comprises debt backed by the general obligation bonds; \$223,829 represents debt backed by the full faith and credit bonds; \$623 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

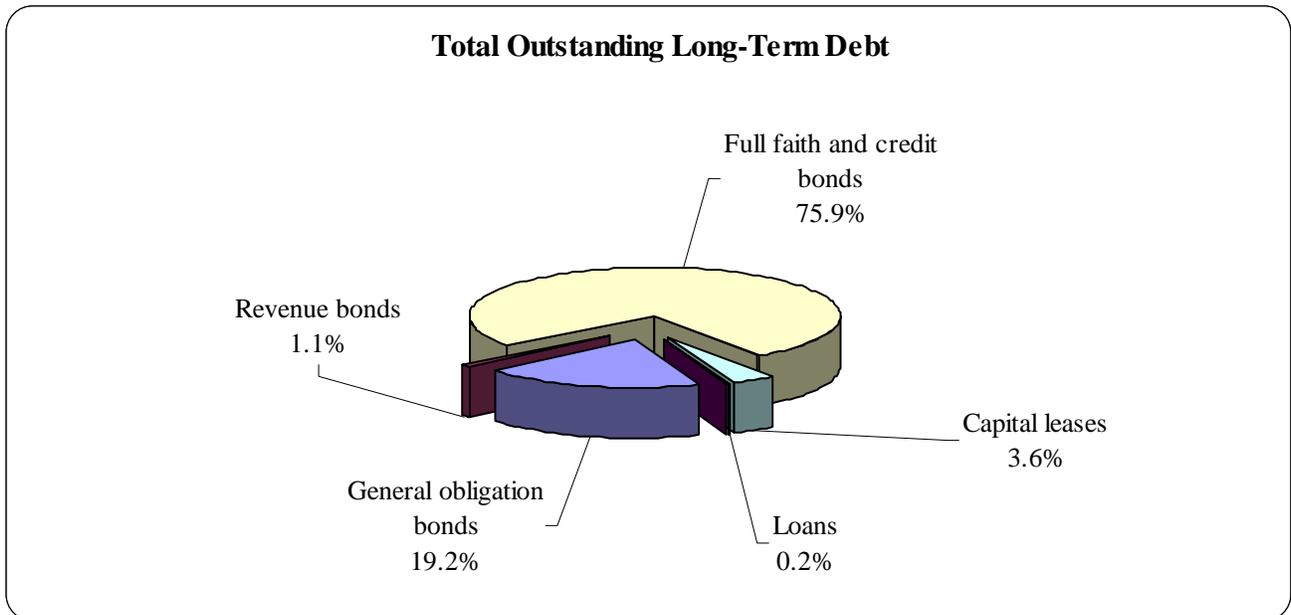
	Governmental Activities		Business- Type Activities		Total	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ 56,570	\$ 63,125	\$ -	\$ -	\$ 56,570	\$ 63,125
Revenue bonds	3,240	5,320	-	-	3,240	5,320
Full faith and credit bonds	223,829	235,609	-	-	223,829	235,609
Capital leases	10,757	13,604	-	-	10,757	13,604
Loans	623	242	-	-	623	242
Total outstanding debt	\$ 295,019	\$ 317,900	\$ -	\$ -	\$ 295,019	\$ 317,900

The County's total debt decreased by \$22,881 or approximately 7% during the current fiscal year. Changes to the County's long-term debt during fiscal year 2009 consisted primarily of principal payments.

The County maintains an "Aa1" 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 \$2,147,639, 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 \$1,073,820, 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 \$5,369,098, 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, 2009. Additional information on the County's long-term liabilities can be found in note 3.F on pages 61-69 of this report.



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 11.5% which is significantly higher than the prior year's rate of 5.8% due to the economic recession.
- The forecast for fiscal year 2010 anticipates business income tax revenues will remain at the fiscal year 2009 levels. However if the economy does not continue to stabilize, actual collections could be even lower. Business income tax is highly sensitive to economic conditions. In a weakening economic climate it would not be surprising for revenues to drop by 15% or more.
- Property tax revenues are not expected to be significantly different than the original budget estimates. County assessed or taxable values are significantly below real market values for most properties, therefore property tax collections are anticipated to be relatively inelastic despite falling real market values.

All of these factors were considered in preparing the County's budget for fiscal year 2009-2010.

During the current fiscal year, unreserved fund balance in the General Fund decreased to \$7,486. At this level, with an additional \$15,337 reported in the General Reserve special revenue fund, the County is able to fully fund one of the two reserves as described in the Financial and Budget policies, and approximately half of the second reserve. The fiscal year 2009-2010 budget fully funds the second 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