

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

Note 1. Summary of Significant Accounting Policies

A. Reporting entity

Multnomah County, Oregon (County) was established in 1854 and is organized under the Oregon Revised Statutes (ORS), chapter 201.260, 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 three blended component units which are included in this report.

Blended component units. The Dunthorpe-Riverdale Sanitary Service District No. 1 and the Mid County Lighting Service District No. 14 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. The management of the Districts is handled by County management. Separate financial statements for the individual component units may be obtained at the Finance Division of the County's administrative offices.

The Library District of Multnomah County was created on July 1, 2013. In November 2012, the voters of Multnomah County approved a measure to form and fund a library district with a permanent rate dedicated to library services, operations, books, materials, programs, activities and oversight of the district. The District's permanent rate means library operations will have stable and dedicated funding. The Library District is reported as a special revenue fund and is governed by a board comprised of the County's elected Board. The County and the District have executed an intergovernmental agreement which states that the County will be reimbursed by the District for the cost of library operations, provided using County-owned assets. Separate financial statements for the Library District may be obtained at the Finance Division of 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. The balances and activity of the Authority are insignificant and therefore the financial statements of the County do not include the Authority. The County is not

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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.

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 position* 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*.

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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.

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 and State Program Fund* is a special revenue fund that accounts for primarily grant resources (federal, state and local) and the related expenditures for those programs.

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The *PERS Pension Bond Fund* is a debt service fund that 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.

The *Sellwood Bridge Replacement Fund* is a capital project fund that accounts for expenditures for construction and replacement of the Sellwood Bridge. Resources are derived from Vehicle Registration Fee, City of Portland, State of Oregon and a request for federal funds, debt issuance or other financing proceeds.

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.

The *Behavioral Health Managed Care Fund* accounts for all financial activity associated with the State of Oregon 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

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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 position and changes in net position. 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.

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.

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D. Assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position 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.

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

2. Accounts receivables

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 15th of the same year. Under the partial payment schedule, the first one-third of taxes are due November 15th, the second one-third on February 15th, and the remaining one-third on May 15th. A three percent discount is allowed if full payment is made by November 15th and a two percent discount is allowed if two-thirds payment is made by November 15th. 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 revenues generated from the tax provided funding for public school districts within Multnomah County in

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addition to funding for elderly, disabled and mentally ill persons, and programs for public safety and health. As of fiscal year 2013, the County continues to collect delinquent accounts.

3. *Inventories and prepaid items*

Inventories of materials and supplies in the governmental funds are valued at average cost and is included in non-spendable classification of fund balances. 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.

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 position*

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 and deferred outflows of resources in excess of liabilities and deferred inflows of resources are reported as fund balances and are segregated into separate classifications indicating the extent to which the County is bound to honor constraints on the specific purposes for which those funds can be spent. The Finance and Budget Policies state the County will spend restricted resources first, followed by committed then assigned, with unassigned resources spent last.

Fund balance is reported as *Nonspendable* when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid items.

Fund balance is reported as *Restricted* when the constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Fund balance is reported as *Committed* for resources constrained on use authorized by the Board of County Commissioners (BOCC) via their highest level of decision making authority. This is accomplished through either a County Ordinance or Board Resolution. Constraints over how resources are spent are considered an administrative action, which will generally be decided via Board Resolution, while Ordinances are used for legislative actions. Resolutions and Ordinances are considered equally binding in that either can be repealed with a single vote from the

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Board. Resources will be committed prior to June 30th and the amount may be determined at a subsequent date.

Resources that are constrained by the County's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as *Assigned* fund balance. The Board of County Commissioners expresses their intent to use a resource for a specific purpose by including that resource in the adopted annual budget for funds outside of the General Fund. Assigned fund balances are not reported in the General Fund as the County has not established a formal policy regarding the assignment of funds.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that is not otherwise reported as nonspendable, restricted or committed within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds.

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

The *Net investment in capital assets* component of net position represents total capital assets less accumulated depreciation less debt directly related to capital assets. This amount is reported on the *Statement of Net Position* and in the financial statements for Proprietary Fund types.

Certain revenues derived from specific taxes or other earmarked revenue sources are considered restricted assets. Such revenues include dedicated property taxes, 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. Net position in these resources is reported as restricted on the *Statement of Net Position* and is recorded in separate funds supporting the specific function or operation.

5. *Capital assets*

Capital assets, which includes land, right of ways, 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 \$100 for

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infrastructure and internally developed software 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.

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.

Capital assets are depreciated unless they are inexhaustible in nature, such as land and right of ways. 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. *Net pension asset*

The net pension asset in the *Statement of Net Position* 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 is included in the general government line item on the *Statement of Activities*.

7. *Unearned revenues*

Unearned revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Revenue is considered earned when all eligibility criteria are met, and the amount is measurable.

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 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

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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 Position*. 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. 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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 Position* as an incremental lease obligation representing the cumulative difference between rent expense and rent payments.

10. *Net other postemployment benefits obligation (net OPEB obligation)*

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 expenditure in the governmental fund financial statements are limited to amounts that become due and payable as of the end of the fiscal year. This liability is funded via internal service charges from the Risk Management internal service fund to all governmental funds that support personnel costs, via a rate charged to subject salary costs.

11. *Pollution remediation obligations*

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.

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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 Position* 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. *Deferred inflows of resources*

Deferred inflows of resources represent an acquisition of net assets that is applicable to a future reporting period. In the *Statement of Net Position* this includes resources that are received before the County has met eligibility requirements related to time. In the governmental fund financial statements, deferred inflows of resources also include revenues that are measurable but not available.

13. *Contributions*

Contributions of cash, property or equipment received from other governments are credited to contribution revenue and 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 to contribution revenue in the government wide and fund financial statements.

14. *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.

15. *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.

E. *New accounting pronouncements and accounting standards*

The following pronouncements have been issued by the Governmental Accounting Standards Board (GASB) and the County has implemented:

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1. ***GASB Statement No. 65, Items Previously Reported as Assets and Liabilities.*** This statement evaluates and reclassifies various financial statement items that have been previously reported as either assets or liabilities, and evaluates them against the definitions provided for deferred outflows and deferred inflows of resources. This statement is effective for fiscal year ending June 30, 2014; however management has elected to early implement this standard for fiscal year ending June 30, 2013.

2. ***GASB Statement No. 66, Technical Corrections.*** This statement clarified conflicting guidance that was created by GASB statements No. 54 and No. 62, with existing guidance in statements No. 10, No. 13 and No. 48. More specifically, statement No. 66 addressed certain transactions related to risk financing activities, operating leases, purchased loans and gains or losses recognized when service fees related to a transferred loan is significantly difference than “normal” service fee rates. This statement is effective for fiscal year ending June 30, 2014; however the County early implemented this standard in fiscal year ending June 30, 2012.

Management reviewed the financial items identified in the statement and determined there is no impact to County’s current financial accounting and reporting for these types of transactions.

3. ***GASB Statement No. 67, Financial Reporting for Pension Plans.*** The objective of this statement is to improve financial reporting by state and local governmental pension plans. This statement replaces the requirements of statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and No. 50, *Pension Disclosures*. This statement is effective for fiscal year ending June 30, 2014.

The County along with other local governments participate in a cost-sharing multiple employer defined benefit public employee pension plan, PERS. This statement will not directly affect the County’s reporting for PERS, however changes implemented by PERS under No. 67 will affect the County’s reporting and disclosures for No. 68.

4. ***GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees.*** This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This statement is effective for fiscal year ending June 30, 2014.

Management has evaluated our debt agreements and determined there are no financial guarantees extended to other governments, non-profit organizations or private entities.

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The following pronouncements have been issued by the Governmental Accounting Standards Board (GASB) but not yet implemented by the County:

5. ***GASB Statement No. 68, Accounting and Financial Reporting for Pensions.*** This statement was issued to improve accounting and financial reporting by state and local governments for pensions. This statement replaces requirements of statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* as well as requirements of statement No. 50, *Pension Disclosures*. This statement and statement No. 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions and paying benefits to plan members as they come due. This statement will be effective for fiscal year ending June 30, 2015.

The County along, with other local governments, participates in a cost-sharing multiple employer defined benefit public employee pension plan, noted as PERS. The requirements of this standard appear to have a significant impact over financial accounting and reporting for the County's participation in the PERS plan. At this point management is researching all of the requirements outlined in this standard and will be working with other local governments and PERS to ensure proper financial reporting and disclosures are met.

6. ***GASB Statement No. 69, Government Combinations and Disposals of Government Operations.*** This statement establishes accounting and financial reporting standards related to government combinations, including mergers, acquisitions and transfers of operations and disposals of government operations. This statement is effective for fiscal year ending June 30, 2015.

Management will evaluate the elements of this accounting standard to determine the impact, if any, of implementing this standard.

7. ***GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68.*** The objective of this statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement will require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. This statement will be effective for fiscal year ending June 30, 2015.

Management is evaluating the impact of implementing this statement in connection with our review of the impact to implement No. 68.

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Note 2. Stewardship, compliance, and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the trust funds. Any differences from the budgetary basis to the GAAP basis are reconciled on the budget to actual statement. 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. County department managers may make transfers of appropriations within a department and fund. Transfers and changes (increases) of appropriations between departments or funds require 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.

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."

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	\$ 259,386	\$ 110,984	\$ 370,370
Business Type Activities	23,948	-	23,948
Fiduciary Funds	-	24,012	24,012
	<u>\$ 283,334</u>	<u>\$ 134,996</u>	<u>\$ 418,330</u>

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DEPOSIT RISK

Policies

Oregon Revised Statutes, Chapter 295 governs that the Office of the State Treasurer be given responsibility for overseeing collateralization of public funds held by depositories, banks and credit unions, in Oregon. The Public Funds Collateralization Program (PFCP) requires well capitalized depositories to pledge securities with a market value of at least 10% of their uninsured public deposits. The OST may require up to 110% be pledged for those banks that are poorly capitalized. A list of depositories that may accept public deposits over the insurance limits can be found at:

<http://www.oregon.gov/treasury/Divisions/Finance/LocalGov/Pages/default.aspx>.

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.

Custodial Risk

At year-end, the carrying amount of the County's deposits was \$95,997 and the bank balance was \$95,975. Of this bank balance \$8,647 was covered by depository insurance, FDIC or NCUA, and \$87,328 was collateralized by the PFCP. The remaining carrying amount of \$22 represents petty cash accounts that were uninsured and uncollateralized. The County does not have a policy related to custodial risk over cash.

<u>Uninsured Deposits by Depository</u>	<u>Cash Balance</u>	<u>Credit Risk</u>
Bank of America	33,364	Collateralized by PFCP, held by FHLB
Umpqua Bank	21,770	Collateralized by PFCP, held by FHLB
Sterling Bank	20,413	Collateralized by PFCP, held by FHLB
Northwest Community CU	4,750	Collateralized by PFCP, held by FHLB
Willamette Community Bank	3,004	Collateralized by PFCP, held by FHLB
Oregon community CU	1,750	Collateralized by PFCP, held by FHLB
US Bank	1,276	Collateralized by PFCP, held by FHLB
OnPoint CU	1,001	Collateralized by PFCP, held by FHLB
Petty Cash / Imprest Accounts	22	Uncollateralized
	<u>\$87,350</u>	

INVESTMENT RISK

Policies

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

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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 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. A copy of the policy is located at www.multco.us/finance.

The County is authorized to invest in the Local Government Investment Pool (LGIP), an open-ended, no-load diversified portfolio. The LGIP is comingled with other state funds in the Oregon Short-Term Fund (OSTF). These investments are governed by a written investment policy that is reviewed annually by the, Governor appointed, Oregon Short-Term Fund Board. The OSTF is not managed as a stable net asset value fund; therefore, preservation of principal is not assured. The Oregon Short-Term Fund financial statements and its portfolio rules can be obtained at www.ost.state.or.us. LGIP is not rated by any national rating service.

Custodial Risk

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 investments are held in the county's name and therefore do not have custodial risk.

Concentration of Credit Risk

Policies

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

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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.
6. Lawfully issued debt obligations of the agencies and instrumentalities of the State of Oregon and its political subdivisions that have a long-term debt rating of A or an equivalent rating or better or are rated on the settlement date in the highest category for short-term municipal debt by a nationally recognized statistical rating organization [ORS 294.035 (2)]. Also, lawfully issued debt obligations of the States of California, Idaho and Washington and their political subdivisions if such obligations have a long-term rating of AA or better or are rated on the settlement date in the highest category for short-term municipal debt by a nationally recognized statistical rating organization [ORS 294.035 (3)]. For these latter obligations, they are allowable subject to ORS 294.040.

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.

	Issuer Holding Greater than Five Percent		
Investment Type / Issuer	Fair Value	Percent of Total Portfolio	Policy Limit
Banker's Acceptance - US Bank	\$ 40,316	9.8%	15%

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As of June 30, 2014, the County had the following unrestricted cash and investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Risk Concentration</u>	<u>Weighted Average Maturity (in months)</u>
US Agencies	\$ 87,626	30.93%	4.2
Corporate Debt	88,002	31.06%	2.4
US Treasuries	20,084	7.09%	1.1
L.G.I.P	2,768	0.98%	<1
Bankers' Acceptances	40,316	14.23%	<1
Municipal Debt	29,390	10.37%	0.9
Cash and Equivalents	15,148	5.34%	0.2
Total unrestricted cash and investments	<u>\$ 283,334</u>	<u>100.00%</u>	
	Portfolio weighted average maturity		9.0

As of June 30, 2014, the County had the following restricted cash and investments. All types reported as restricted had weighted average maturities of less than one month. The County maintains cash with fiscal agent accounts to set aside for debt service requirements per the trustees and bond indentures.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Risk Concentration</u>
L.G.I.P	\$ 54,147	40.11%
Cash with Fiscal Agent	149	0.11%
Cash and Equivalents	80,700	59.78%
	<u>\$ 134,996</u>	<u>100.00%</u>

Interest Rate Risk

Policies

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%

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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.

At June 30, 2014, the County had the following interest rate and concentration risk. Credit ratings are noted by Moody's and Standard & Poor's respectively:

<u>Type</u>	<u>Fair</u>		<u>Days to Maturity</u>		
	<u>Value</u>	<u>Rating</u>	<u>0-90</u>	<u>91-365</u>	<u>366-1,095</u>
US Agency	77,577	Aaa/AA+	6,995	16,755	53,827
	10,049	Not Rated	10,049		
Banker's Acceptance	40,316	A-1+/P-1	33,075	7,241	
Corporate MTN	4,066	Aaa/AAA			4,066
	22,183	Aa1/AA+	2,492	5,103	14,588
	31,778	Aa2	1,703	10,212	19,863
Corporate CP	14,976	A-1+		14,976	
Corporate CP	14,999	A-1	14,999		
Municipal	3,216	Aaa/AAA	1,596		1,620
	15,745	Aa1/AA+		13,243	2,502
	7,202	Aa2/AA		2,323	4,879
	2,227	Aa3/AA-		2,227	
	1,000	A2/A		1,000	
LGIP	56,915	AA*	56,915		
Total:	<u>302,249</u>		<u>127,824</u>	<u>73,080</u>	<u>101,345</u>
Percentage			42%	24%	34%

* This represents the average rating of the investments held by the Local Government Investment Pool or LGIP.

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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 below.

	Governmental Activities							Total
	General Fund	Federal and State Program Fund	Sellwood Bridge Fund	Internal Service Funds	Non-major Funds	Total Governmental Activities	Business-type Activities	
Receivables:								
Taxes:								
Income	\$ 12,595	\$ -	\$ -	\$ -	\$ -	\$ 12,595	\$ -	\$ 12,595
Property	15,610	-	-	-	3,712	19,322	-	19,322
Other	5,661	-	-	-	2,632	8,293	-	8,293
Accounts	40,488	29,653	3,699	828	7,129	81,797	1	81,798
Loans	-	665	-	-	-	665	-	665
Interest	991	-	-	-	-	991	-	991
Special assessments	11	-	-	-	-	11	81	92
Contracts	693	-	-	-	-	693	-	693
Gross receivables	76,049	30,318	3,699	828	13,473	124,367	82	124,449
Less: allowance for discounts and uncollectible amounts	(14,213)	(1,640)	-	-	-	(15,853)	(3)	(15,856)
Net total receivables	<u>\$ 61,836</u>	<u>\$ 28,678</u>	<u>\$3,699</u>	<u>\$ 828</u>	<u>\$13,473</u>	<u>\$108,514</u>	<u>\$ 79</u>	<u>\$ 108,593</u>

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 inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also report a liability 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 inflows of resources and unearned revenue reported in the governmental funds were as follows:

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	Deferred Inflows of Resources	Unearned Revenue
Personal income tax receivable	\$ 12,591	\$ -
Allowance for doubtful accounts – personal income tax	(12,281)	-
Property taxes receivable (General Fund)	13,945	-
Property taxes receivable (other governmental funds)	3,300	-
Clinic fee revenues	26,541	-
Grant draws prior to meeting time requirements	340	-
Grant draws prior to meeting all eligibility requirements	-	11,417
Loans receivable	-	665
Special assessments receivable	-	11
Contracts receivable	-	693
Tax title land sales inventory	-	175
State vaccine inventory	-	627
Totals for governmental funds	<u>\$ 44,436</u>	<u>\$ 13,588</u>

Amounts reported above as unearned are reported as unearned revenue in governmental activities on the *Statement of Net Position*. Governmental activities also include Internal Service Funds, which report \$41 in unearned revenue, resulting in total unearned revenue on the *Statement of Net Position* of \$13,629.

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C. Capital assets

Capital asset activity for the year ended June 30, 2014 was as follows:

Primary Government

	Beginning Balance	Increases	Transfers	Decreases	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 14,998	\$ 175	\$ -	\$ -	\$ 15,173
Right-of-way	196,959	38	-	(154)	196,843
Construction in progress	148,898	92,619	(1,535)	-	239,982
Works of art	4,430	-	-	-	4,430
Buildings-not in service	47,409	-	-	(300)	47,109
Total capital assets, not being depreciated	<u>412,694</u>	<u>92,832</u>	<u>(1,535)</u>	<u>(454)</u>	<u>503,537</u>
Capital assets, being depreciated:					
Buildings	398,721	861	224	(1,040)	398,766
Improvements other than buildings	918	12	80	-	1,010
Machinery and equipment	108,016	10,303	1,231	(9,129)	110,421
Bridges	156,395	-	-	-	156,395
Infrastructure	369,973	1,298	-	(795)	370,476
Total capital assets being depreciated	<u>1,034,023</u>	<u>12,474</u>	<u>1,535</u>	<u>(10,964)</u>	<u>1,037,068</u>
Less accumulated depreciation for:					
Buildings	(166,828)	(9,988)	-	978	(175,838)
Improvements other than buildings	(257)	(38)	-	-	(295)
Machinery and equipment	(76,258)	(9,455)	-	8,946	(76,767)
Bridges	(76,229)	(2,430)	-	-	(78,659)
Infrastructure	(275,549)	(9,274)	-	645	(284,178)
Total accumulated depreciation	<u>(595,121)</u>	<u>(31,185)</u>	<u>-</u>	<u>10,569</u>	<u>(615,737)</u>
Total capital assets being depreciated, net	<u>438,902</u>	<u>(18,711)</u>	<u>1,535</u>	<u>(395)</u>	<u>421,331</u>
Governmental activities capital assets, net	<u>\$ 851,596</u>	<u>\$ 74,121</u>	<u>-</u>	<u>\$ (849)</u>	<u>\$ 924,868</u>
Business-type activities:					
Capital assets, not being depreciated:					
Construction in progress	\$ 74	\$ 100	\$ -	\$ -	\$ 174
Total capital assets, not being depreciated	<u>74</u>	<u>100</u>	<u>-</u>	<u>-</u>	<u>174</u>
Capital assets, being depreciated:					
Improvements other than buildings	6,605	-	-	-	6,605
Total capital assets being depreciated	<u>6,605</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,605</u>
Less accumulated depreciation for:					
Improvements other than buildings	(3,006)	(142)	-	-	(3,148)
Total accumulated depreciation	<u>(3,006)</u>	<u>(142)</u>	<u>-</u>	<u>-</u>	<u>(3,148)</u>
Total capital assets being depreciated, net	<u>3,599</u>	<u>(142)</u>	<u>-</u>	<u>-</u>	<u>3,457</u>
Business-type activities capital assets, net	<u>\$ 3,673</u>	<u>(42)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,631</u>

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During fiscal year 2005 the County finalized the construction of the Wapato Jail. Since the completion of the jail in 2005, the County has not funded an operating budget for the jail; therefore the jail has not been placed into service and is not being depreciated. The capitalized cost of the jail in fiscal year 2005 was \$51,164. As the jail has not been put into operation, management has estimated a total asset impairment of \$4,055. The adjusted balance of the Wapato Jail is \$47,109. This amount is included in the above capital asset schedule. Management continues to look for options to operate the jail. When the jail becomes operational it will be depreciated over forty years.

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

Governmental activities:	
General government	\$ 11,044
Health services	275
Social services	13
Public safety & justice	382
Community services	2,043
Library	6,523
Roads and bridges	10,905
Total depreciation expense – governmental activities	<u>\$ 31,185</u>
Business-type activities:	
Sewer	\$ 76
Lighting	66
Total depreciation expense – business-type activities	<u>\$ 142</u>

D. Net pension asset

The balance of the net pension asset, net of accumulated amortization at June 30, 2014 was \$94,837. Amortization expense in the statement of activities on the net pension asset was \$6,152, respectively for the year ended June 30, 2014.

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 General Fund and Library Fund are related to providing interim working capital financing for video lottery and Library District. This balance is collected in the subsequent year. The composition of the interfund balance as of June 30, 2014 is as follows:

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Receivable Funds	Payable Funds	Amount
General Fund	Video Lottery Fund	\$ 400
Library Fund	Library District Fund	\$ 245

Interfund Transfers:

Following are the County's interfund transfers for the year ended June 30, 2014. Significant transfers include \$8,587 from the General Fund to the Capital Improvement Fund for Facilities capital projects, including the Health Headquarters, and a transfer of \$62,881 from the Library District Fund to the Library Fund to support library operations. The Library District fund and Library fund transfer is necessary for financial reporting purposes, however this transfer is reported as intergovernmental revenue and expenditures on the budgetary basis.

	General Fund	Other Governmental Funds	Internal Service Funds	Total transfers out
Transfers out:				
General Fund	\$ -	\$ 9,088	\$ 2,704	\$11,792
Federal State Fund	787	-	-	787
Other Governmental Funds	1,827	62,881	-	64,708
Internal Service Funds	-	604	-	604
Total transfers in:	\$2,614	\$ 72,573	\$2,704	\$ 77,891

F. Long-term debt

General Obligation Bonds

In March 2010, the County issued \$45,175 in General Obligation Refunding bonds, Series 2010 at a premium of \$4,870, with interest rates from 3.00% - 5.00%. These bonds were issued to refund previously issued General Obligation debt. At June 30, 2014 the outstanding balance on the Series 2010 bonds was \$17,725 and the balance on the unamortized premium was \$2,087.

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	3.00-5.00%	\$ 17,725

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

Year Ending June 30	Principal	Interest
2015	\$ 6,155	\$ 617
2016	5,665	349
2017	5,905	118
Total	\$ 17,725	\$ 1,084
Premium on long-term debt	2,087	
Total	\$ 19,812	

Full Faith and Credit Bonds

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 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 National Public Finance Guarantee. At June 30, 2014, \$122,562 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%. The 2004 issue refunded \$27,985 of outstanding Full Faith and Credit Bonds, Series 2000 with interest rates from 5.00% to 5.50% and \$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 recorded as a deferred charge of \$3,887, which is amortized as a component of interest expense over the life of the new debt and reported as a deferred outflow of resources on the *Statement of Net Position*. The Series 1999 and Series 2000 have since been paid off in full. On June 18, 2014, the County issued \$22,530 as a current refunding to refund future maturities on the 2004 Series. At June 30, 2014 the balance of the deferred outflow was zero. At June 30, 2014, \$6,185 of these bonds were outstanding.

On March 31, 2010, the County issued \$9,800 in Full Faith and Credit Obligations, Series 2010 at a premium of \$573, with interest rates from 2.00% - 3.00%. The obligations were issued to finance the replacement cost of the County's data center, provide for telephone enhancements, deferred facilities maintenance and assist with a project to automate the movement of library materials. At June 30, 2014, the balance on the unamortized premium was \$246 and \$4,355 on the debt was outstanding.

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On December 14, 2010, the County issued \$15,000 in Full Faith and Credit Obligations, Series 2010B with interest rates from 4.00% to 4.70%. The proceeds from the sale of the obligations were used to finance the construction costs for the East County Courthouse (ECC). At June 30, 2014 the entire debt issue was outstanding.

On December 4, 2012, the County issued \$128,000 in Full Faith and Credit Obligations, Series 2012 at a premium of \$21,113, with interest rates from 3.00% - 5.00%. The obligations were issued to finance and refinance constructions of the Sellwood Bridge. The obligations will support construction of a new Sellwood Bridge along with upgrades to the east and west end approaches. At June 30, 2014, \$123,955 of the bonds were outstanding and the balance of the unamortized premium was \$20,057.

On June 18, 2014, the County issued \$22,530 in Full Faith and Credit Refunding Obligations Series 2014 at a premium of \$2,562 with interest rates from 3.00% - 5.00%. This debt issue was a current refunding of which the proceeds of the obligations were used to refund future debt service (fiscal years 2016 through 2020 or \$24,395 in principal) on the Series 2004 debt issue. At June 30, 2014 the entire balance of the bonds and the unamortized premium were outstanding.

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

Purpose	Interest Rates	Amount
Governmental activities	1.50-7.74%	\$ 294,587

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

Year Ending June 30	Principal	Interest
2015	\$ 16,239	\$ 21,564
2016	16,410	20,221
2017	27,590	10,770
2018	29,065	9,001
2019	31,790	7,126
2020 – 2024	64,950	137,028
2025 – 2029	67,486	173,705
2030 – 2033	41,057	41,730
Sub-total	294,587	\$ 421,145
Premium on long-term debt, net	22,865	
Total	\$ 317,452	

The full faith and credit bonds are included in the bonds payable line item on the *Statement of Net Position*.

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<u>Full faith and credit bonds</u>	<u>Long-term</u>	<u>Current</u>	<u>Total</u>
Maturities	\$ 278,348	\$ 16,239	\$ 294,587
Premium on long-term debt	21,300	1,565	22,865
Total	<u>\$ 299,648</u>	<u>\$ 17,804</u>	<u>\$ 317,452</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	\$ 80,434
Less: Accumulated depreciation	(37,613)
Total	<u>\$ 42,821</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>\$ 1,333</u>

Future minimum lease payments are as follows:

<u>Year Ending June 30</u>	<u>Governmental</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 142	\$ 111
2016	149	103
2017	156	96
2018	28	90
2019	31	87
2020 – 2024	213	377
2025 – 2029	355	236
2030 – 2032	259	36
Total	<u>\$ 1,333</u>	<u>\$ 1,136</u>

Loans Payable

In fiscal year 2009, the County entered into a loan agreement with the Oregon Department of Transportation – Financial Services for the purpose of making capital improvements to the County's road system. The total outstanding under this agreement was \$2,919 at June 30, 2014.

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The loan obligation outstanding at year-end are as follows:

Purpose	Interest Rates	Amount
Governmental activities	3.98%	\$ 2,919

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

Year Ending June 30	Principal	Interest
2015	\$ 194	\$ 116
2016	202	108
2017	210	100
2018	218	92
2019	227	83
2020 – 2023	1,281	272
2024 – 2026	587	35
Total	\$ 2,919	\$ 806

Pollution Remediation Obligations

Pollution remediation obligations address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, including pre-cleanup activities, cleanup activities, government oversight and enforcement-related activities, and postremediation monitoring. Included in the current year's additions and reductions are pollution remediation activities related to various properties where the County is responsible for cleanup costs. The year-end liability for pollution remediation includes estimates environmental monitoring activities at a former landfill, where methane gas has been detected. The County has installed probes that are checked monthly for levels of methane and other gases associated with a closed landfill. The year-end liability estimate for this site includes continued monitoring of existing conditions and costs for installation of additional gas probes. The County legally obligated itself to commence cleanup or monitoring. The site is subject to DEQ regulation and oversight at this time. Pollution remediation activities were paid by an internal service fund.

The County is also addressing pollution remediation concerns in connection with the construction of a new County bridge, the Sellwood Bridge project. Any pollution remediation costs incurred with the construction of the Sellwood Bridge project are capitalized with the bridge. Management estimates any pollution remediation costs for the Sellwood Bridge project to be immaterial to the total construction cost for the bridge. The costs for pollution remediation are paid for by the capital project fund for the Sellwood Bridge.

The calculation for the June 30, 2014 pollution remediation obligation is an estimate determined by management using the expected cash flow techniques and applying

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probabilities to the pollution remediation activities. The County's pollution remediation obligation is an estimate that is subject to changes resulting from price increases and decreases, changes in technology as well as changes in applicable laws and regulations. The current pollution remediation obligation does not provide for any recoveries that could reduce the liability. Changes in the County's pollution remediation obligation are noted in the schedule below and the liability is recorded on the *Statement of Net Position*.

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2014 was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Adjustments & Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Bonds	\$ 27,718	\$ -	\$ 7,906	\$ 19,812	\$ 6,851
Full Faith and Credit Bonds	337,075	22,530	42,153	317,452	17,804
Capital Leases	1,468	-	135	1,333	142
Loans Payable	3,133	-	214	2,919	194
Long-term debt before Other long-term liabilities	369,394	22,530	50,408	341,516	24,991
Pollution Remediation Obligations	28	65	33	60	60
Compensated Absences	26,890	29,723	29,044	27,569	25,117
Governmental activity long-term liabilities	<u>\$ 396,312</u>	<u>\$ 52,318</u>	<u>\$ 79,485</u>	<u>\$ 369,145</u>	<u>\$ 50,168</u>

Conduit Financing

Multnomah County Conduit Financing

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. The County is not responsible for the repayment of conduit debt. 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, 2014, \$6,885 of the Higher Education Variable Rate Demand Revenue Bonds were outstanding.

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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. The proceeds of these bonds issues were used by health care facilities to finance various capital projects and refund outstanding bonds. The debt has 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. The obligors 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 respective health care facility. 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. A summary of the Authority's conduit debt is as follows:

<u>Obligor (Health Care Facility), debt issue, terms</u>	<u>Original Amount</u>	<u>Balance June 30, 2014</u>
Providence Health System, Revenue Bonds, Series 2004, due serially through October 1, 2024	100,000	79,090
Terwilliger Plaza, Revenue Bonds, Series 2006, due serially through December 1, 2036	39,765	16,395
Pacific Mirabella (at South Waterfront Project), Variable Rate Demand Revenue Bonds, Series 2008A and 2008B, due serially through September 30, 2048	221,645	89,835
Adventist Health System/West, Revenue Bonds, Series 2009A, due September 1, 2021 and September 1, 2040	66,535	66,535
Holladay Park Plaza, Revenue and Refunding Bonds, Variable Rate Demand Revenue Refunding Bonds, Series 2010A, due serially through December 1, 2040	14,460	13,555
Terwilliger Plaza, Revenue and Refunding Bonds, Series 2012, due serially through December 1, 2029	18,245	17,475
Odd Fellows Home-Friendship Health Center, Variable Rate Demand Revenue Refunding Bonds, Series 2013, due serially through September 15, 2020	7,280	7,245
Holladay Park Plaza, Revenue Bonds, Series 2013, due serially through December 1, 2043	3,041	3,041
	<u>\$ 470,971</u>	<u>\$ 293,171</u>

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G. Fund balances, Governmental funds

On the *Balance Sheet – Governmental Funds*, the fund balances are reported in the aggregate in the classifications defined by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balances by classification for the year ended June 30, 2014 were as follows:

	General Fund	Federal and State Program Fund	PERS Bond Fund	Sellwood Bridge Replace- ment Fund	Other Govern- mental Funds	Total Govern- mental Funds
Fund balances						
Nonspendable:						
Inventories	\$ 417	\$ -	\$ -	\$ -	\$ 268	\$ 685
Prepaid items	205	437	-	251	159	1,052
Restricted:						
Capital projects, buildings	-	-	-	-	18,242	18,242
Community support programs	-	5,947	-	-	1,223	7,170
Debt service	-	-	-	-	6,727	6,727
Document storage and retrieval	254	-	-	-	-	254
Library operations	-	-	-	-	1,175	1,175
Road, bridge and bike path improvements	-	-	-	67,827	3,697	71,524
Committed:						
Capital projects, buildings	-	-	-	-	23,679	23,679
Capital projects, information technology	-	-	-	-	2,915	2,915
Community support programs	-	-	-	-	359	359
Debt service	-	-	69,365	-	914	70,279
Road, bridge and bike path improvements	-	-	-	2,419	-	2,419
Assigned:						
Capital equipment acquisition	-	-	-	-	226	226
Capital projects, information technology	-	-	-	-	949	949
Community support programs	-	-	-	-	441	441
Library operations	-	-	-	-	8,077	8,077
Road, bridge and bike path improvements	-	-	-	477	4,324	4,801
Unassigned	44,477	(207)	-	-	-	44,270
Total fund balances	<u>\$45,353</u>	<u>\$ 6,177</u>	<u>\$69,365</u>	<u>\$70,974</u>	<u>\$ 73,375</u>	<u>\$ 265,244</u>

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, workers' compensation and medical/dental, whereby premiums are calculated

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on payroll expenses in all funds and are paid into the risk management fund, an internal service 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, 2014, 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. A discount factor of .929 and .947 were used to estimate the year-end workers' compensation component and the liability component, respectively. 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 \$1,000 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 6/30/14	Fiscal Year Ended 6/30/13
Unpaid claims, beginning of fiscal year	\$ 11,230	\$ 11,384
Incurred claims (including IBNRs)	26,948	24,722
Actuarial adjustment	(3,079)	(2,758)
Claim payments	(24,307)	(22,118)
Unpaid claims, end of fiscal year	<u>\$ 10,792</u>	<u>\$ 11,230</u>

B. 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

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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, 2014.

<u>Year ended June 30</u>	
2015	\$ 4,743
2016	4,349
2017	4,216
2018	3,268
2019	462
2020 – 2024	298
2025	4
Total minimum payments	<u>\$ 17,340</u>

The County recorded \$4,551 in base rent expense for the year ended June 30, 2014. Total rent expense was \$5,966, which includes operating and maintenance costs.

The County has entered into various construction and non-construction contracts at fiscal year-end. The commitments noted below are evidenced by signed purchase orders or contracts which were entered into prior to June 30, 2014.

<u>Construction Commitment Description</u>	<u>Fiscal Year Ended 6/30/14</u>
Buildings	\$ 5,604
Bridges	91,273
Roads	1,286
Sewer	135
Total outstanding contracts	<u>\$ 98,298</u>

C. Postemployment benefits other than pensions

Plan description. The County administers a single-employer defined benefit healthcare plan per the requirements of collective bargaining agreements. Benefit provisions are established through negotiations between the County and representatives of collective bargaining units. In general, the plan states the County shall pay 50% of the monthly medical insurance premium on behalf of a County retiree and his/her eligible dependents from the retiree's fifty-eighth birthday or date of retirement, whichever is later, until the retiree's sixty-fifth birthday, death or eligibility for Medicare, whichever is earlier, if the retiree has: five years of continuous County service immediately preceding retirement at

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or after age fifty-eight years; or ten years of continuous County service immediately preceding retirement prior to age fifty-eight years. The County's postemployment medical plan does not issue a publicly available financial report.

Funding policy. The County has not established a trust fund to hold resources for the payment of benefits for the net OPEB obligation. Contribution requirements also are negotiated between the County and union representatives. In general, the County offers retirees a health benefit equal to half of their monthly premium and retirees are required to pay the other half. The benefit is generally offered 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 cover 50% of the annual premium costs which is 2.00% of annual covered payroll to fund the retiree benefit. At June 30, 2014, there were 690 retirees that were enrolled in the postemployment medical benefit and 737 enrolled in dental. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2014, the County contributed \$7,218 to the plan. Of this amount, \$2,578 was explicitly contributed as part of the contractual obligation described above. The remaining \$4,640 represents the implicit subsidy derived from active employee contributions.

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, 2014, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual required contribution (ARC)	\$ 12,279
Interest on net OPEB obligation	3,875
Adjustment to annual required contribution	<u>(3,690)</u>
Annual OPEB cost (expense)	12,464
Contributions made	<u>(7,218)</u>
Increase in net OPEB obligation	5,246
Net OPEB obligation - beginning of year	<u>110,700</u>
Net OPEB obligation - end of year	<u><u>\$ 115,946</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and three preceding years were as follows:

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<u>Fiscal</u> <u>Year Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/11	14,689	50%	97,403
6/30/12	15,261	49%	105,187
6/30/13	11,980	54%	110,700
6/30/14	12,464	58%	115,946

Funded status and funding progress. As of the most recent actuarial report, January 1, 2013, the actuarial accrued liability for benefits was \$134,712 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$134,712. The covered payroll (annual payroll of active employees covered by the plan) was \$289,938 for fiscal year 2014 and the ratio of the UAAL to the covered payroll was 46%.

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, 2013), the projected 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 3.5% was used in the most recent actuarial valuation for the closed period. The actuarial report incorporates the projected effect of the healthcare reform law, The Patient Protection and Affordable Care Act (PPACA), passed into law in March 2010. A significant item in the law begins in 2018 when the County's plan may be subject to a 40% excise tax on the value of benefits provided above a certain dollar level. Because of some uncertainties in the excise tax component, the

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calculation of a precise obligation for this tax is impossible at this time. The report also states health care costs rates are grading down from 8.0% in 2013 to 7.2% in 2017. The report includes assumptions for medical inflation at 4.0% and annual payroll growth rate of 3.5%. The County's unfunded actuarial accrued liability is re-determined each valuation and amortized over a 30 year open period as a level percentage of payroll. The remaining amortization period at June 30, 2014 is 30 years.

D. Employee retirement systems, pension plans and deferred compensation plan

Pension plan descriptions. The County is a participating employer in the Oregon Public Employee Retirement System (PERS), a multiple-employer defined benefit public employee pension plan, and maintains a defined contribution plan for the purpose of individual retirement savings through PERS. PERS is administered under Oregon Revised Statutes Chapter 238 and Internal Revenue Service 401(a) by the Public Employees Retirement Board (PERB). County employees are eligible to participate in PERS after six months of employment and benefits vest after completing at least 600 hours in each of five years (the years do not need to be consecutive) or at normal retirement age provided the employee is an active member at the time.

PERS, a component of the State of Oregon, issues a comprehensive annual financial report that can be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281.

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.

There are three different tiers of membership based on the individual's original hire date with an Oregon PERS employer. County employees participate in one or more PERS retirement plans that provide pension, death, disability and post-employment healthcare to members or their beneficiaries.

PERS Tier 1 and Tier 2 (Public Employee Retirement System) is a cost-sharing multiple-employer defined benefit pension plan provided to members who were hired prior to August 29, 2003. The County is a member of PERS and is rated with the State and Local Government Rate Pool (SLGRP). Employees are in either Tier 1 or Tier 2 depending upon their date of hire. Different benefit structures apply to the tiers – for example, Tier 2 employees do not receive a guaranteed rate of return on their accounts. Effective January 1, 2004 Tier 1 and Tier 2 program participant contributions fund individual retirement

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accounts under the separate defined contribution program, made part of the Oregon Public Service Retirement Plan, that is described below.

Employer contributions to PERS are required by state statute and are made at actuarially determined rates as adopted by the PERB. The County's Tier 1/Tier 2 PERS rate for fiscal year 2014 was 11.85% in accordance with the December 31, 2011 actuarial valuation. This rate included a combined factor for the Tier One / Tier Two, OPSRP and Retiree Healthcare unfunded actuarial liability (UAL) totaling 4.98%. Separate actuarial reports have been provided to individual employer members, and separate contribution requirements determined as a result of those valuations, but the plan is a cost-sharing plan under GASB and the County reports its participation accordingly.

OPSRP (Oregon Public Service Retirement Plan) is a cost-sharing multiple-employer defined benefit and defined contribution pension plan created by the Oregon Legislative Assembly in 2003 as a successor plan for PERS.

The defined benefit pension plan is provided to members who were hired on or after August 29, 2003. Employer contributions are required by state statute and are made at actuarially determined rates as adopted by the PERB. The annual required contribution rates for the OPSRP defined benefit pension plan during fiscal year 2014 were 8.26% for general service employees and 10.97% for police and fire employees. Similar to the PERS rate, these rates included a 4.98% factor for the combined UAL.

The defined contribution pension plan (called the Individual Account Program or IAP) is provided to all members or their beneficiaries who are PERS or OPSRP eligible. State statutes require covered employees to contribute 6% of their annual covered salary to the IAP plan effective January 1, 2004. Multnomah County has elected to pay all of the employees' required IAP contributions. Although PERS members retain their existing PERS account, all current member contributions are deposited into the member's IAP.

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 and represents a blended rate for all three different tiers of membership. The County is also required to contribute at an actuarially determined rate. The general service net employer contribution rate is 11.85% of annual covered payroll for PERS (Tier 1/Tier 2) and 8.26% of annual covered payroll for OPSRP. In addition to the funding requirements, the County also charges an internal rate of 6.25% of payroll to departments to fund the repayment of the pension obligation bonds issued in 1999.

Annual pension cost. For 2014, the County's annual pension cost of \$47,178 for PERS was equal to the County's required and actual contributions. The required contribution was determined as part of the December 31, 2011 actuarial valuation using the projected unit credit actuarial cost method. This actuarial valuation is the most recent available at

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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 6.9% in 2012 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, 2011, was 20 years.

Three Year Trend Information for PERS:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/12	\$ 46,536	100%	\$ -
6/30/13	48,259	100%	-
6/30/14	47,178	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 County's deferred compensation committee has the authority to establish or amend the plan provisions. 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. Participation in the plan is voluntary. Contributions are made through salary withholdings from participating employees up to the amounts specified in the Code. No contributions are required from the County. As of June 30, 2014, 3,932 individuals were participating in the 457 plan. 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, 2014, the amount deferred and investment earnings thereon, adjusted to fair market value, amount to \$288,879. The amounts accumulated under the Plan including investment earnings, are excluded from the financial statements of the County.

E. Subsequent events

On September 23rd, 2014, the Hospital Facility Authority of Multnomah County issued conduit debt in the amount of \$93,380 at 5.56% to refund the 2008 variable rate demand revenue bonds on behalf of Portland Mirabella. The balance of the refunded 2008 bonds was \$89,835.