Note 1. Summary of Significant Accounting Policies

A. Reporting entity

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

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

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

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

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

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the County (the primary government) and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the County is financially accountable.
The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. In addition, functional expenses on the statement of activities include allocated indirect expenses. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

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

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

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

The County reports the following major governmental funds:

> The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
>
> The *Federal State Program Fund* accounts for the majority of revenues and expenditures related to federal and state financial assistance programs.
>
> The *Library Fund* accounts for the public library operations.
>
> The *PERS Pension Bond Fund* accounts for payment of principal and interest on general obligation bonds that were issued to fund the County's PERS unfunded liability. Revenues consist of charges to departments and interest.

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

> The *Dunthorpe-Riverdale Service District No. 1 Fund* accounts for the operation of the sanitary sewer system in southwest unincorporated Multnomah County.
>
> The *Mid County Service District No. 14 Fund* accounts for the operation of the street lighting system throughout unincorporated Multnomah County.

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

Additionally, the County reports the following fund types:

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

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

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

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

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

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer and lighting districts, of the Behavioral Health Managed Care fund, and of the County's internal service funds are charges to customers for sales and services. The sewer district also recognizes as operating revenue the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, liabilities, and net assets or equity

1. Cash and investments

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

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

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

2. Receivables and payables

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

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

Property taxes are levied and become a lien on July 1. Property taxes are assessed in October and tax payments are due November 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 tax generated an estimated $120,000 for each calendar year the tax was in effect. The revenues generated from the tax provided funding for public school districts within Multnomah County in addition to funding for elderly, disabled and mentally ill persons, and programs for public safety and health. As of fiscal year 2010, the County continues to collect delinquent accounts. Included in the financial statements is an allowance for uncollectible accounts of $12,630 for personal income taxes. This amount is shown net with taxes receivable on both the fund financial statements and the statement of net assets. In the statement of activities the reduction is recorded to the related income tax revenues, and on the fund financial statements the offset is recorded in deferred revenues.

3. Inventories and prepaid items

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

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

4. Fund balances and net assets

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

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

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

Net assets invested in capital assets, net of related debt represents total capital assets less accumulated depreciation less debt directly related to capital assets. This amount is reported on the Statement of Net Assets 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, temporary personal income tax, state gas tax, intergovernmental grants, and charges for services which are legally restricted to finance particular functions or activities. In addition, proceeds from general obligation bonds, revenue bonds, and full faith and credit bonds are restricted to support the specific purpose for which the debt was issued. Such net assets are reported as restricted on the Statement of Net Assets and are recorded in separate funds supporting the specific function or operation.

5. Capital assets

Capital assets, which includes 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 infrastructure and 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. Other assets

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

7. Unearned / Deferred revenues

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

8. Compensated absences

It is the County's policy to permit employees to accumulate earned but unused vacation, compensatory and sick leave benefits. There is no liability for unpaid accumulated sick leave since the County does not have a policy to pay any amounts when employees separate from service with the County. All vacation pay and compensatory time is accrued when incurred in the government-wide statements and proprietary funds statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements at June 30. Liabilities for compensated absences are liquidated as employees separate from service and receive payment for accumulated leave benefits. Expenditures for liquidating the liabilities are recorded in the General, Special Revenue, Capital Projects, Enterprise, and Internal Service Funds.

9. Long-term obligations

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

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

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

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

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

11. Pollution Remediation Obligations

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

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

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

12. Contributions and in-kind donations

Contributions of cash, property or equipment received from other governments are credited 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.

13. Estimates

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

14. Reclassifications

Certain amounts from the prior have been reclassified to conform with the presentation of the current year financial statements. In addition, 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):

1. ***GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments.*** This statement is effective for fiscal year ending June 30, 2010 and is intended to improve how state and local governments report information about derivative instruments-financial arrangements used by governments to manage specific risks or make investments in their financial statements. This statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. Management has reviewed the requirements of this standard and has determined there is no impact as the County does not own or invest in any derivatives.

2. ***GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.*** This statement establishes new categories for reporting fund balances and revises the definitions for governmental fund types. This statement will be effective for Multnomah County for fiscal year ending June 30, 2011. The County has begun planning and taken steps to ensure ending fund balances will be properly reported under GASB #54 guidelines. Implementing this standard will impact reporting for governmental funds.

3. ***GASB Statement No. 59, Financial Instruments Omnibus.*** This statement will improve existing financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. This statement will be effective for Multnomah County for fiscal year ending June 30, 2011. The County is currently evaluating the impact, if any, on the financial statements.

Note 2. Stewardship, compliance, and accountability

A. Budgetary information

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

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

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

Note 3. Accounting changes

A. Change in accounting principle

During fiscal year 2010, the County implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes standards to identify, account for and report intangible assets. The most significant intangible assets for the County include right-of-ways related to the County's road system, and internally developed computer software.

The effect of the change in accounting principle on fiscal year 2010 was to capitalize $1,545 in internally developed software that would not have been capitalized under previous policy. The right-of-ways for the road system had already been reported as part of capital assets, amounting to $197,846 previously included as Infrastructure. In researching this amount, management determined that it had been incorrectly depreciated with the rest of the road system. The cumulative effect of reclassifying the right-of-ways and correcting the previously reported depreciation expense was to increase the County's beginning capital assets and net assets for governmental activities by $137,371, which is reflected in the restatement of assets and net assets in Note 3.B. below.

B. Restatement of assets and net assets

During fiscal year 2010, the County implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement expanded on the reporting requirements for intangible assets from GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

As a result of implementing this statement and making the corrections explained above in Note 3.A., the following amounts were restated for the County's governmental activities capital assets and net assets as of June 30, 2009. The change in net assets for governmental activities for the year ended June 30, 2009 would have been ($8,006), an increase of $4,945 resulting from not charging depreciation on the right-of-way assets.

(dollar amounts expressed in thousands)

	As Previously Reported	Restated, June 30, 2009
Capital assets:		
Land, right-of-way and construction in progress	$ 17,552	$ 214,952
Buildings-not in service, not depreciating	51,164	51,164
Other capital assets (net of accumulated depreciation)	535,552	475,523
Net Assets:		
Invested in capital assets, net of related debt	$ 470,426	$ 607,797
Restricted for:		
Capital projects	22,620	22,620
Community support programs	8,896	8,896
Debt service	67,026	67,026
Unrestricted	(10,907)	(10,907)
Total net assets	$ 558,061	$ 695,432

Note 4. Detailed notes on all funds

A. Cash and investments

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

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

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

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

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

The County's investment policy also requires that the market value plus accrued interest of the securities collateralizing repurchase agreements exceeds the face amount of the repurchase agreement by margins prescribed in writing by the Oregon Short-Term Fund Board, providing the County with a margin against a decline in the market value of the securities. The market value plus accrued interest of the securities purchased under repurchase agreements did not fall below the required level during the year.

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

At year-end, the carrying amount of the County's deposits was $121,517 and the bank balance was $121,490. The bank balance was covered by federal depository insurance (FDIC) or by collateral held by one or more of the State's authorized collateral pool managers. The remaining balance of $27 represents petty cash accounts that were uninsured and uncollateralized.

(dollar amounts expressed in thousands)

As of June 30, 2010, the County had the following unrestricted cash and investments:

Investment Type	Fair Value	Weighted Average Yield	Risk Concentration	Weighted Average Maturity (in months)
US Agencies	$ 81,098	0.957%	29.2%	15.5
Corporate Debt	19,497	1.267%	7.0%	12.0
Bankers' Acceptances	3,513	0.280%	1.3%	< 1
Local Government Investment Pool	52,328	0.550%	18.8%	< 1
Cash and Equivalents	121,511	0.187%	43.7%	< 1
Total unrestricted cash and investments	$ 277,947		100%	
		Portfolio weighted average maturity		5.3

As of June 30, 2010, the County had the following restricted cash and investments. Cash with Fiscal Agent and Miscellaneous Restricted Funds had weighted average maturities less than one month. The Pledged Investment had a weighted average maturity less than two months.

Investment Type	Fair Value	Weighted Average Yield	Risk Concentration
Cash with Fiscal Agent	$ 1,054	0.039%	78.6%
US Agency	279	0.849%	20.9%
Misc Restricted Funds	7	0.000%	0.5%
	$ 1,340	0.124%	100.0%

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

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

	Unrestricted	Restricted	Total
Governmental Activities	$ 244,129	$ 1,333	$ 245,462
Business-type Activities	18,015	-	18,015
Fiduciary Funds	15,803	7	15,810
Total Cash and Investments	$ 277,947	$ 1,340	$ 279,287

(dollar amounts expressed in thousands)

At June 30, 2010, the County had the following corporate debt in its investment portfolio with the credit ratings noted by Standard & Poor's and Moody's respectively:

Investment Type / Issuer	Fair Value	Credit Rating	Maturity
Corporate note – Bank of America	$ 10,062	AAA/Aaa	12/23/10
Corporate note – Berkshire Hathaway	2,031	AA+/Aa2	12/15/10
Corporate note – Berkshire Hathaway	4,308	AA+/Aa2	09/15/12
Corporate note – Wachovia Mortgage (WF Corp)	3,096	AA/Aa2	09/28/11
Totals	$ 19,497		

At June 30, 2010, the County had the following investments in US Government Agencies that were implicitly guaranteed by the US Government:

Investment Type / Issuer	Fair Value	Credit Rating
Agency notes – Federal Home Loan Bank	$ 32,774	AAA
Agency notes – Federal Farm Credit Bank	26,649	AAA
Agency notes – Federal Home Loan Mortgage Corp	13,142	AAA
Agency notes – Federal National Mortgage Association	5,031	AAA
Agency notes – Tennessee ValleyAuthority	3,781	AAA
Total	$ 81,377	

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:

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

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

1. Corporate indebtedness must be rated on the settlement date A-1 or AA or better by Standard and Poor's Corporation or P-1 or Aa by Moody's Investors Service, or the equivalent rating by any nationally recognized statistical rating organization.

2. Notwithstanding item one, corporate indebtedness must be rated A-2 or A by Standard & Poor's and P-2 or A by Moody's, or the equivalent rating by any nationally recognized statistical rating organization when issued by a business enterprise that has its headquarters in Oregon, employs more than 50% of its permanent workforce in Oregon, or has more than 50% of its tangible assets in Oregon.

3. Purchase of commercial paper and other corporate debt not insured by an agency of the U.S. Government up to 25% of the total investment portfolio is allowed, but may exceed that limit up to 30% for a period not to exceed ten consecutive business days.

4. U.S. Government Agencies are limited to 75% of the investment portfolio.

5. Investments guaranteed by an agency of the U.S. Government (.e.g., the U.S. Treasury or the Federal Depository Insurance Corporation) may be owned without limit.

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

Multnomah County manages custodial credit risk for deposits and investments in accordance with Oregon Revised Statutes and the County's investment policy. As of June 30, 2010, the County's bank balance of $121,490 was not exposed to custodial credit risk.

B. Receivables

Receivables as of year-end for the County's individual major funds, and nonmajor and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are noted on the following page. Included in General fund loans receivable balance is a loan from Multnomah County to a community based health organization. The loan agreement was executed in fiscal year 2008 in order to sustain operating costs for the health organization. As of June 30, 2010 the total loan receivable balance was $1,298, netted with a related allowance for uncollectible accounts of $860.

(dollar amounts expressed in thousands)

MULTNOMAH COUNTY
Accounts Receivable

	Governmental Activities							
	General Fund	Federal State Program Fund	Library Fund	Internal Service Funds	Nonmajor Funds	Total Governmental Activities	Business-type Activities	Total
Receivables:								
Taxes:								
Income	$ 12,953	$ -	$ -	$ -	$ -	$ 12,953	$ -	$ 12,953
Property	12,881	-	2,276	-	520	15,677	-	15,677
Other	3,841	-	-	-	1,231	5,072	-	5,072
Accounts	8,267	54,198	551	1,077	6,786	70,879	196	71,075
Loans	1,298	722	-	-	-	2,020	-	2,020
Interest	1,140	-	-	-	-	1,140	-	1,140
Special assessments	11	-	-	-	-	11	58	69
Contracts	1,493	-	-	500	1,970	3,963	-	3,963
Gross receivables	41,884	54,920	2,827	1,577	10,507	111,715	254	111,969
Less: allowance for discounts/uncollectibles	(13,722)	(398)	-	-	-	(14,120)	(3)	(14,123)
Net total receivables	$ 28,162	$ 54,522	$ 2,827	$ 1,577	$ 10,507	$ 97,595	$ 251	$ 97,846

(dollar amounts expressed in thousands)

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

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

	Unavailable	Unearned	Total
Personal income tax receivable	$ 12,901	$ -	$ 12,901
Allowance for doubtful accounts – personal income tax	(12,630)	-	(12,630)
Property taxes receivable (General Fund)	10,229	-	10,229
Property taxes receivable (other governmental funds)	2,228	-	2,228
Grant draws prior to meeting all eligibility requirements	-	2,569	2,569
Contracts receivable	-	3,045	3,045
Contract revenue received in advance	-	113	113
Loans receivable	-	722	722
Tax title land sales inventory	-	701	701
Special assessments receivable	-	11	11
Total deferred revenue for governmental funds	$ 12,728	$ 7,161	$ 19,889

Amounts reported above as unearned are reported as unearned revenue in governmental activities on the Statement of Net Assets. Governmental activities also include Internal Service Funds, which report $45 in unearned revenue, resulting in total unearned revenue on the Statement of Net Assets of $7,206.

(dollar amounts expressed in thousands)

C. Capital assets

Capital asset activity for the year ended June 30, 2010 was as follows:

Primary Government

	Beginning Balance (Restated)	Increases	Transfers	Decreases	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 15,669	$ -	$ -	$ (562)	$ 15,107
Right of Way	197,846	3	-	(932)	196,917
Construction in process	1,437	7,395	(423)	(8)	8,401
Buildings-not in service	51,164	-	-	-	51,164
Total capital assets, not being depreciated	266,116	7,398	(423)	$ (1,502)	271,589
Capital assets, being depreciated:					
Buildings	367,891	1,502	403	(1,649)	368,147
Improvements other than buildings	461	-	-	-	461
Machinery and equipment	116,465	10,414	20	(14,267)	112,632
Bridges	153,223	1,632	-	-	154,855
Infrastructure	358,620	6,541	-	(1,636)	363,525
Total capital assets being depreciated	996,660	20,089	423	(17,552)	999,620
Less accumulated depreciation for:					
Buildings	(132,953)	(8,874)	-	801	(141,026)
Improvements other than buildings	(165)	(13)	-	-	(178)
Machinery and equipment	(81,925)	(9,556)	-	13,828	(77,653)
Bridges	(66,190)	(2,840)	-	-	(69,030)
Infrastructure	(239,904)	(9,022)	-	962	(247,964)
Total accumulated depreciation	(521,137)	(30,305)	-	15,591	(535,851)
Total capital assets being depreciated, net	475,523	(10,216)	423	(1,961)	463,769
Governmental activities capital assets, net	$ 741,639	$ (2,818)	-	$ (3,463)	$ 735,358
Business-type activities:					
Capital assets, not being depreciated:					
Construction in process	$ -	$ 305	$ -	$ -	$ 305
Total capital assets, not being depreciated	-	305	-	-	-
Capital assets, being depreciated:					
Improvements other than buildings	5,907	77	-	-	5,984
Total capital assets being depreciated	5,907	77	-	-	5,984
Less accumulated depreciation for:					
Improvements other than buildings	(2,465)	(128)	-	-	(2,593)
Total accumulated depreciation	(2,465)	(128)	-	-	(2,593)
Total capital assets being depreciated, net	3,442	(51)	-	-	3,391
Business-type activities capital assets, net	$ 3,442	$ 254	$ -	$ -	$ 3,696

(dollar amounts expressed in thousands)

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

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

Governmental activities:	
General government	$ 12,193
Health services	85
Social services	112
Public safety & justice	1,027
Community services	355
Library	5,866
Roads and bridges	10,667
Total depreciation expense – governmental activities	$ 30,305
Business-type activities:	
Sewer	$ 65
Lighting	63
Total depreciation expense – business-type activities	$ 128

D. Other assets

Other assets, net of accumulated amortization at June 30, 2010 consist of the following:

Bond issuance costs	$ 515
Negative net pension asset	119,444
	$ 119,959

Amortization expense in the statement of activities on bond issuance costs and the negative net pension asset were $32 and $6,152, respectively for the year ended June 30, 2010.

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 is due to timing of receivables from the State in the Emergency Communications Fund. The amount payable to the Risk Fund is related to a capital loan for sewer improvements in the Dunthorpe Riverdale Service District Fund. This balance is expected to be collected in the subsequent year. The composition of interfund balances as of June 30, 2010 is as follows:

(dollar amounts expressed in thousands)

Receivable Funds	Payable Funds	Amount
General Fund	Emergency Communications Fund	$ 100
Risk Fund*	Dunthorpe Riverdale Service District Fund	14
	Total	$ 114

*Internal service fund

Advances to / from other funds:

The amount payable to the General Fund is related to providing interim working capital financing for federal reimbursement grants. The $23,500 is also noted as a reservation of the General Fund's fund balance. The amount payable to the Risk Fund relates to a capital loan for sewer improvements in the Dunthorpe Riverdale Service District Fund. None of the balances are scheduled to be collected in the subsequent year.

Receivable Funds	Payable Funds	Amount
General Fund	Federal State Fund	$ 23,500
Risk Fund*	Dunthorpe Riverdale Service District Fund	89
	Total	$ 23,589

*Internal service fund

Interfund Transfers:

Following are the County's interfund transfers for the year ended June 30, 2010. The General Fund includes a transfer in of $15,337 from the General Reserve Fund to properly report the reserves in the General Fund per the requirements of GASB Statement 54, which will be fully implemented in fiscal year 2011.

	Transfers in:				
Transfers out:	General Fund	Library Fund	Nonmajor Governmental Funds	Internal Service Funds	Total transfers out
General Fund	$ -	$13,927	$ 1,500	$1,493	$ 16,920
Nonmajor Governmental Funds	18,200	-	7,425	170	25,795
Internal Service Funds	-	-	6,308	-	6,308
Total transfers in:	$18,200	$13,927	$ 15,233	$ 1,663	$ 49,023

(dollar amounts expressed in thousands)

F. Long-term liabilities

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 $49,710 of principal outstanding general obligation bonds, Series 1999 with interest rates of 3.90% - 5.65%. On March 31, 2010 $49,710 was deposited to the escrow agent to retire the Series 1999 general obligation bonds. On April 30, 2010 the outstanding balance on the Series 1999 general obligation bonds were paid off. The refunding transaction resulted in a difference in the present value of the two debt service streams or an economic gain of $5,231. At June 30, 2010 the outstanding balance on the Series 2010 bonds was $45,175 and the balance on the unamortized premium was $4,870.

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%	$ 45,175

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

Year Ending June 30	Principal	Interest
2011	$ 6,555	$ 1,919
2012	6,825	1,645
2013	6,860	1,303
2014	7,210	951
2015	6,155	617
2016 – 2017	11,570	467
Total	$ 45,175	$ 6,902
Premium on long-term debt	4,870	
Total	$ 50,045	

Revenue Bonds

The County also issues bonds where the government pledges specific revenue sources or income derived from the acquired or constructed assets to pay debt service. In November 2000, the County issued $2,000 of revenue bonds to finance the costs of acquiring land and constructing, renovating, improving and equipping certain facilities to be used as a vocational training center for developmentally disabled residents of Multnomah County.

(dollar amounts expressed in thousands)

This debt issue is subject to Federal arbitrage regulations. The County entered into a public / private partnership agreement with Port City Development (Port City), a 501(c)(3) non profit agency. The future lease payments from Port City are pledged revenues for the debt service on these bonds. The term of the agreement with Port City for future pledged revenues is through fiscal year 2034, and the outstanding balance on these future lease payments at June 30, 2010 was $1,652. During fiscal year 2010 Port City paid $34 towards the outstanding balance on this lease agreement. The total principal and interest paid on the bonds during the fiscal year were $145 and $55 respectively. The outstanding balance on the bonds was $1,030 at June 30, 2010. The debt matures in fiscal year 2016.

Also in November 2000, the County issued $3,500 of revenue bonds to re-finance the costs of acquiring real property and constructing facility improvements related to the Oregon Food Bank. In fiscal year 2006 the Oregon Food Bank satisfied their commitment to pledge future lease payments and no longer has any commitment to the County for this debt issue. The total principal and interest paid during the fiscal year were $250 and $97 respectively. The outstanding balance on the debt was $1,815 at June 30, 2010. The debt matures in fiscal year 2016.

Revenue bonds outstanding at year-end are as follows:

Purpose	Interest Rates	Amount
Governmental activities	4.45-5.20%	$ 2,845

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

Year Ending June 30	Principal	Interest
2011	$ 415	$ 133
2012	435	113
2013	460	91
2014	485	66
2015	510	41
2016	540	14
Total	$ 2,845	$ 458

Full Faith and Credit Bonds

On April 1, 1999, the County issued $36,125 in Certificates of Participation with interest rates from 4.00% to 4.75% to finance the costs of acquiring land and facilities. In October 2004, the County advance refunded $22,015 of the 1999 Certificates of Participation by issuing $54,235 in full faith and credit bonds. Certificates of Participation are direct obligations and pledge the full faith and credit of the County. This debt issue is subject to Federal arbitrage regulations. On August 1, 2009, $22,015 in escrow was called and paid off. At June 30, 2010 the entire balance on these bonds was paid off.

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 MBIA. At June 30, 2010, $151,373 of these bonds were outstanding.

On April 1, 2000, the County issued $61,215 in Full Faith and Credit Bonds with interest rates from 5.00% to 5.50% to finance the costs of acquiring and installing the integrated enterprise computer system, acquire land, acquire facilities and construct other County facilities and structures. In October 2004, the County advance refunded $27,985 of these full faith and credit bonds by issuing $54,235 in full faith and credit bonds. Full faith and credit bonds are direct obligations and pledge the full faith and credit of the County. On April 1, 2010 $27,985 in escrow was called and paid off. At June 30, 2010 the entire balance on these bonds was paid off.

On May 15, 2003, the County issued $9,615 in Full Faith and Credit Refunding Obligations, Series 2003 with interest rates from 1.50% to 3.25%. At June 30, 2010, $4,175 of these bonds were outstanding.

On October 1, 2004, the County issued $54,235 in Full Faith and Credit Refunding Obligations, Series 2004 at a premium of $5,089, with interest rates from 3.00% to 5.00%. At June 30, 2010 the unamortized premium on the debt was $3,223. This issue was used to refund $27,985 of outstanding Full Faith and Credit Bonds, Series 2000 with interest rates from 5.00% to 5.50%, $22,015 of outstanding Certificates of Participation, Series 1999 with interest rates from 4.00% to 4.75%, and $4,960 of outstanding Certificates of Participation, Series 1998 with interest rates from 3.75% to 4.90%. The difference between the present value of the old debt service requirements and the present value of the new debt service requirements is a deferred charge of $3,887, which is amortized as a component of interest expense over the life of the new debt. At June 30, 2010 the deferred charge was $2,462. At June 30, 2010, $53,670 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, 2010, $9,800 was outstanding.

(dollar amounts expressed in thousands)

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

Purpose	Interest Rates	Amount
Governmental activities	1.50-7.74%	$ 219,018

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

Year Ending June 30	Principal	Interest
2011	$ 16,860	$ 8,961
2012	18,805	7,917
2013	12,924	14,726
2014	12,932	15,353
2015	12,074	16,043
2016 – 2020	98,149	45,286
2021 – 2025	24,951	123,834
2026 – 2030	22,323	172,246
Total, before deferred charge	219,018	$ 404,366
Deferred charge, net	(2,462)	
Premium on long-term debt, net	3,796	
Total	$ 220,352	

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

Full faith and credit bonds	Long-term	Current	Total
Maturities	$ 202,158	$ 16,860	$ 219,018
Deferred charge	(2,203)	(259)	(2,462)
Premium on long-term debt	3,375	421	3,796
Total	$ 203,330	$ 17,022	$ 220,352

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:

Asset	Governmental Activities
Buildings	$ 75,103
Less: Accumulated depreciation	(30,147)
Total	$ 44,956

(dollar amounts expressed in thousands)

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

Purpose	Interest Rates	Amount
Governmental activities	2.50-4.90%	$ 1,020

Future minimum lease payments are as follows:

	Governmental	
Year Ending June 30	Principal	Interest
2011	$ 14	$ 104
2012	15	103
2013	17	101
2014	19	100
2015	21	98
2016 – 2020	141	449
2021 – 2025	236	354
2026 – 2030	394	197
2031 – 2032	163	14
Total	$ 1,020	$ 1,520

Loans Payable

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

Purpose	Interest Rates	Amount
Governmental activities	3.98%	$ 2,132

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

Year Ending June 30	Principal	Interest
2011	$ -	$ 73
2012	413	42
2013	413	68
2014	413	52
2015	413	36
2016	413	19
2017	67	3
Total	$ 2,132	$ 293

(dollar amounts expressed in thousands)

Pollution Remediation Obligations

Multnomah County implemented *Accounting and Financial Reporting for Pollution Remediation Obligations,* GASB Statement No. 49, for fiscal year 2009. Included in the current year's additions and reductions are pollution remediation activities related to various properties the County is responsible for clean up costs. Pollution remediation activities were paid by a special revenue fund, a capital project fund and an internal service fund. The year-end liability for pollution remediation includes an estimate for site clean up costs and costs for ground water monitoring for the next three to five years on two County owned properties. The calculation for the June 30, 2010 pollution remediation obligation is an estimate determined by management using the expected cash flow techniques and applying 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 decrease, 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 Assets.

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2010 was as follows:

Governmental Activities	Beginning Balance	Additions	Adjustments & Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	$ 56,570	$ 50,045	$ 56,570	$ 50,045	$ 7,250
Revenue Bonds	3,240	-	395	2,845	415
Full Faith and Credit Bonds	223,829	10,373	13,850	220,352	17,022
Capital Leases	10,757	-	9,737	1,020	14
Loans Payable	623	1,509	-	2,132	-
Long-term debt before other long-term liabilities	295,019	61,927	80,552	276,394	24,701
Pollution Remediation Obligations	-	422	47	375	275
Compensated Absences	23,477	25,717	24,934	24,260	6,959
Governmental activity long-term liabilities	$ 318,496	$ 88,066	$ 105,533	$ 301,029	$ 31,935

Business-Type Activities					
Compensated Absences	$ 39	$ 35	$ 49	$ 25	$ 9

<u>Conduit Financing</u>

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. 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, 2010, $7,835 of the Higher Education Variable Rate Demand Revenue Bonds were outstanding.

On October 21, 2008, the County issued $7,400 in Higher Education Revenue Bonds. The proceeds of the bonds were used to provide financing for Pacific Northwest College of Art (PNCA) for costs of acquisition, construction, additions, renovations and improvements to buildings used by the College to accommodate new programs and enrollment growth. The Higher Education Revenue Bonds have not been recognized as a liability of the County because the bonds are secured solely by the provisions of the Bond indenture and payments are made by PNCA. As the County does not own any of the assets constructed or assume any liabilities associated with the project, there is no balance sheet disclosure or recognition of revenues and expenditures within the County's financial statements. As of June 30, 2010, $6,543 of the Higher Education Revenue Bonds were outstanding.

The County's total conduit debt at June 30, 2010 was $14,378. The County is not responsible or obligated for the repayment of conduit debt.

Hospital Facilities Authority of Multnomah County Conduit Financing

On December 3, 1998, the County created a component unit, the Hospital Facilities Authority of Multnomah County, Oregon (the Authority). The Authority issues hospital revenue bonds for construction and improvements to health facilities in Multnomah County. 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:

(dollar amounts expressed in thousands)

Obligor (Health Care Facility), debt issue, terms	Original Amount	Balance June 30, 2010
Terwilliger Plaza, Hospital Revenue and Refunding Bonds, Series 1999, due serially through December 1, 2029	$ 26,000	$ 22,100
Holladay Park Plaza, Revenue and Refunding Bonds, Series 2003, due serially through November 15, 2033	17,200	15,495
Providence Health System, Revenue Bonds, Series 2004, due serially through October 1, 2024	100,000	97,305
Terwilliger Plaza, Revenue Bonds, Series 2006, due serially through December 1, 2036	39,765	39,765
Pacific Mirabella (at South Waterfront Project), Variable Rate Demand Revenue Bonds, Series 2008A and 2008B, due serially through September 30, 2048	221,645	221,645
Oregon Baptist (Retirement Homes Project), Variable Rate Demand Revenue and Refunding Bonds, Series 2009, entire principal due November 1, 2034	7,050	7,050
Adventist Health System/West, Revenue Bonds, Series 2009A, due September 1, 2021 and September 1, 2040	66,535	66,535
	$ 478,195	$ 469,895

Note 5. Other information

A. Risk management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the County carries commercial insurance. The County established risk management programs for liability and workers' compensation, whereby premiums are calculated on payroll expenses in all funds and are paid into the risk management fund. The funds are available to pay claims, claim reserves, and reduce administrative costs of the program. These interfund premiums are used to offset the amount of claims expenditure reported in the risk management fund. As of June 30, 2010, interfund premiums exceeded reimbursable expenditures.

(dollar amounts expressed in thousands)

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

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

	Fiscal Year Ended 6/30/10	Fiscal Year Ended 6/30/09
Unpaid claims, beginning of fiscal year	$ 12,861	$ 11,414
Incurred claims (including IBNRs)	27,325	24,321
Actuarial adjustment	(3,765)	(1,571)
Claim payments	(24,232)	(21,303)
Unpaid claims, end of fiscal year	$ 12,189	$ 12,861

B. Subsequent events

In July of 2010, the County settled a measure 37 claim for $2,300. This transaction was recorded in expenses and accrued liabilities in fiscal year 2010, and is already included in the financial statements.

C. Commitments and contingent liabilities

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

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

(dollar amounts expressed in thousands)

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, 2010.

Year ended June 30	
2011	4,742
2012	4,460
2013	4,365
2014	3,851
2015	3,042
2016 – 2020	3,970
2021 – 2025	19
Total minimum payments	$ 24,448

The County recorded $4,418 in rent expense for the year ended June 30, 2010.

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, 2010.

Construction Commitment Description	Fiscal Year Ended 6/30/10
Buildings	$ 15,802
Bridges	3,890
Roads	744
Sewer	305
Various	2,991
Total outstanding contracts	$ 23,732

D. Post employment benefits other than pensions

Plan description. The County administers a single-employer defined benefit healthcare plan per the requirements of collective bargaining agreements. The plan provides for postretirement healthcare insurance for eligible retirees and their spouses through the County's group health insurance plans, which covers 50% of the premium cost for retirees who meet certain eligibility requirements. Benefit provisions are established through negotiations between the County and representatives of collective bargaining units. The County's post employment medical plan does not issue a publicly available financial report. The County implemented GASB Statement No. 45, *Accounting and*

(dollar amounts expressed in thousands)

Financial Reporting by Employers for Postemployment Benefits Other Than Pensions for fiscal year ending June 30, 2006.

Funding policy. The County has not established a trust fund to supplement the costs for the net OPEB obligation. Contribution requirements also are negotiated between the County and union representatives. In general, the County pays 50% of the premiums of health care coverage for retirees from age 58 to age 65. The County's regular health care benefit providers underwrite the retirees' policies. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans. The County is contractually obligated by collective bargaining agreements to contribute 1.5% of annual covered payroll towards the County's 50% contribution. At June 30, 2010, there were 601 retirees that were receiving the post employment healthcare benefit. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2010, the County contributed $2,438 to the plan or approximately 40% of total premiums. Plan members receiving benefits contributed $3,728 or approximately 61% of the total premiums during fiscal year 2010.

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, 2010, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual required contribution (ARC)	$ 11,664
Interest on net OPEB obligation	3,607
Adjustment to annual required contribution	(2,958)
Annual OPEB cost (expense)	12,313
Contributions made	(2,438)
Increase in net OPEB obligation	9,875
Net OPEB obligation - beginning of year	80,173
Net OPEB obligation - end of year	$ 90,048

(dollar amounts expressed in thousands)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the three preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/07	$ 15,083	12%	$ 57,990
6/30/08	14,902	18%	70,136
6/30/09	12,232	18%	80,173
6/30/10	12,313	20%	90,048

Funded status and funding progress. As of the most recent actuarial report, January 1, 2009, the actuarial accrued liability for benefits was $122,605, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $122,605. The covered payroll (annual payroll of active employees covered by the plan) was $263,090 for fiscal year 2010 and the ratio of the UAAL to the covered payroll was 47%.

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

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

In the most recently conducted, actuarial valuation (as of January 1, 2009), the 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 4.5% was used in the most recent actuarial valuation for the closed period. The report states health care costs rates are trending down from 9.0% in 2009 to 7.3% in 2015 for the major medical component, which is representative for the overall plan. Both rates include a 2.5% inflation rate assumption. The County's unfunded actuarial accrued liability is being amortized over a 30 year period as a level percentage of payroll on an open basis. The remaining amortization period at June 30, 2010 is 30 years.

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

Pension plans

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

Oregon Public Employees Retirement System (PERS)

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

PERS
PO Box 23700
Tigard, OR 97281-3700

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

Funding policy. The contribution requirements of the County are established and may be amended by the State. The County is contractually obligated by collective bargaining agreements to pay the required employee contribution of 6.0% of annual covered payroll. The County is also required to contribute at an actuarially determined rate; the current rate is 13.4% of annual covered payroll. In addition to the funding requirements, the County also charges an internal rate of 6.75% of payroll to departments to fund the repayment of the pension obligation bonds issued in 1999.

(dollar amounts expressed in thousands)

Annual pension cost. For 2010, the County's annual pension cost of $34,550 for PERS was equal to the County's required and actual contributions. The required contribution was determined as part of the December 31, 2009 actuarial valuation using the projected unit credit actuarial cost method. This actuarial valuation is the most recent available at the time of printing this report. The actuarial assumptions included (a) 8.0% investment rate of return (net of administrative expenses), (b) projected salary increases due to inflation of 2.75% per year, (c) projected wage growth, excluding seniority / merit raises, of 3.75% per year and (d) trending healthcare costs from 7.0% in 2010 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, 2009, was 20 years.

Three Year Trend Information for PERS

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/08	$ 39,337	100%	$ -
6/30/09	42,368	100%	-
6/30/10	34,550	100%	-

Deferred Compensation Plan

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

At June 30, 2010, the amount deferred and investment earnings thereon, adjusted to fair market value, amount to $168,026. The amounts accumulated under the Plan including investment earnings, are excluded from the financial statements of the County.