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 two 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. 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 and 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.
>
> The *Capital Improvement Fund* accounts for the proceeds derived from the sale of unrestricted property, interest income, and any service reimbursement or operating revenues from leased facilities. Expenditures are made for capital acquisitions or improvements.

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 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. 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 addition to funding for elderly, disabled and mentally ill persons, and programs for public safety and health. As of fiscal year 2011, 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 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 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* when the Board of County Commissioners (BOCC) passes an ordinance or resolution that places specific constraints on how the resources may be used. The BOCC can modify or rescind the ordinance or resolution at any time through passage of an additional ordinance or resolution.
>
> 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 County has not established a policy regarding the assignment of funds, so this category of fund balance represents the residual amounts not otherwise reported as unspendable, restricted or committed in governmental funds outside of the General Fund.
>
> *Unassigned* fund balance is the residual classification for the General Fund. This classification represents fund balance that is not otherwise reported as unspendable, 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 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, 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 postemployment 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 financial statements of the discretely presented component units 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. 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 is effective for Multnomah County for fiscal year ending June 30, 2011. Management began reviewing the requirements of this standard during the fiscal year ended June 30, 2010, and transferred the resources of the General Reserve Fund previously reported as a separate Special Revenue fund back into the General Fund as of June 30, 2010 as it did not meet the criteria to be reported as a separate special revenue fund. Implementing this standard had impacted the reporting of fund balance for governmental funds, with detail for the different classifications of fund balance as defined by the standard provided in note 3.G.

2. ***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 is effective for Multnomah County for fiscal

year ending June 30, 2011. Management has reviewed the requirements of this standard and has determined there is no impact as the County does not own or invest in types of financial instruments addressed by the standard.

3. ***GASB Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53.*** This statement will be effective for fiscal year ending June 30, 2012, and is intended to clarify whether an effective hedging relationship continues and hedge accounting should continue to be applied in certain circumstances related to interest rate and commodity swap agreements. Management has reviewed the requirements of this standard and has determined there is no impact as the County does not own or invest in the types of agreements addressed by the standard.

Note 2. Stewardship, compliance, and accountability

A. Budgetary information

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

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

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

B. Expenditures in excess of appropriations

Oregon state law requires disclosure of fund expenditures in excess of budgeted appropriations. For the year-ended June 30, 2011, expenditures exceeded appropriations in the Risk fund in the Department of County Management by $14,708. During fiscal year 2011, the Risk fund provided significant resources to the Willamette River Bridges fund, a special revenue fund, via an internal loan approved by the Board to assist with the Sellwood Bridge construction project. These resources were transferred to the Willamette River Bridges fund, however the Risk fund's budgeted amounts were not properly adjusted to reflect this transfer. As a result the County incurred a budget violation. This over expenditure was funded by available fund balance.

Note 3. Detailed notes on all funds

A. Cash and investments

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

Changes to Oregon Revised Statutes, Chapter 295 have resulted in the Office of the State Treasurer being given responsibility for overseeing collateralization of public funds 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 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.

(dollar amounts expressed in thousands)

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 its portfolio rules can be obtained at www.ost.state.or.us. LGIP is not rated by any national rating service.

At year-end, the carrying amount of the County's deposits was $62,952 and the bank balance was $62,929. 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 $23 represents petty cash accounts that were uninsured and uncollateralized.

As of June 30, 2011, 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	$ 176,160	0.53%	55.2%	11.5
Corporate Debt	24,894	0.83%	7.8%	6.6
Bankers' Acceptances	7,486	0.25%	2.3%	< 1
Local Government Investment Pool	48,209	0.50%	15.0%	< 1
Cash and Equivalents	62,926	0.14%	19.7%	< 1
Total unrestricted cash and investments	$ 319,675		100%	
			Portfolio weighted average maturity	6.9

As of June 30, 2011, 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	$ 1,075	0.00%	77.8%
US Agency	280	0.05%	20.3%
Misc Restricted Funds	26	0.00%	1.9%
	$ 1,381	0.05%	100.0%

(dollar amounts expressed in thousands)

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	$ 275,091	$ 1,355	$ 276,446
Business-type Activities	24,857	-	24,857
Fiduciary Funds	19,727	26	19,753
Total Cash and Investments	$ 319,675	$ 1,381	$ 321,056

At June 30, 2011, 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 – Berkshire Hathaway	4,212	AA+/Aa2	09/15/12
Corporate note – General Electric Credit Corp	1,437	AA+/Aa2	08/13/12
Corporate note – Student Loan Marketing Assoc	537	N/A/Aaa	08/01/12
Corporate note – Wachovia Mortgage (WF Corp) (Rated by Fitch AA-)	3,033	N/A/AA2	09/28/11
Corporate note FDIC insured – Goldman Sachs	4,561	AAA/Aaa	07/15/11
Corporate note FDIC insured – Oriental Bank & Trust (Rated by Fitch AAA)	1,017	AA+/N/A	03/16/12
Corporate note FDIC insured – Regions Bank	4,301	AA+/Aaa	12/09/11
Corporate note FDIC insured – Wells Fargo Corp	5,796	AA+/Aaa	12/09/11
Totals	$ 24,894		

At June 30, 2011, 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	$ 69,429	AAA
Agency notes – Federal Farm Credit Bank	18,197	AAA
Agency notes – Federal Home Loan Mortgage Corp	31,363	AAA
Agency notes – Federal National Mortgage Association	42,166	AAA
Agency notes – Federal Agricultural Mortgage	15,005	
Total	$176,160	

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:

(dollar amounts expressed in thousands)

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.

The 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, 2011, the County's bank balance of $62,929 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 the 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, 2011, the total loan receivable balance was $1,229, netted with a related allowance for uncollectible accounts of $860.

(dollar amounts expressed in thousands)

MULTNOMAH COUNTY
Accounts Receivable

	Governmental Activities								
	General Fund	Federal and State Program Fund	Library Fund	Capital Improvement Fund	Internal Service Funds	Nonmajor Funds	Total Governmental Activities	Business-type Activities	Total
Receivables:									
Taxes:									
Income	$ 12,882	$ -	$ -	$ -	$ -	$ -	$ 12,882	$ -	$ 12,882
Property	12,271	-	2,098	-	-	468	14,837	-	14,837
Other	4,110	-	-	-	-	1,787	5,897	-	5,897
Accounts	33,642	32,797	448	485	874	14,343	82,589	12	82,601
Loans	-	700	-	-	-	-	700	-	700
Interest	955	-	-	-	-	-	955	-	955
Special assessments	11	-	-	-	-	-	11	58	69
Contracts	1,407	-	-	205	364	1,622	3,598	-	3,598
Gross receivables	65,278	33,497	2,546	690	1,238	18,220	121,469	70	121,539
Less: allowance for discounts/uncollectibles	(12,803)	(818)	-	-	-	-	(13,621)	(3)	(13,624)
Net total receivables	$ 52,475	$ 32,679	$ 2,546	$ 690	$ 1,238	$ 18,220	$ 107,848	$ 67	$ 107,915

(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	$ 12,836	$ -	$ 12,836
Allowance for doubtful accounts – personal income tax	(12,539)	-	(12,539)
Property taxes receivable (General Fund)	9,971	-	9,971
Property taxes receivable (other governmental funds)	2,079	-	2,079
Clinic fee revenues	21,460	-	21,460
Grant draws prior to meeting all eligibility Requirements	-	2,368	2,368
Loans receivable	-	700	700
Special assessments receivable	-	11	11
Contracts receivable	-	2,900	2,900
Contract revenue received in advance	-	75	75
Tax title land sales inventory	-	586	586
State vaccine inventory	-	628	628
Total deferred revenue for governmental funds	$ 33,807	$ 7,268	$ 41,075

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 $43 in unearned revenue, resulting in total unearned revenue on the *Statement of Net Assets* of $7,311.

(dollar amounts expressed in thousands)

C. Capital assets

Capital asset activity for the year ended June 30, 2011 was as follows:

Primary Government

	Beginning Balance	Increases	Transfers	Decreases	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 15,107	$ -	$ -	$ -	$ 15,107
Right-of-way	196,917	5	-	-	196,922
Construction in progress	8,401	35,502	(4,334)	(27)	39,542
Buildings-not in service	51,164	-	-	-	51,164
Total capital assets, not being depreciated	271,589	35,507	(4,334)	(27)	302,735
Capital assets, being depreciated:					
Buildings	368,147	2,056	3,543	(846)	372,900
Improvements other than buildings	461	55	111	-	627
Machinery and equipment	112,632	10,286	680	(8,441)	115,157
Bridges	154,855	293	-	(141)	155,007
Infrastructure	363,525	2,988	-	-	366,513
Total capital assets being depreciated	999,620	15,678	4,334	(9,428)	1,010,204
Less accumulated depreciation for:					
Buildings	(141,026)	(9,042)	-	547	(149,521)
Improvements other than buildings	(178)	(16)	-	-	(194)
Machinery and equipment	(77,653)	(9,896)	-	8,406	(79,143)
Bridges	(69,030)	(2,394)	-	4	(71,420)
Infrastructure	(247,964)	(9,139)	-	-	(257,103)
Total accumulated depreciation	(535,851)	(30,487)	-	8,957	(557,381)
Total capital assets being depreciated, net	463,769	(14,809)	4,334	(471)	452,823
Governmental activities capital assets, net	$ 735,358	$ 20,698	-	$ (498)	$ 755,558
Business-type activities:					
Capital assets, not being depreciated:					
Construction in progress	$ 305	$ -	$ (305)	$ -	$ -
Total capital assets, not being depreciated	305	-	(305)	-	-
Capital assets, being depreciated:					
Improvements other than buildings	5,984	49	305	-	6,338
Total capital assets being depreciated	5,984	49	305	-	6,338
Less accumulated depreciation for:					
Improvements other than buildings	(2,593)	(133)	-	-	(2,726)
Total accumulated depreciation	(2,593)	(133)	-	-	(2,726)
Total capital assets being depreciated, net	3,391	(84)	305	-	3,612
Business-type activities capital assets, net	$ 3,696	$ (84)	$ -	$ -	$ 3,612

(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	$11,883
Health services	94
Social services	118
Public safety & justice	659
Community services	388
Library	6,593
Roads and bridges	10,752
Total depreciation expense – governmental activities	$ 30,487
Business-type activities:	
Sewer	$ 68
Lighting	65
Total depreciation expense – business-type activities	$ 133

D. Other assets

Other assets, net of accumulated amortization at June 30, 2011 consist of the following:

Bond issuance costs	$ 573
Negative net pension asset	113,292
	$ 113,865

Amortization expense in the statement of activities on bond issuance costs and the negative net pension asset were $62 and $6,152, respectively for the year ended June 30, 2011.

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 related to providing interim working capital financing for federal reimbursement grants. This balance is collected in the subsequent year. The composition of the interfund balance as of June 30, 2011 is as follows:

(dollar amounts expressed in thousands)

Receivable Funds	Payable Funds	Amount
General Fund	Federal and State Program Fund	$ 250

Interfund Transfers:

Following are the County's interfund transfers for the year ended June 30, 2011. Significant transfers include $15,093 from the General Fund to the Library Fund to supplement the Library's operations and $9,000 from the Risk Management Internal Service Fund to the Willamette River Bridge Special Revenue Fund for an internal loan to meet the short term cash flow needs for the Sellwood Bridge replacement project.

	Transfers in:					
Transfers out:	General Fund	Library Fund	Capital Improvement Fund	Other Governmental Funds	Internal Service Funds	Total transfers out
General Fund	$ -	$15,093	$ 150	$ 4,500	$120	$ 19,863
Other Governmental Funds	3,249	-	-	-	-	3,249
Internal Service Funds	-	-	889	9,640	-	10,529
Total transfers in:	$3,249	$15,093	$1,039	$ 14,140	$ 120	$ 33,641

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 previously issued General Obligation debt. At June 30, 2011 the outstanding balance on the Series 2010 bonds was $38,620 and the balance on the unamortized premium was $4,174.

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:

(dollar amounts expressed in thousands)

Purpose	Interest Rates	Amount
Governmental activities	3.00-5.00%	$ 38,620

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

Year Ending June 30	Principal	Interest
2012	$ 6,825	$ 1,645
2013	6,860	1,303
2014	7,210	951
2015	6,155	617
2016	5,665	349
2017	5,905	118
Total	$ 38,620	$ 4,983
Premium on long-term debt	4,174	
Total	$ 42,794	

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. 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, 2011 was $1,616. During fiscal year 2011 Port City paid $36 towards the outstanding balance on this lease agreement. The total principal and interest paid on the bonds during the fiscal year were $150 and $48 respectively. The outstanding balance on the bonds was $880 at June 30, 2011. 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 $265 and $85 respectively. The outstanding balance on the debt was $1,550 at June 30, 2011. The debt matures in fiscal year 2016.

(dollar amounts expressed in thousands)

Revenue bonds outstanding at year-end are as follows:

Purpose	Interest Rates	Amount
Governmental activities	4.45-5.20%	$ 2,430

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

Year Ending June 30	Principal	Interest
2012	$ 435	$ 113
2013	460	91
2014	485	66
2015	510	41
2016	540	14
Total	$ 2,430	$ 325

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 MBIA. At June 30, 2011, $142,223 of these bonds were outstanding.

On May 15, 2003, the County issued $9,615 in Full Faith and Credit Refunding Obligations, Series 2003 with interest rates from 1.50% to 3.25%. At June 30, 2011, $3,185 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, 2011 the unamortized premium on the debt was $2,884. 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 a deferred charge of $3,887, which is amortized as a component of interest expense over the life of the new debt. The Series 2000 and Series 1999 have since been paid off in full. At June 30, 2011 the deferred charge was $2,203. At June 30, 2011, $48,260 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, 2011, the balance on the unamortized premium was $491 and $8,490 on the debt was outstanding.

(dollar amounts expressed in thousands)

On December 14, 2010, the County issued $15,000 in Full Faith and Credit Obligations, Series 2010B at a discount of $30 with interest rates from 4.00% to 4.70%. The proceeds from the sale of the obligations will be used to finance the construction costs for the East County Courthouse. At June 30, 2011 the entire debt issue was outstanding.

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

Purpose	Interest Rates	Amount
Governmental activities	1.50-7.74%	$ 217,158

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

Year Ending June 30	Principal	Interest
2012	$ 18,805	$ 8,630
2013	12,924	15,439
2014	12,932	16,066
2015	12,074	16,756
2016	12,895	15,169
2017 – 2021	91,812	55,802
2022 – 2026	31,628	135,309
2027 – 2030	24,088	142,854
Total, before deferred charge	217,158	$ 406,025
Deferred charge, net	(2,203)	
Premium on long-term debt, net	3,375	
Total	$ 218,330	

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	$ 198,353	$ 18,805	$ 217,158
Deferred charge	(1,944)	(259)	(2,203)
Premium on long-term debt	2,954	421	3,375
Total	$ 199,363	$ 18,967	$ 218,330

(dollar amounts expressed in thousands)

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. During fiscal year 2011, the County entered into a seven year capital lease agreement to rent space in a warehouse for the Sheriff's Office. Total assets acquired through capital leases are as follows:

Asset	Governmental Activities
Buildings	$ 78,765
Less: Accumulated depreciation	(31,569)
Total	$ 41,196

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

Purpose	Interest Rates	Amount
Governmental activities	2.50-4.90%	$ 1,719

Future minimum lease payments are as follows:

	Governmental	
Year Ending June 30	Principal	Interest
2012	$ 122	$ 130
2013	129	123
2014	135	118
2015	142	111
2016	149	103
2017 – 2021	287	437
2022 – 2026	262	329
2027 – 2031	436	154
2032	57	2
Total	$ 1,719	$ 1,507

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%	$ 3,414

(dollar amounts expressed in thousands)

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

Year Ending June 30	Principal	Interest
2012	$ 345	$ 68
2013	291	122
2014	303	111
2015	315	99
2016	327	86
2017 – 2021	1,833	223
Total	$ 3,414	$ 709

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 for site cleanup costs on four County owned properties. In two of the four sites, subsurface contamination was discovered. Contaminated soil is present at both sites, and contaminated ground water is being monitored and treated as necessary at one location. Both sites are subject to DEQ regulation and oversight at this time. At a third site, the County has commenced an investigation of property it owns that is a former landfill site, to assess if potential methane and leachate issues warrant further remedial action under applicable state or other regulations. A fourth site involves concrete tanks containing sludge and traces of hazardous waste and asbestos. In each of the four sites, the County legally obligated itself to commence cleanup or monitoring. The pollution remediation activities were paid by a capital project fund and an internal service fund.

In addition, the County is 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 will be 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 calculation for the June 30, 2011 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 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 Assets*.

(dollar amounts expressed in thousands)

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2011 was as follows:

Governmental Activities	Beginning Balance	Additions	Adjustments & Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	$ 50,045	$ -	$ 7,251	$ 42,794	$ 7,251
Revenue Bonds	2,845	-	415	2,430	435
Full Faith and Credit Bonds	220,352	15,000	17,022	218,330	18,966
Capital Leases	1,020	815	116	1,719	122
Loans Payable	2,132	1,282	-	3,414	345
Long-term debt before Other long-term liabilities	276,394	17,097	24,804	268,687	27,119
Pollution Remediation Obligations	375	286	285	376	376
Compensated Absences	24,260	28,866	27,440	25,686	7,010
Governmental activity long-term liabilities	$ 301,029	$ 46,249	$ 52,529	$ 294,749	$ 34,505
Business-Type Activities					
Compensated Absences	$ 25	$ 3	$ 12	$ 16	$ 9

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. 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, 2011, $7,590 of the Higher Education Variable Rate Demand Revenue Bonds were outstanding.

On October 21, 2008, the County issued $6,400 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 PNCA 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, 2011, $6,074 of the Higher Education Revenue Bonds were outstanding.

(dollar amounts expressed in thousands)

The County's total conduit debt at June 30, 2011 was $13,664. 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:

Obligor (Health Care Facility), debt issue, terms	Original Amount	Balance June 30, 2011
Terwilliger Plaza, Hospital Revenue and Refunding Bonds, Series 1999, due serially through December 1, 2029	$ 26,000	$ 21,500
Providence Health System, Revenue Bonds, Series 2004, due serially through October 1, 2024	100,000	95,995
Terwilliger Plaza, Revenue Bonds, Series 2006, due serially through December 1, 2036	39,765	18,280
Pacific Mirabella (at South Waterfront Project), Variable Rate Demand Revenue Bonds, Series 2008A and 2008B, due serially through September 30, 2048	221,645	173,985
Oregon Baptist (Retirement Homes Project), Variable Rate Demand Revenue and Refunding Bonds, Series 2009, entire principal due November 1, 2034	7,050	6,735

(dollar amounts expressed in thousands)

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	14,460
	$ 475,455	$ 397,490

G. Fund balances and net assets

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, 2011 were as follows:

Fund balances	General Fund	Federal and State Program Fund	Library Fund	PERS Bond Fund	Capital Improve-ment Fund	Other Govern-mental Funds	Total Govern-mental Funds
Nonspendable:							
Inventories	$ 264	$ -	$ -	$ -	$ -	$ 523	$ 787
Prepaid items	390	439	254	-	-	21	1,104
Restricted:							
Capital projects, buildings	-	-	-	-	18,621	-	18,621
Capital projects, information technology	-	-	-	-	-	4,920	4,920
Community support programs	-	8,045		-	-	794	8,839
Debt service	-	-	-	-	-	7,454	7,454
Document storage and retrieval	487	-	-	-	-	-	487
Road, bridge and bike path improvements	-	-	-	-	-	9,108	9,108
Committed:							
Capital projects, buildings	-	-	-	-	11,965	3,387	15,352
Capital projects, information technology	-	-	-	-	-	3,385	3,385
Community support programs	-	-	-	-	-	425	425
Debt service	-	-	-	54,737	-	11,338	66,075
Road, bridge and bike path improvements	-	-	-	-	-	9,000	9,000
Assigned:							
Capital projects, buildings	-	-	-	-	-	1,550	1,550
Capital projects, information technology	-	-	-	-	-	415	415
Community support programs	-	-	-	-	-	251	251
Debt service	-	-	-	-	-	434	434
Library operations	-	-	16,355	-	-	-	16,355
Road, bridge and bike path improvements	-	-	-	-	-	1,909	1,909
Unassigned	44,576	(312)	-	-	-	-	44,264
Total fund balances	$45,717	$ 8,172	$16,609	$54,737	$ 30,586	$ 54,914	$ 210,735

(dollar amounts expressed in thousands)

Net assets

On the government-wide *Statement of Net Assets,* the net assets are reported in one of three classifications as *Invested in capital assets, net of related debt, Restricted,* or *Unrestricted.* Net assets by classification as of June 30, 2011 are:

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	The Library Foundation
Net assets				
Invested in capital assets, net of related debt	$ 637,922	$ 3,612	$ 641,534	$ 12
Restricted for:				
Nonexpendable – Library operations	-	-	-	4,042
Expendable:				
Capital projects, buildings	18,621		18,621	-
Capital projects, information technology	4,920	-	4,920	-
Community support programs	8,839	-	8,839	-
Debt service	7,831	-	7,831	-
Document storage and retrieval	487	-	487	-
Library operations	-	-	-	3,281
Road, bridge and bike path improvements	9,108	-	9,108	-
Unrestricted	81,502	17,442	98,944	9,654
Total net assets	$ 769,230	$ 21,054	$ 790,284	$ 16,989

Note 4. Other information

A. Risk management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the County carries commercial insurance. The County established risk management programs for liability and workers' compensation, whereby premiums are calculated on payroll expenses in all funds and are paid into the risk management fund. The funds are available to pay claims, claim reserves, and reduce administrative costs of the program. These interfund premiums are used to offset the amount of claims expenditure reported in the risk management fund. As of June 30, 2011, interfund premiums exceeded reimbursable expenditures. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are re-evaluated periodically to consider the effect of inflation, recent claim settlement trends (including frequency and amount of payouts), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. The County's excess insurance coverage policies cover claims in excess of $750 for workers' compensation and $1,000 for all liability claims. Settlements have not exceeded coverages for each of the past three fiscal years. The County anticipates the balance in the claims liability account at year-end will be paid within the next fiscal year.

(dollar amounts expressed in thousands)

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

	Fiscal Year Ended 6/30/11	Fiscal Year Ended 6/30/10
Unpaid claims, beginning of fiscal year	$ 12,189	$ 12,861
Incurred claims (including IBNRs)	27,991	27,325
Actuarial adjustment	(3,117)	(3,765)
Claim payments	(25,365)	(24,232)
Unpaid claims, end of fiscal year	$ 11,698	$ 12,189

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 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, 2011.

(dollar amounts expressed in thousands)

Year ended June 30	
2012	5,154
2013	5,503
2014	4,375
2015	3,665
2016	3,042
2017 – 2021	2,327
2022 – 2026	15
Total minimum payments	$ 24,081

The County recorded $4,832 in rent expense for the year ended June 30, 2011.

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, 2011.

Construction Commitment Description	Fiscal Year Ended 6/30/11
Buildings	$ 14,686
Bridges	26,946
Roads	6,903
Sewer	289
Total outstanding contracts	$ 48,824

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. The plan provides for postemployment 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 postemployment medical plan does not issue a publicly available financial report.

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 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 contribute 1.75% of annual covered payroll to fund this retiree benefit. At June 30, 2011, there were 654 retirees that were receiving the postemployment healthcare benefit. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2011, the County contributed $7,334 to the plan. Of this amount, $3,554 was explicitly contributed as part of the contractual obligation described above. The remaining $3,780 represents the implicit subsidy derived from active employee contributions.

(dollar amounts expressed in thousands)

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, 2011, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual required contribution (ARC)	$ 14,193
Interest on net OPEB obligation	3,602
Adjustment to annual required contribution	(3,106)
Annual OPEB cost (expense)	14,689
Contributions made	(7,334)
Increase in net OPEB obligation	7,355
Net OPEB obligation - beginning of year	90,048
Net OPEB obligation - end of year	$ 97,403

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and three preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/08	14,902	18%	$ 70,136
6/30/09	12,232	18%	80,173
6/30/10	12,313	20%	90,048
6/30/11	14,689	50%	97,403

Funded status and funding progress. As of the most recent actuarial report, January 1, 2011, the actuarial accrued liability for benefits was $154,498 and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $154,498.

The covered payroll (annual payroll of active employees covered by the plan) was $270,516 for fiscal year 2011 and the ratio of the UAAL to the covered payroll was 57%.

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, 2011), 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 4.0% 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 calculation of a precise obligation for this tax is impossible at this time. The report also states health care costs rates are trending down from 8.4% in 2011 to 7.1% in 2016 for the major medical component, which is representative for the overall plan. The report includes assumptions for inflation at 2.75%, annual payroll growth of 3.75% and 1.00% real wage growth. 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, 2011 is 30 years.

D. 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 voluntary retirement savings. There are three different tiers of membership based on the individual's original hire date with an Oregon PERS employer.

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 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 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.

Annual pension cost. For 2011, the County's annual pension cost of $34,233 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.

(dollar amounts expressed in thousands)

Three Year Trend Information for PERS:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/09	$ 42,368	100%	$ -
6/30/10	34,550	100%	-
6/30/11	34,233	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. 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, 2011, 3,055 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, 2011, the amount deferred and investment earnings thereon, adjusted to fair market value, amount to $207,854. The amounts accumulated under the Plan including investment earnings, are excluded from the financial statements of the County.