2009 Audit Results
Report to the City of Portland, Oregon
City Council
March 24, 2010

What we will cover

- Annual independence certification
- Nature of services provided
- Auditor reports
- Required communications
- Management letter observations/recommendations

February 17, 2010

To the City Council
City of Portland, Oregon

We are pleased to present the results of our audit of the financial statements of the City of Portland, Oregon for the year ended June 30, 2009.

This Report to the City Council summarizes our audit, the scope of our engagement, and various analyses and observations related to the financial reporting of the City of Portland, Oregon. It also contains the audit committee communications required by our professional standards.

Our audit was designed to express an opinion on the 2009 financial statements and address current statutory and regulatory requirements. We considered the current business needs of the City of Portland, Oregon, along with an assessment of risks that could materially affect the financial statements, and we aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you expect.

We wish to thank Marty Scott, Samina Gillum, Rodney O'Dell and the entire OMF staff for their support and assistance during our audit. We would also like to thank LaVonne Griffin-Valade, City Auditor, Fiona Earle, and other staff members from the Auditor's office who were very professional and a pleasure to work with regarding the administration of the audit contract. This report is intended solely for the information and use of the City Council, City Auditor, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

James C. Lanzarotta

James C. Lanzarotta
For Moss Adams LLP

February 17, 2010

To the City Council
City of Portland, Oregon

Auditor independence, in fact and appearance, is essential so that the public may justifiably perceive the audit process as an unbiased review of management's presentation of financial information.

At least annually, we will disclose to the City Council the nature of all relationships between Moss Adams and the City of Portland, Oregon, that, in our professional judgment, may reasonably be thought to bear on our independence.

We are not aware of any relationships between our Firm and the City of Portland, Oregon, for the year ended June 30, 2009, and through the date of this letter, that may reasonably be thought to impact our independence. Accordingly, relating to our audit of the financial statements of the City of Portland, Oregon, as of and for the year ended June 30, 2009, we confirm we are independent with respect to the City within the meaning of Rule 101 of the American Institute of Certified Public Accountants' Code of Professional Conduct, its interpretations and rulings.

This report is intended solely for the information and use of the City Council, City Auditor, management, and others within the organization and should not be used for any other purpose.

Moss Adams, LLP

Moss Adams LLP
Eugene, OR

Nature of services provided

- Audits of the City and its component units
  - City
  - FPD&R
  - Hydro
  - Portland Development Commission

- Single Audit over Federal Award Programs

- Testing/reporting over compliance with certain State Laws

Auditor's Reports

- Auditor's Opinion (Page 11) – unqualified opinion

- State Internal Control & Compliance (Page 293)
  - Reported budgetary over-expenditures (Note II.B.)
  - Control deficiency over pollution remediation liabilities

- Federal Internal Control & Compliance
  - (Separately issued report)
  - Control deficiency over PHB grant revenue/expense recognition timing

- Federal Compliance for Major Programs
  - (Separately issued report)
  - Four significant deficiencies in controls – see below

- Schedule of Findings and Questioned Costs
  - (Separately issued report)
  - Home Investment Partnership program
    - lack of sub-recipient monitoring
    - non-filing of annual reports for 2008 and 2009
    - Incorrect timing of grant revenue/expense recognition
  - Federal Transit Cluster
    - Accrual of estimated instead of actual costs

Required Communications to the Audit Committee

Statement on Auditing Standards No. 114 of professional auditing standards require the auditor to provide the 'Those Charged With Governance", with additional information regarding the scope and results of the audit that may assist in overseeing management's financial reporting and disclosure process. Below, we summarize these required communications.

Required Communications	Findings
Auditor's Responsibility Under Auditing Standards Generally Accepted in the United States of America, the Single Audit Act, and Office of Management and Budget Circular A-133 Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us. The financial statements are the responsibility of management. Our audits were designed in accordance with GAAS, which provides for reasonable, rather than absolute, assurance that the financial statements are free of material misstatement. As a part of our audit, we obtained an understanding of internal control sufficient to plan our audits and to determine the nature, timing, and extent of testing performed.	In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133. As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the City's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on the City's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City's compliance with those requirements.
Other Information in Documents Containing Audited Financial Statements Our responsibility for other information in the Auditor's Report and Financial Statements does not extend beyond the financial information identified in our report. We do not have an obligation to perform any procedures to corroborate other information contained in these documents. However, we have read the information and nothing came to our attention that caused us to believe that such information or its manner of presentation is materially inconsistent with the information or manner of its presentation appearing in the financial statements.	The City's 2009 CAFR contained a Letter of Transmittal and certain statistical information. We did not audit this information, and did not render an opinion on it.

Required Communications (continued)

Required Communications	Findings
Significant Accounting Policies and Appropriateness of Accounting Policies	
The initial selection of and changes in significant accounting policies or their application, as well as any new accounting and reporting standards adopted during the year must be reported.	Management has the responsibility for selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note I to the financial statements. Throughout the course of an audit, we review changes, if any, to significant accounting policies or their application, and the initial selection and implementation of new policies. These policies have been consistently followed during the year, and no new significant accounting policies have been established except as provided below. Management implemented the requirements of GASB No. 49, 52, 55 and 56 during the year. GASB No. 49 had the only significant impact in that it required a revision to the accounting and disclosure requirements for the City's pollution remediation obligations. Beginning net assets and liabilities for the Portland Development Commission were restated at the beginning of the year by $7.8 million to recognize the pollution remediation obligation as a result of adopting this standard, and the end of the year obligation is $8.9 million. The City did not restate its beginning of the year liability or net assets, and the end of the year pollution remediation liability is $2.2 million.
Management Judgments and Accounting Estimates	
The preparation of financial statements requires the use of accounting estimates. Certain estimates are particularly sensitive due to their significance to the financial statements and the possibility that future events may differ significantly from management's expectations.	Management's judgments and accounting estimates are based on knowledge and experience about past and current events and assumptions about future events. We apply audit procedures to management's estimates to ascertain whether the estimates are reasonable under the circumstances and do not materially misstate the financial statements. We believe management has selected and applied significant accounting policies appropriately and consistently with those of the prior year. Significant management estimates impacting the financial statements include the following: The depreciable lives of the City's fixed assets and infrastructure and related current year depreciation expense and end of year accumulated depreciation. The compensated absence accrual. The allowance for uncollectible accounts. The reserve for claims liability. The pollution remediation obligation. The accrued liabilities for the City's various employee benefit and retirement plans.

Required Communications (continued)

Required Communications	Findings
Significant Audit Adjustments Made and Passed For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the County's financial reporting process (that is, cause future financial statements to be materially misstated).	There were no audit adjustments found to be necessary as a result of our audit procedures for the year ended June 30, 2009. There were two uncorrected misstatements identified that would have increased the City's recorded pollution remediation liability by $3.8 million, and would have reduced both the 'other financing sources' and 'debt service expenditures' by $52.2 million. The pollution remediation liability calculation did not accurately follow the probability-weighted cash flow methodology as provided in GASB No. 49 resulting in an understatement of the year-end liability. The recording of debt proceeds and debt payments in the City's governmental funds incorrectly included certain short-term debt transactions that should have been omitted from the governmental fund statements.
Major Issues Discussed with Management Prior to our Retention	There were no major issues, including the application of accounting principles, auditing standards or financial reporting, that were discussed with management in connection with our retention as the City's independent accountants.
Disagreements with Management on Financial Accounting and Reporting Matters For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report.	We are pleased to report that no such disagreements arose during the course of our audit.
Consultation by Management with Other Accountants	None of which we are aware.
Serious Difficulties Encountered in Performing the Audit	No significant audit difficulties were encountered during the course of performing the audit.

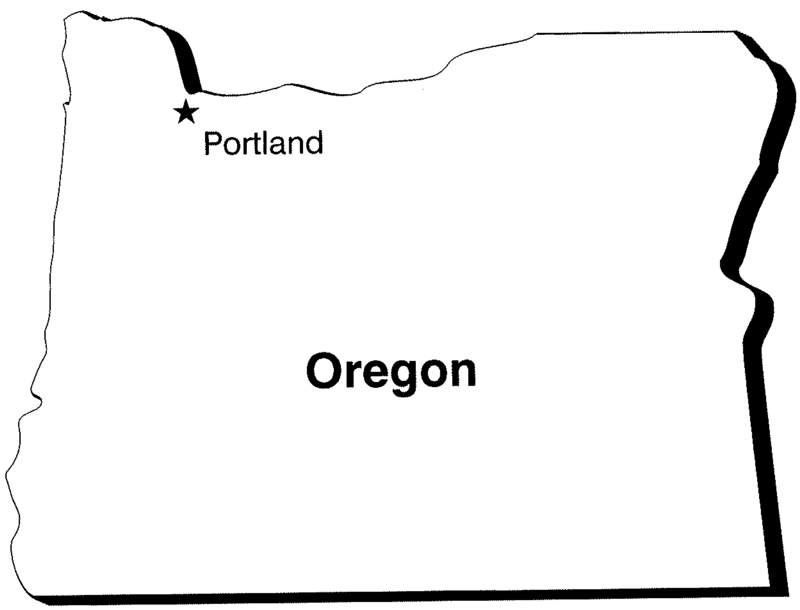
Required Communications (continued)

Required Communications	Findings
Material Errors or Fraud or Possible Material Illegal Acts	
GAAS requires us, within the inherent limitations of the auditing process, to plan our audit to search for errors or irregularities that would have a material effect on the financial statements.	Our audit procedures included interviewing management and staff from several Bureaus to assess fraud risks that exist within the City and the potential for illegal acts. In addition, we modified our audit procedures to address the risks we found to exist. No material frauds or illegal acts were found as a result of the audit procedures we performed.
Material Weaknesses in Internal Control	
In planning and performing our audit, we considered the City's internal control for the purposes of expressing our opinion on the financial statements and not to provide assurance on internal control. Our consideration of internal control would not necessarily disclose all matters that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control element does not reduce, to a relatively low level, the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.	We did not note any material weaknesses during the course of our audit of the year ended June 30, 2009.
Planned Scope and Timing of the Audit	
The scope of the audit was essentially the same as provided in the original contract excepted as noted to the right.	The planned scope of the audit was expanded to cover the implementation of SAP, as well as to cover certain delays in receipt of the draft CAFR.

The City of
Portland, Oregon

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2009



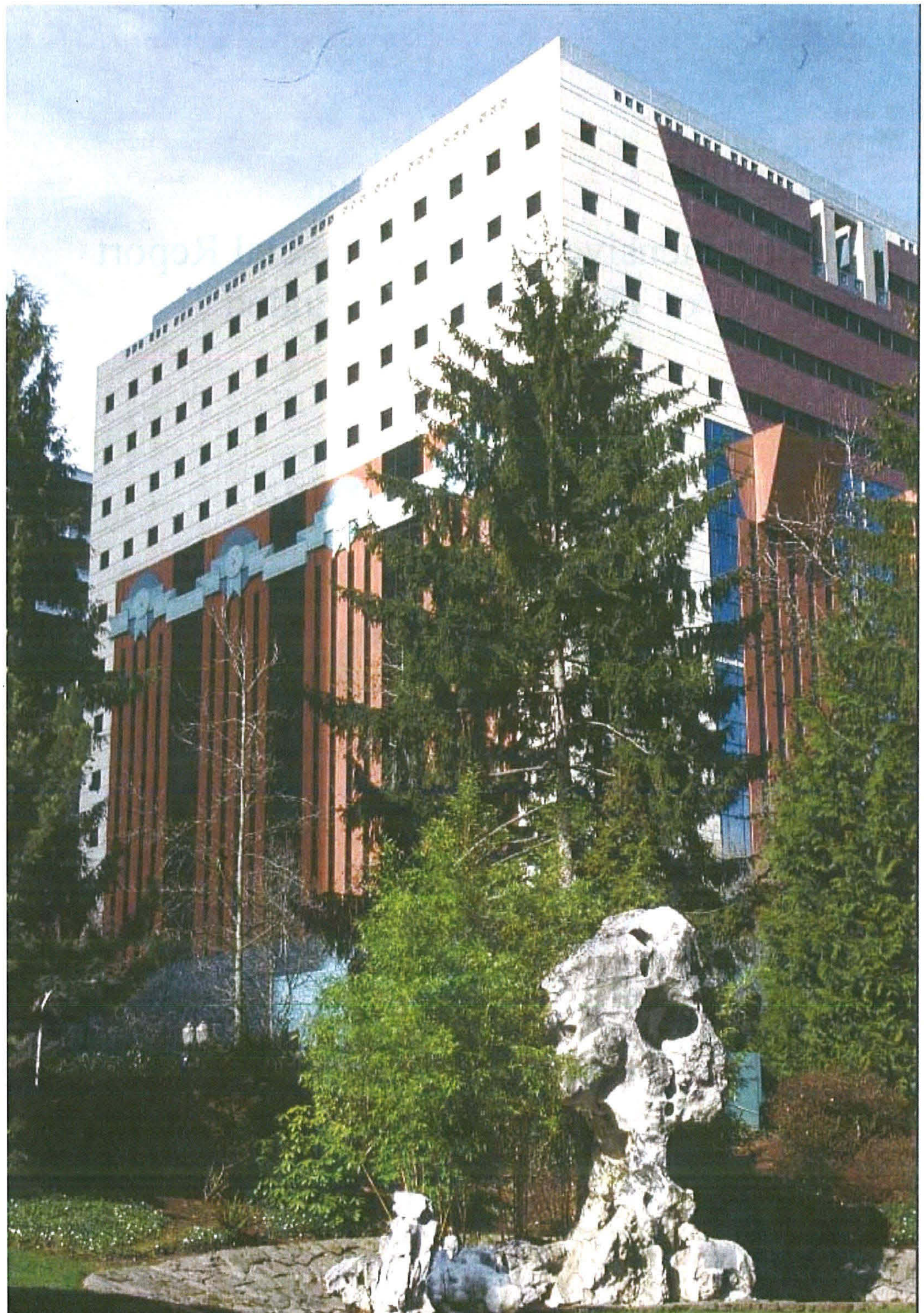
Portland Fall Color
Cover Photographer: Lois Summers

Printing and other Photography Provided by Printing & Distribution, a Division of OMF Business Operations

CITY OF PORTLAND, OREGON

Comprehensive Annual Financial Report
For The Fiscal Year Ended
June 30, 2009

Office of Management and Finance
Ken Rust, Chief Administrative Officer



LAKE TAI ROCK, GIFT FROM SUZHOU, PORTLAND'S CHINESE SISTER CITY
AND PORTLAND BUILDING

City of Portland, Oregon
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2009
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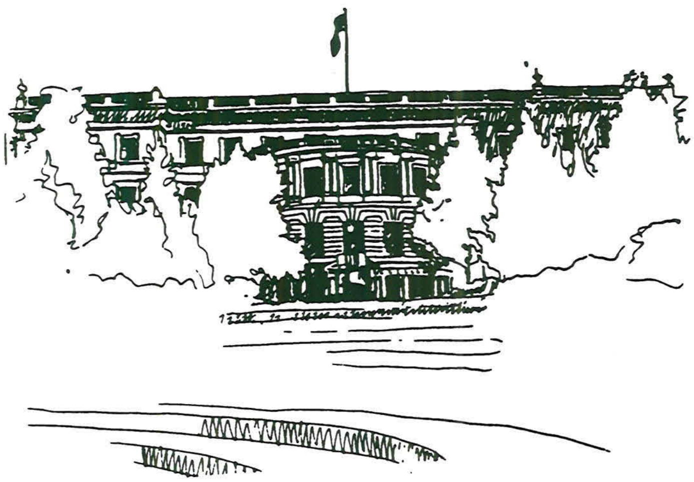
Other Financial Schedules:

STATISTICAL SECTION

Audit Comments and Disclosures Required by State Regulations:

CITY HALL, LIBERTY BELL AND PORTLAND BUILDING.

INTRODUCTORY SECTION



Portland City Hall, 1895

CITY OF PORTLAND
OFFICE OF MANAGEMENT AND FINANCE
Sam Adams, Mayor
Kenneth L. Rust, Chief Administrative Officer

Bureau of Financial Services
Jennifer Sims, Director & CFO
1120 S.W. Fifth Avenue, Rm. 1250
Portland, Oregon 97204-1912
(503) 823-5288
FAX (503) 823-5384
TDD (503) 823-6868

December 29, 2009

Mayor Sam Adams, City Commissioners,
City Auditor, and Citizens of the
City of Portland, Oregon

The Bureau of Financial Services is pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Portland, Oregon (the City) for the fiscal year ended June 30, 2009.

This report is published to provide the City Council, City staff, our citizens, and other readers with detailed information concerning the financial position and activities of the City. City management is responsible for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures.

To the best of our knowledge and belief, the enclosed report is accurate in all material respects and is organized in a manner designed to fairly present the financial position and results of operations of the City as measured by the financial activity of its various funds. The accompanying disclosures are necessary to enable the reader to gain the maximum understanding of the City's financial affairs.

THE REPORT

The CAFR is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, a list of principal officials, organizational charts, and the Government Finance Officers Association of the United States and Canada's (GFOA) Certificate of Achievement for Excellence in Financial Reporting.

The financial section is prepared in accordance with accounting principles generally accepted in the United States of America. This section of the CAFR includes the Management's Discussion and Analysis (MD&A), which can be found immediately following the report of the independent auditor, the basic financial statements and combining and individual fund statements and schedules, as well as the independent auditor's report and required supplementary information.

The MD&A is a narrative introduction, overview, and analysis to accompany the basic financial statements and should be read in conjunction with the transmittal letter. The basic financial statements include the government-wide financial statements that present an overview of the City's entire operations, while the fund level statements present the financial information of each of the City's major funds, as well as nonmajor funds.

Lastly, the statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

CITY PROFILE

The City, with a population in excess of 575,000, comprises an area of approximately 145 square miles in northwestern Oregon. Located astride the Willamette River at its confluence with the Columbia River, the City is the center of commerce, industry, transportation, finance, and services for a metropolitan area of over 2 million people. The City is also the largest city in Oregon, the seat of Multnomah County, and the second largest city in the Pacific Northwest.

Accounting Division
Marty Scott, Controller
1120 SW 5th Ave. Room 1250
Portland, Oregon 97204-1912
(503) 823-4384
FAX (503) 823-6003

The City, incorporated in 1851, is a home rule charter city. The City Charter is the basic law under which the City operates and can be amended only by a vote of the people. In 1913 a modified commission was created, which is rare in cities as large as Portland.

The Charter provides for five non-partisan Council members, called Commissioners, including the Mayor. They are elected at-large to four-year terms. The Mayor and Commissioners act as legislators and administrators, with the Commissioners responsible for enacting City laws, enforcing City laws, and administering bureaus under the respective Commissioner's supervision. The Mayor assigns the bureaus to each Commissioner.

The City Auditor is also elected and required by Charter to be a Certified Public Accountant, Certified Internal Auditor, or Certified Management Accountant. The Auditor is not part of the Council and has no formal voting authority.

The City operates under the provisions of the City Charter and City Code, which are consistent with the Oregon Constitution and State law (the Oregon Revised Statutes). Ordinances are passed by a simple majority vote of three of the five Council members.

The City provides the following services as authorized in its Charter:

- Planning and community development: buildings review, housing services, employment and economic development
- Citizen and community services: neighborhood improvements, housing development, and shelter programs
- Public safety: police, fire, and rescue, emergency communications and emergency management
- Transportation and parking: street maintenance, neighborhood traffic studies, and street improvements
- Support services/legislative/administrative: facilities, financial, fleet, human resources, technology, printing, and risk management
- Parks, recreational and cultural services
- Utilities: water and sewer
- Other operations: refuse disposal and environmental remediation

REPORTING ENTITY

This report includes all funds of the City including those organizations required to be included because the City is financially accountable for them. Under the City Charter, the Fire and Police Disability and Retirement Fund and the Portland Development Commission (PDC) are required to have separate financial audits conducted by external certified public accountants. The various funds of these organizations are also included in this report, and the information presented has been condensed from the separately commissioned audit reports to conform to City reporting formats.

ECONOMIC CONDITIONS AND OUTLOOK

A. Recent economic performance

The Portland metropolitan area's recent expansion came to a halt midway through FY2008-09. Both Oregon and the Portland metro-area followed the national economy into recession and almost immediately started to see double-digit unemployment rates. Oregon's unemployment rate has been as high as 12.7% in recent months, with the local area at 11.7% last March. Oregon's July through September non-farm employment was about 101,400 jobs below one year ago, with 60,700 of those losses occurring in the metro area. Similarly, housing values fell by double digit rates. Recent data shows that the decline in housing prices has stabilized at about 11% to 12% below one year ago as of August.

Local area inflation ticked downward during the first half of calendar 2009. The Portland Salem Consumer Price Index – All Urban Wage Earners (CPI-W) was down 0.7 percent during the first six months of calendar 2009 compared to 2008. Healthcare cost increases continue to expand at rates of about 7-9% per year.

The economic downturn that hit Portland translated into declining General Fund business license revenues which totaled $68.8 million for FY2008-09 versus $76.5 million in the prior year, down 10.1%. Lower interest rates translated into a $2.1 million decline in fund interest income. Transient lodging taxes held up until very near year-end and went into a steep decline during the first quarter of FY2009-10. Overall General Fund discretionary revenue growth worked out to a meager 1.1% for FY2008-09, with virtually all of the revenue growth concentrated in property tax and utility license/franchise revenues.

During FY2008-09, declining revenues caused a $19 million General Fund budget gap. In order to close the gap, the City set aside $9.7 million of carryover funds from FY2007-08, reallocated $3.0 million of contingency funds, recognized $1.9 million of debt service savings, and reduced General Fund expenditures by $4.1 million.

B. Outlook

The economic outlook for the remainder of FY2009-10 as well as at least the first half of FY2010-11 appears to be very challenging. First quarter transient lodging tax revenues appear to be running 15-20% below last year. Business license revenues are currently projected at $56.5 million for FY2009-10 with little uptick in revenues forecast until late FY2010-11 at the earliest.

Against this backdrop, City cut ongoing General Fund spending in FY2009-10 by $8.9 million through a combination of administrative efficiencies and reductions in programs and services. Looking ahead to FY2010-11, the City's December 2009 forecast shows that we are roughly balanced over the five-year financial planning horizon. However, the City is planning for potential cuts given the volatility that still exists in the national economy. Our forecast will also be impacted by the outcome of labor contract negotiations with the City's bargaining units.

C. Long-term financial planning

The City maintains a five-year financial planning horizon and balances requirements to resources over the life of the five-year forecast. The budget distinguishes between ongoing and one-time revenues, and City financial policies discourage the use of one-time revenue to fund ongoing obligations. The City continues to maintain General Fund reserves equal to 10% of General Fund discretionary revenues in order to guard against a significant economic downturn, disaster, or major unanticipated expense. Although the economic triggers have been met that would allow the City to use reserve funds, the City Council has opted to deal with revenue shortfalls through budget reductions and efficiencies.

Several non-General Fund bureaus also face resource challenges related to the funding of major capital projects and infrastructure maintenance. The Bureau of Environmental Services anticipates average annual increases in the typical household's sewer/stormwater bill of 5.8% in each of the next five years to fund the state-mandated combined sewer overflow project and continue to operate and maintain the City's sewer and stormwater infrastructure. The Water Bureau expects higher retail rate increases over the next five years due to escalating construction costs, declining demand, and significant capital costs related to compliance with the Long Term 2 Enhanced Surface Water Treatment Rule. The Department of Transportation continues to face a funding gap and growing maintenance backlog. Finally, the Bureau of Development Services saw a dramatic fall-off in permit applications and fees, resulting in the layoff of more than 150 employees. This situation is likely to be remedied only when the economy, and construction activity, begins growing again.

D. Major initiatives

The City's FY2008-09 budget invested in several initiatives of citywide importance, both new and continuing. The last two projects discussed below are new, and the rest are continuations of initiatives already underway.

- The Portland Plan: The City made progress in FY2007-08 on updates to the City's Comprehensive Plan and the Central City Plan. These plans comprise the Portland Plan, which is to guide planning policies for the next 20-30 years. There was $2.2 million budgeted for this effort in FY2008-09.
- Public Safety Systems Revitalization Project: The City is currently engaged in a multi-year project to replace the 800 MHz radio system, the 9-1-1 computer-aided dispatch system, the Portland Police Data System, and other relatively small public safety technology systems. The FY2008-09 budget included bond proceeds of $7.6 million to complete funding for the purchase and installation of the 9-1-1 dispatch system and police data system, and also set aside $4 million in the General Reserve Fund to help defray future costs of the 800 MHz radio system.

- Combined Sewer Overflow (CSO) Project: The Bureau of Environmental Services continued construction of a large combined sewer and stormwater collection pipe to reduce sewer overflows into the Willamette River. The bureau has completed the west side of the pipe and begun construction on the east side, with project completion scheduled for December, 2011. The FY2008-09 budget included $139.1 million for CSO control projects.
- Emergency Coordination Center: Portland hosted a major disaster training exercise last year under the auspices of the Department of Homeland Security. A principal finding of that exercise was the lack of a central facility to coordinate activities among City bureaus and partner agencies. There was $6 million budgeted in FY2008-09 for development of an Emergency Coordination Center, including $2 million from the Water Bureau and $4 million in General Fund-backed bonds.

OTHER FINANCIAL INFORMATION

A. Financial policies

To help ensure its continued ability to meet immediate and long-term service objectives the City has adopted and adheres to a set of Comprehensive Financial Management Policies. These polices govern the allocation and management of resources including use of one time only funds.

B. Accounting system and budgetary control

The City's accounting system supports an adequate internal control structure. This structure helps to safeguard the City's assets against loss, theft, or misuse. The accounting system provides reliable financial records for preparing financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure provides reasonable, but not absolute, assurance that the City's assets are safeguarded. The concept of reasonable assurance first recognizes that the cost of a control should not exceed the benefits likely to be derived. Secondly, the evaluation of costs and benefits require estimates and judgments by management.

The preparation of the City's budget is governed by Oregon Budget Law, ORS 294.305 to 294.565. The Mayor proposes a budget and the City Council serves as the Budget Committee in approving and adopting the budget. Public notice is given for all Budget Committee meetings. Citizens are involved in the budget process through surveys, forums, public hearings and representation from five community budget advisors who participate in budget deliberations with the Council.

The City Council is required to adopt a budget no later than June 30, the close of the fiscal year. This annual budget serves as the foundation for the City's financial planning and control. The budget is prepared and presented by bureau and fund.

Council has set the level of appropriations under Oregon Budget Law at the organizational unit level, generally by bureau. Additionally transfers between major object categories are allowed with approval of the Commissioner-in-Charge. The Council conducts three major budget monitoring and amendment actions during the fiscal year to address changing financial needs and conditions.

OTHER INFORMATION

A. Independent audit

The City's Charter requires an annual audit of the City's financial records. These records, represented in the CAFR, have been audited by the City's independent Certified Public Accountants, Moss Adams LLP. This audit included the City's Single Audit for FY2008-09 pursuant to OMB Circular A-133. A report on the City's compliance with applicable Federal laws and regulations related to the Single Audit Act, OMB Circular A-133 is issued under separate cover and is available by request from the Office of Management and Finance.

B. Certificate of Achievement

The GFOA has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for it's CAFR for the last twenty-seven consecutive fiscal years.

In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

C. Acknowledgments

We would like to express our sincere gratitude to the City personnel who contributed to this report, especially personnel in the Accounting Division. Appreciation is also extended to the major bureaus, City Council, City Auditor, and the many City managers whose leadership and commitment are vital to the health and vitality of Portland.

Respectfully submitted,

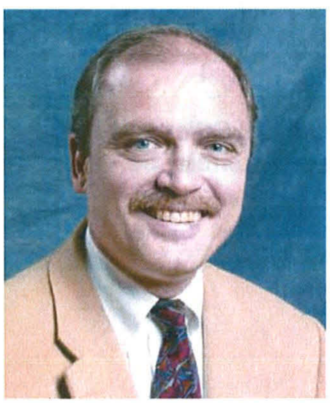
Kenneth L. Rust
Chief Administrative Officer
Office of Management & Finance

Jennifer Sims
Chief Financial Officer
Bureau of Financial Services

ELECTED OFFICIALS OF THE CITY OF PORTLAND

Sam Adams
Mayor

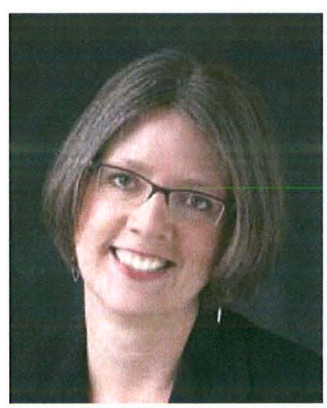
Dan Saltzman
Commissioner of Public Affairs



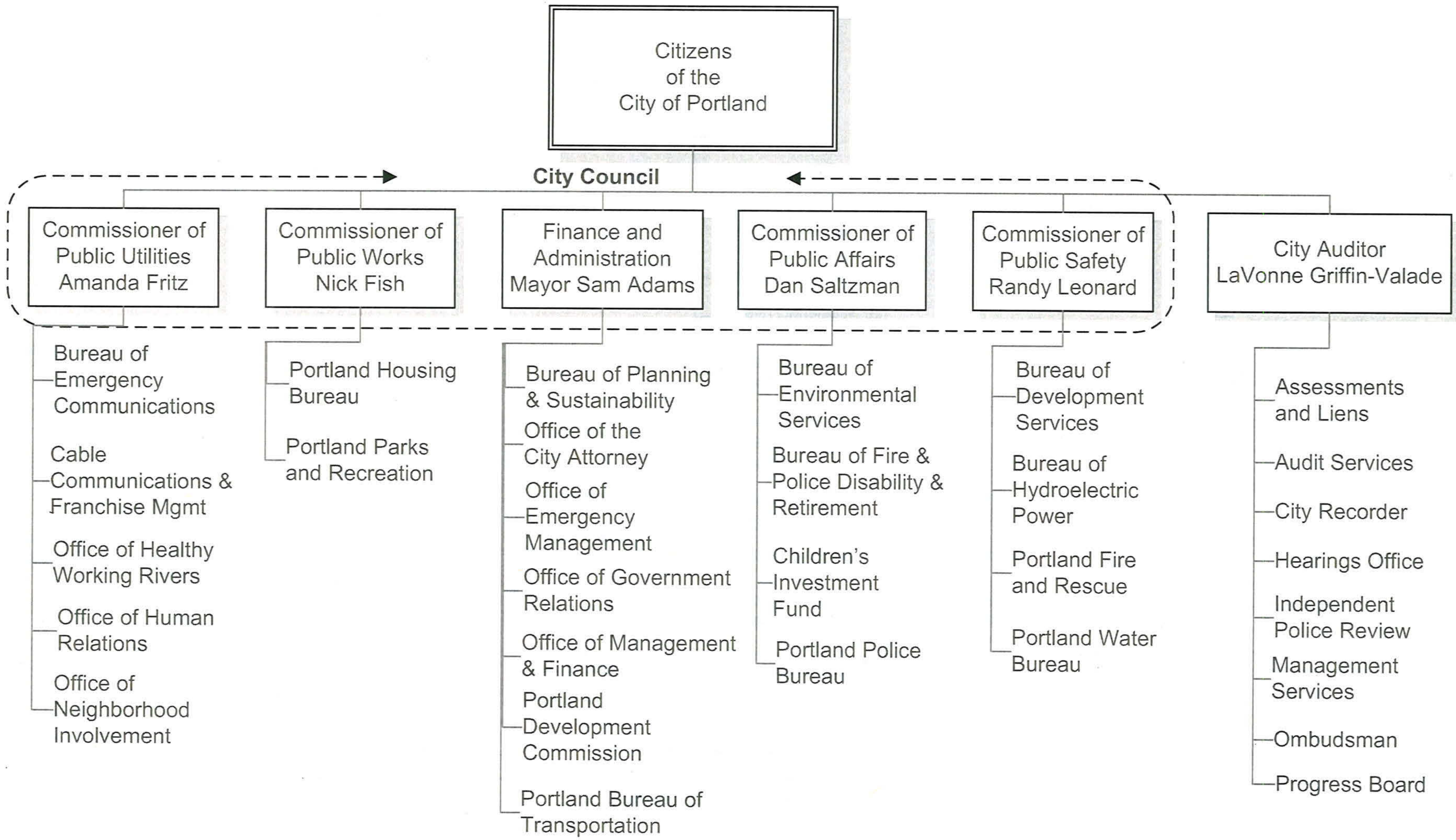
Randy Leonard
Commissioner of Public Safety

Nick Fish
Commissioner of Public Works

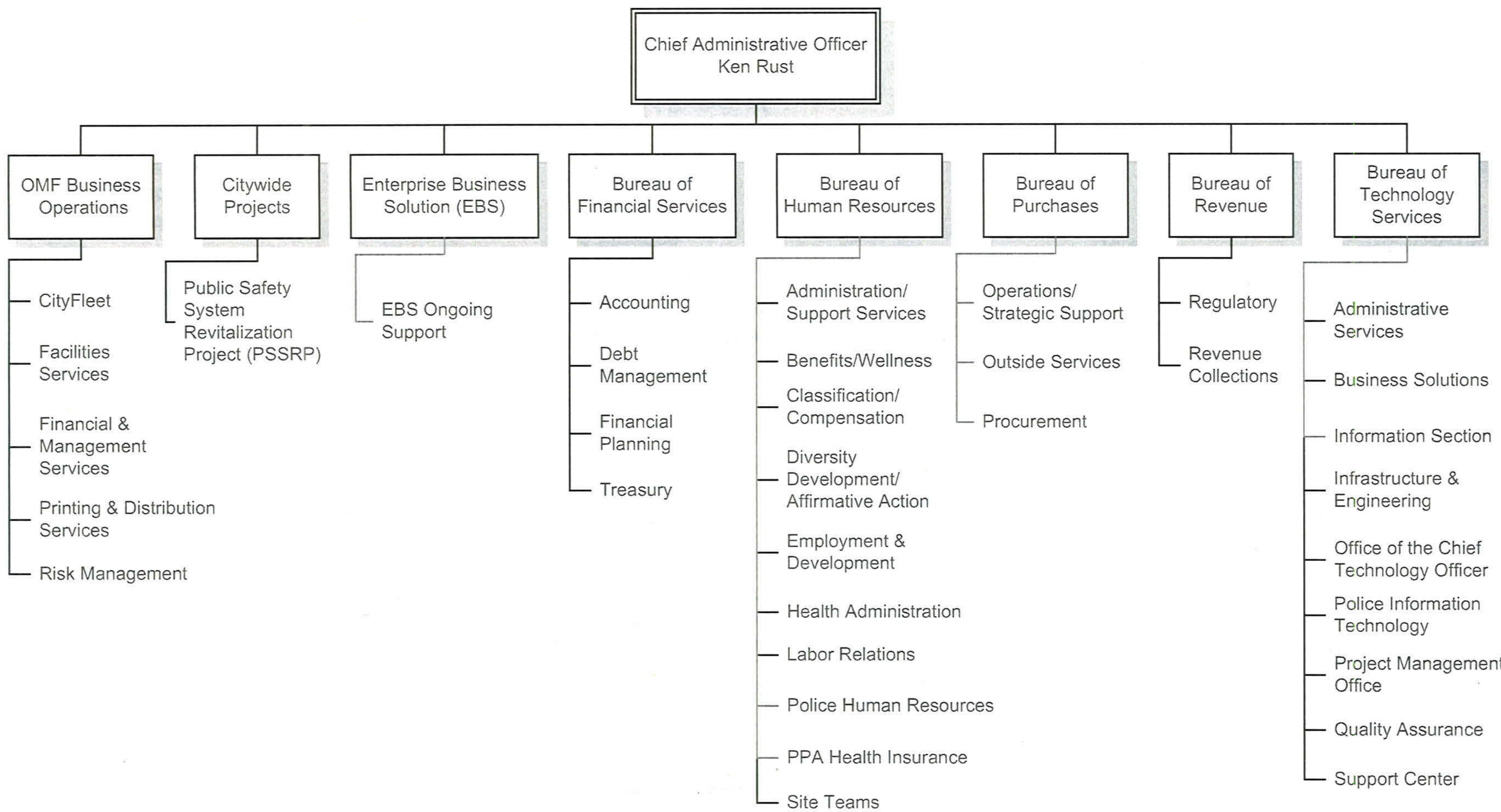
Amanda Fritz
Commissioner of Public Utilities



LaVonne Griffin-Valade
City Auditor


Citizens of the City of Portland
City Council
Commissioner of Public Utilities Amanda Fritz
Bureau of Emergency Communications
Cable Communications & Franchise Mgmt
Office of Healthy Working Rivers
Office of Human Relations
Office of Neighborhood Involvement
Commissioner of Public Works Nick Fish
Portland Housing Bureau
Portland Parks and Recreation
Finance and Administration Mayor Sam Adams
Bureau of Planning & Sustainability
Office of the City Attorney
Office of Emergency Management
Office of Government Relations
Office of Management & Finance
Portland Development Commission
Portland Bureau of Transportation
Commissioner of Public Affairs Dan Saltzman
Bureau of Environmental Services
Bureau of Fire & Police Disability & Retirement
Children's Investment Fund
Portland Police Bureau
Commissioner of Public Safety Randy Leonard
Bureau of Development Services
Bureau of Hydroelectric Power
Portland Fire and Rescue
Portland Water Bureau
City Auditor LaVonne Griffin-Valade
Assessments and Liens
Audit Services
City Recorder
Hearings Office
Independent Police Review
Management Services
Ombudsman
Progress Board

Office of Management & Finance



City of Portland, Oregon
Office of Management and Finance
Bureau of Financial Services
Accounting Division

Controller
Marty Scott

Accounting Manager
Rodney O'Dell (Interim)

Accounting Compliance Manager
Lois Summers

Processing Services Accounting Supervisor
Rodrigo Morales (Interim)

1 Accountant III
Vacant

2 Senior Admin Specialist
Lupe Pena
Jan Clow

2 Accountant I
Rene Sison
Lisa Yuen

2 Accounting Technicians
Paul Hill
Mary Jane Todd

2 Office Support Spec. II
Vivian Andaur
Barbara Wirth

Technical Accounting Accounting Supervisor, Senior
Samina Gillum

1 Systems Accountant
William Wagner

4 Accountant III
DeeDee Baldwin
Bich Tran
Ronald Vaught
Mark Kresge

1 PT Accountant III
Emma Dulay

1 Accountant II
Hanh Nguyen

Customer Relations, Training, and Quality Assurance Accounting Supervisor, Senior
Dan Green

2 Asst. Systems Accountant
Devra Staneart
John Maloney

2 Accountant III
Jeff Hunter
Peter Scherer

3 Accountant II
Darrell Gossett
Klara Fodor
Loan Hoang

1 Accountant I
Salvador Buella

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Portland
Oregon

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

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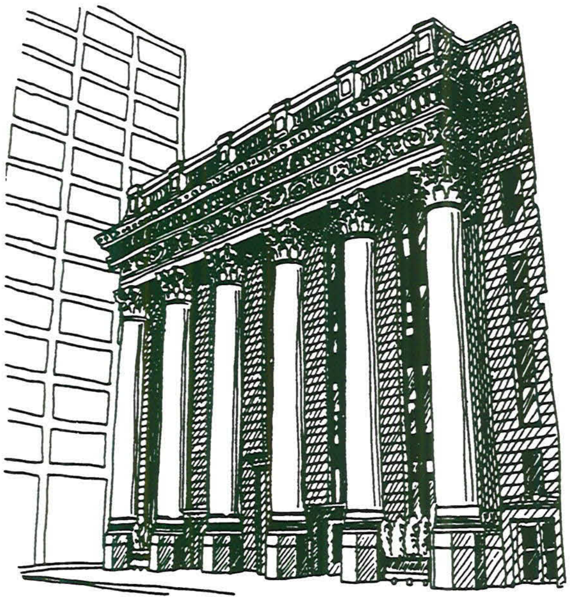
FINANCIAL SECTION



U.S. National Bank, c 1917

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Portland, Oregon
Portland, Oregon

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Portland, Oregon, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Portland's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Portland, Oregon, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2009 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, budgetary comparison schedules, and employee benefit funding progress information on pages 13 through 30, and 109 through 115, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures to the management's discussion and analysis and employee benefit funding progress information on pages 13 through 30 and 115, which consisted principally of inquiries of management regarding the methods of measurement and presentation, of the required supplementary information. However, we did not audit the information and express no opinion on it. The schedules of revenues and expenditures – budget and actual, on pages 109 through 113 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Portland's basic financial statements. The introductory section, combining and individual fund statements and schedules, schedules of revenues and expenditures – budget and actual, other financial schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules, schedules of revenues and expenditures – budget and actual, and other financial schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

As discussed in note IV.B. to the financial statements, the City adopted the recognition and disclosure provisions of Governmental Accounting Standards Board Statement No. 49 – *Accounting and Financial Reporting for Pollution Remediation Obligations*, as of July 1, 2008.

James C. Lanzarotta

For Moss Adams LLP
Eugene, Oregon
December 28, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Portland (the "City"), we offer readers of the City's Comprehensive Annual Financial Report (CAFR), this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found starting on page 1 of this report.

FINANCIAL HIGHLIGHTS

Following are the City's financial highlights for fiscal year ending June 30, 2009:

- The assets of the City exceeded its liabilities at the close of FY2008-09 by $2,445,597,549 *(net assets),* while the *unrestricted net assets* deficit totaled $1,390,061,410 as shown on table 1-C on page 17. This negative balance is caused by governmental activities and is further discussed in the government-wide financial analysis section of this Management's Discussion and Analysis (MD&A) found on page 16.

- The City's total net assets decreased by $156,152,894 from FY2007-08 as shown on table 2-C on page 20. This decrease results primarily from the increase in the pension trust obligation liability of $71,930,237, and impact of depreciation totaling $236,288,867 which was offset by increases in business-type activities.

- The City's governmental funds reported combined ending fund balances of $228,164,547, a decrease of $59,146,167 in comparison to FY2007-08 as shown on page 38. Of the combined ending governmental fund balances, $205,451,526 is available for spending at the City's discretion subject to Council approved policies (*unreserved fund balance).*

- The unreserved fund balance for the General Fund was $133,755,426 or 26.4 percent of total General Fund expenditures.

- The City's total bonded debt increased by $20,931,765 or 1.0 percent over FY2007-08 as shown on page 28. Contributing to this increase were increases of $26,115,000 in urban renewal bonds, $20,806,000 in revenue bonds and $8,555,000 in general obligation bonds. Limited tax revenue bonds decreased by $23,854,985 and limited tax improvement bonds decreased by $5,200,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

A. Government-wide financial statements

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

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

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues *(governmental activities)* from other functions that are intended to recover all or a significant portion of their costs through user fees and charges *(business-type activities)*. The governmental activities include Public Safety, Parks/Recreation/Culture, Community Development, Transportation, Legislative/Administration/Support Services, and Interest on long-term debt. The business-type activities of the City include Environmental Services, Water, Hydroelectric Power, Parking, Golf, Motor Sports, and Spectator Facilities.

The government-wide financial statements include not only the City itself (known as the *primary government),* but also the Portland Development Commission (PDC), a legally separate entity for which the City is financially accountable. Financial information for PDC is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 32-34 of this report.

B. Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

  The City maintains forty-one governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Transportation Operating Fund, both of which are considered to be *major funds.* Data from the other thirty-nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these *nonmajor* governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City's major governmental funds, the General Fund and Transportation Operating Fund, are presented in their respective columns and the remaining funds are combined into a column titled "Other Governmental Funds." For each major fund, a budgetary comparison statement is presented. Information on nonmajor funds can be found in the combining schedules of nonmajor funds and/or the supplemental information-budgetary comparison schedules sections of this report. Completing this document is a series of other financial and statistical schedules as required by statute.

The basic governmental fund financial statements can be found on pages 36-39 of this report.

- **Proprietary funds**. The City maintains eighteen proprietary funds.

  Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Of the eighteen proprietary funds, nine are *enterprise funds.*

  Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its health insurance, facilities, fleet, printing and distribution, general liability and self-insurance, workers' compensation self-insurance, and technology services. These services predominantly benefit governmental rather than business-type functions; therefore they have been included within *governmental activities* in the government-wide financial statements. Of the eighteen proprietary funds, nine are *internal service funds*.

  Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer system operations, both of which are considered to be major funds. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

  The basic proprietary fund financial statements can be found on pages 40-45 of this report.

- **Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

  The basic fiduciary fund financial statements can be found on pages 46-47 of this report.

C. Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 49-108 of this report.

D. Other information.

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligations to the citizenry, as well as its employees. Required supplementary information can be found on pages 109-115 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 117-157 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the City, assets exceed liabilities by $2,445,597,549 at the close of FY2008-09.

A. Analysis of net assets

The largest portion of the City's net assets reflects an investment of $3,656,651,901 or 149.5 percent, in capital assets (i.e. land, buildings, and equipment) less any related outstanding debt used to acquire those assets as shown on table 1-C on page 17. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated to pay for these liabilities.

An additional portion of the City's net assets, $179,007,058 or approximately 7.3 percent, represents resources that are subject to external restrictions on how they may be used. The remaining balance is a *unrestricted net assets* deficit totaling $1,390,061,410.

At the end of FY2008-09, the City is able to report positive balances in two categories of net assets for the government as a whole: (1) *invested in capital assets, net of related debt, and (2) restricted net assets. Unrestricted net assets*, the third category of net assets, had a negative balance due to governmental activities, which is comprised of outstanding debt with no offsetting asset. Business-type activities have a positive balance for all three categories of net assets.

Table 1-A
City of Portland, Oregon
Summary of Net Assets
For Years as Stated

Governmental Activities

	FY 2008-09	FY 2007-08	Change
ASSETS			
Current and other assets	$ 693,502,592	$ 725,590,791	$ (32,088,199)
Capital assets	2,364,736,238	2,417,333,371	(52,597,133)
Total assets	3,058,238,830	3,142,924,162	(84,685,332)
LIABILITIES			
Long-term liabilities outstanding	1,910,583,082	1,899,404,489	11,178,593
Other liabilities	338,242,751	214,484,351	123,758,400
Total liabilities	2,248,825,833	2,113,888,840	134,936,993
NET ASSETS			
Invested in capital assets, net of related debt	2,200,647,133	2,253,119,111	(52,471,978)
Restricted	159,973,612	177,255,997	(17,282,385)
Unrestricted	(1,551,207,748)	(1,401,339,786)	(149,867,962)
Total net assets	$ 809,412,997	$ 1,029,035,322	$ (219,622,325)

Table 1-B
City of Portland, Oregon
Summary of Net Assets
For Years as Stated

Business-type Activities

	FY 2008-09	FY 2007-08	Change
ASSETS			
Current and other assets	$ 384,250,650	$ 515,406,889	$ (131,156,239)
Capital assets	3,188,025,654	2,990,116,008	197,909,646
Total assets	3,572,276,304	3,505,522,897	66,753,407
LIABILITIES			
Long-term liabilities outstanding	1,800,062,359	1,804,466,526	(4,404,167)
Other liabilities	136,029,393	128,341,250	7,688,143
Total liabilities	1,936,091,752	1,932,807,776	3,283,976
NET ASSETS			
Invested in capital assets, net of related debt	1,456,004,768	1,456,877,706	(872,938)
Restricted	19,033,446	18,819,068	214,378
Unrestricted	161,146,338	97,018,347	64,127,991
Total net assets	$ 1,636,184,552	$ 1,572,715,121	$ 63,469,431

Table 1-C
City of Portland, Oregon
Summary of Net Assets
For Years as Stated

Total Net Assets

	FY 2008-09	FY 2007-08	Change
ASSETS			
Current and other assets	$ 1,077,753,242	$ 1,240,997,680	$ (163,244,438)
Capital assets	5,552,761,892	5,407,449,379	145,312,513
Total assets	6,630,515,134	6,648,447,059	(17,931,925)
LIABILITIES			
Long-term liabilities outstanding	3,710,645,441	3,703,871,015	6,774,426
Other liabilities	474,272,144	342,825,601	131,446,543
Total liabilities	4,184,917,585	4,046,696,616	138,220,969
NET ASSETS			
Invested in capital assets, net of related debt:	3,656,651,901	3,709,996,817	(53,344,916)
Restricted	179,007,058	196,075,065	(17,068,007)
Unrestricted	(1,390,061,410)	(1,304,321,439)	(85,739,971)
Total net assets	$ 2,445,597,549	$ 2,601,750,443	$ (156,152,894)

B. Analysis of changes in net assets

As noted above, the City's overall net assets decreased by $156,152,894 during FY2008-09. This decrease is explained in the governmental and business-type activities discussion beginning on page 21.

Table 2-A
City of Portland, Oregon
Summary of Changes in Net Assets
For Years as Stated

Governmental Activities

	FY 2008-09	FY 2007-08	Change
Revenues			
Program revenues:			
Charges for services	$ 399,857,886	$ 361,346,929	$ 38,510,957
Operating grants and contributions	30,899,130	95,594,872	(64,695,742)
Capital grants and contributions	61,307,882	24,337,254	36,970,628
General revenues:			
Property taxes	388,147,722	384,423,685	3,724,037
Lodging taxes	23,571,670	19,647,497	3,924,173
Investment earnings	18,518,024	25,699,774	(7,181,750)
Total revenues	922,302,314	911,050,011	11,252,303
Expenses			
Public safety	452,587,026	398,379,565	54,207,461
Parks, recreation and culture	79,614,221	72,274,388	7,339,833
Community development	131,625,434	130,997,139	628,295
Transportation and metered parking	250,748,147	241,780,135	8,968,012
Legislative/Admin/Support services	180,764,479	174,636,727	6,127,752
Interest on long-term debt	50,010,337	52,748,138	(2,737,801)
Total expenses	1,145,349,644	1,070,816,092	74,533,552
Revenues over (under) expenses	(223,047,330)	(159,766,081)	(63,281,249)
Transfers	3,425,005	2,821,245	603,760
Change in net assets	(219,622,325)	(156,944,836)	(62,677,489)
Net assets -- beginning	1,029,035,322	1,185,980,158	(112,987,067)
Net assets -- ending	$ 809,412,997	$ 1,029,035,322	$ (156,944,836)

Table 2-B
City of Portland, Oregon
Summary of Changes in Net Assets
For Years as Stated

Business-type Activities

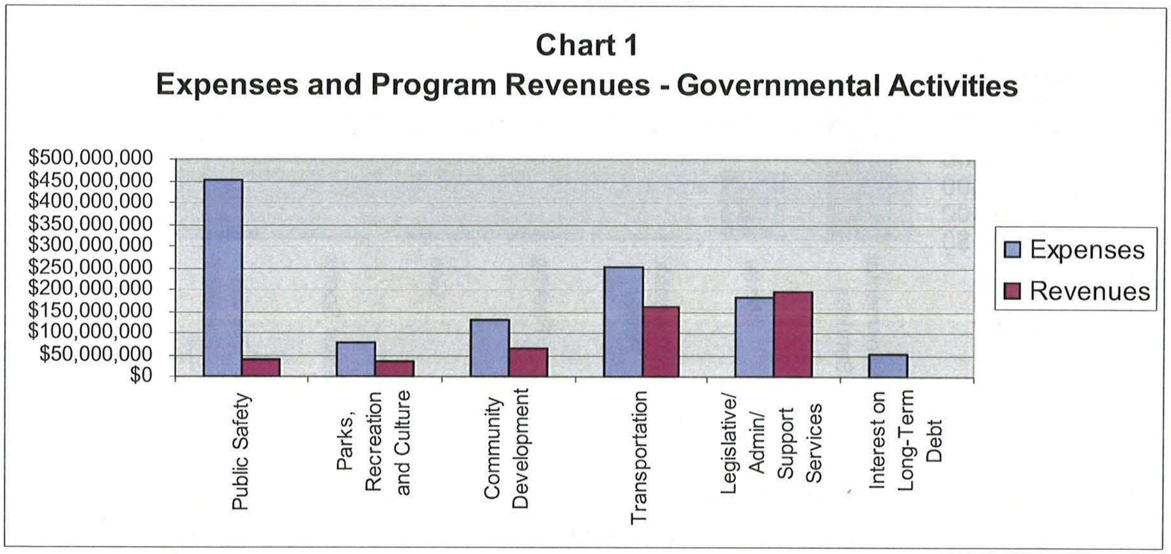
	FY 2008-09	FY 2007-08	Change
Revenues			
Program revenues:			
Charges for services	$ 372,248,127	$ 357,503,834	$ 14,744,293
Operating grants and contributions	-	801,397	(801,397)
Capital grants and contributions	1,998,768	12,385,699	(10,386,931)
General revenues:			
Investment earnings	12,328,970	14,400,395	(2,071,425)
Total revenues	386,575,865	385,091,325	1,484,540
Expenses			
Environmental services	189,638,280	185,767,974	3,870,306
Water	98,707,471	94,367,153	4,340,318
Hydroelectric power	2,458,249	2,343,333	114,916
Parking facilities	9,764,605	7,923,477	1,841,128
Golf	8,603,692	7,358,537	1,245,155
Motor sports	1,811,021	1,941,127	(130,106)
Spectator facilities	8,698,111	8,004,713	693,398
Total expenses	319,681,429	307,706,314	11,975,115
Revenues over (under) expenses	66,894,436	77,385,011	(10,490,575)
Transfers	(3,425,005)	(2,821,245)	(603,760)
Change in net assets	63,469,431	74,563,766	(11,094,335)
Net assets -- beginning	1,572,715,121	1,498,151,355	74,563,766
Net assets -- ending	$ 1,636,184,552	$ 1,572,715,121	$ 63,469,431

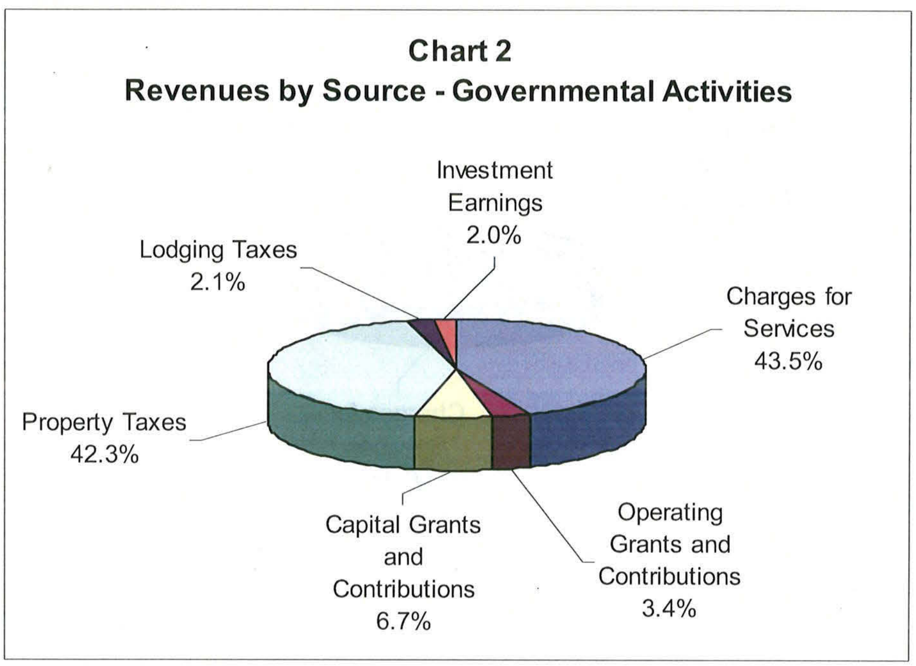
Table 2-C
City of Portland, Oregon
Summary of Changes in Net Assets
For Years as Stated

	Total Net Assets		
	FY 2008-09	**FY 2007-08**	**Change**
Revenues			
Program revenues:			
Charges for services	$ 772,106,013	$ 718,850,763	$ 53,255,250
Operating grants and contributions	30,899,130	96,396,269	(65,497,139)
Capital grants and contributions	63,306,650	36,722,953	26,583,697
General revenues:			
Property taxes	388,147,722	384,423,685	3,724,037
Lodging taxes	23,571,670	19,647,497	3,924,173
Investment earnings	30,846,994	40,100,169	(9,253,175)
Total revenues	1,308,878,179	1,296,141,336	12,736,843
Expenses			
Public safety	452,587,026	398,379,565	54,207,461
Parks, recreation and culture	79,614,221	72,274,388	7,339,833
Community development	131,625,434	130,997,139	628,295
Transportation and metered parking	250,748,147	241,780,135	8,968,012
Legislative/Admin/Support services	180,764,479	174,636,727	6,127,752
Interest on long-term debt	50,010,337	52,748,138	(2,737,801)
Environmental services	189,638,280	185,767,974	3,870,306
Water	98,707,471	94,367,153	4,340,318
Hydroelectric power	2,458,249	2,343,333	114,916
Parking facilities	9,764,605	7,923,477	1,841,128
Golf	8,603,692	7,358,537	1,245,155
Motor sports	1,811,021	1,941,127	(130,106)
Spectator facilities	8,698,111	8,004,713	693,398
Total expenses	1,465,031,073	1,378,522,406	86,508,667
Revenues over (under) expenses	(156,152,894)	(82,381,070)	(73,771,824)
Transfers	-	-	-
Change in net assets	(156,152,894)	(82,381,070)	(73,771,824)
Net assets -- beginning	2,601,750,443	2,684,131,513	(82,381,070)
Net assets -- ending	$ 2,445,597,549	$ 2,601,750,443	$ (156,152,894)

Governmental activities. Governmental activities reduced the City's net assets by $219,622,325. The key factors giving rise to this decrease were the increase in the pension trust obligation liability of $71,930,237, and depreciation expense which totaled $179,308,956 but is not funded as incurred by the City. Transportation system infrastructure and equipment accounted for $143,972,409 of the governmental depreciation expense.

The following charts provide a visual representation of the expenses and revenues for governmental activities for FY2008-09. Chart 1 shows program revenues generated by each program activity while chart 2 shows all governmental revenues. For the most part, increases in expenses closely paralleled inflation and growth in demand for services.





Business-type activities. Business-type activities increased the City's net assets by $63,469,431. Sewer operations contributed $56,206,257 of the increase which was primarily due to charges for service which exceeded costs of operations.

The following graphs provide a visual representation of the expenses and revenues for business-type activities for the current fiscal year.

Chart 3
Expenses and Program Revenues - Business-type Activities

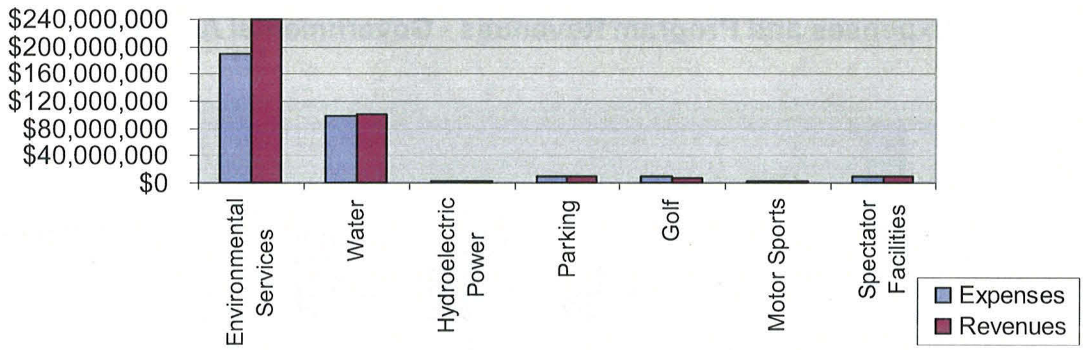
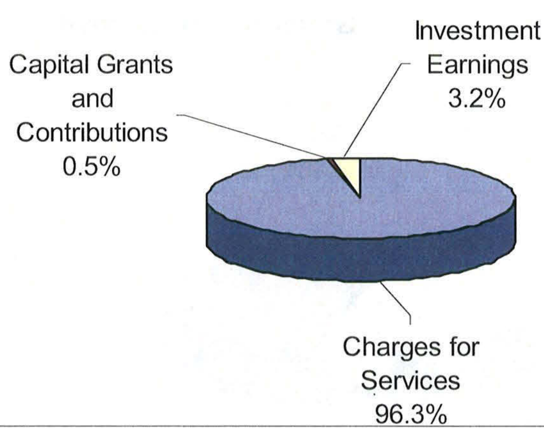


Chart 4
Revenues by Source - Business-type Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

A. Governmental funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $228,164,547, a decrease of $59,146,167 as shown on page 38. Of the combined ending fund balances, $203,224,487 or 89 percent constitutes *unreserved fund balance,* which is available for spending at the government's discretion, subject to Council-approved policies, in the appropriate fund type as shown on page 36. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, *total fund balance* was $133,755,426, all of which is unreserved as shown on page 36. As a measure of the General Fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Fund balance represents 26.4 percent of total General Fund expenditures.

The fund balance of the City's General Fund increased by $2,815,635 during FY2008-09. A key factor in the increase from current year activity was decreased expenditures by the Police Bureau during FY2008-09 related to a bureau reorganization which reduced bureau staff.

The Transportation Operating Fund had a total fund balance of $12,823,325, all of which was unreserved as shown on page 36. Fund balance represents 10.3 percent of total Transportation Operating Fund expenditures.

The fund balance of the Transportation Operating Fund decreased by $10,512,093 during FY2008-09. Key factors in this decrease were a reduction in the City's allocation of state gas taxes and reduced availability of funding for capital projects.

See pages 117-136 for greater detail on Combining Statements for governmental funds.

B. Proprietary funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail as shown on pages 138-157..

Unrestricted net assets of the Sewage Disposal Fund and the Water Fund at the end of the fiscal year amounted to $83,433,729 and $48,454,769, respectively. The total growth in net assets for the Sewage Disposal Fund and the Water Fund was $56,206,257 and $6,330,877, respectively.

The unrestricted net assets for other enterprise funds totaled $24,719,025, while the change in net assets for other enterprise funds equaled $544,225. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budgeted expenditures and the final amended budget totaled approximately $19,613,229 and can be briefly summarized as follows:

- $956,741 increase in personal services. This budgetary increase resulted primarily from the City's Budget Monitoring Process (BMP) and included $1.8 million for the Fire Bureau for cost of living increases, $1.2 million for the Police Bureau for cost of living and health care increases. These increases were offset by decreases of $2.3 million in Parks and $1.3 million for Housing and Community Development that resulted from a change in the way the City accounts for interagency charges.

- $21,499,745 decrease in materials and services. This budgetary decrease was the result of $14.5 million for the Office of Management and Finance, primarily due to the reduction of the interagency between Technology Services and Purchasing and the transfer of the EBS ongoing support budget from General Fund to the new EBS Fund. In addition there were decreases of $6.8 million in Special Appropriations due to transfers to bureaus to cover cost of living adjustments and $6.3 million for the Bureau of Emergency Communication for transfers of grants to the new Grants Fund. These decreases were offset by increases of $3 million for Bureau of Housing and Community Development for encumbrance and program carryover from FY2007-08 and $2.7 million for the Police Bureau encumbrance carryover from FY2007-08 and an increase funded by TriMet to expand the Transit Police force.

- $3,441,321 decrease in capital outlay. This budgetary decrease resulted primarily from the City's BMP and included delays in the Public Safety Systems Revitalization Project and the One-Stop Domestic Violence project.

- $4,371,096 increase in general operating contingencies. This budgetary increase resulted primarily from the transfer of excess fund balance from FY2007-08 which was subsequently carried over as a reserve for FY2009-10.

Actual revenues were $1,695,864 above the final amended budget, primarily due to increased property taxes resulting from increases in housing assessed values. Actual expenditures were $52,731,397 less than the final amended budget, primarily due to underexpenditures in personal services of $3.8 million, materials and supplies of $24.1 million, capital outlay of $3.2 million and general operating contingencies of $21.6 million. These under-expenditures were primarily due to:

- $3.8 million in underexpenditures in personal services was spread across multiple bureaus.

- $24.1 million in underexpenditures in materials and services, $6.9 million from the Office of Management and Finance due to projects carried forward to FY2009-10, $3.3 million from the Bureau of Housing and Community Development due to carry over of several significant contracts into FY2009-10 for rental housing, $4.8 million in special appropriations due to lower than expected cost of living and merit increases.

- $3.2 million in underexpenditures in capital outlay due to Fire Bureau budgeted vehicles budgeted in FY2008-09 but not purchased.

- $21.6 million underexpended in the operating contingencies primarily due to revenue shortfalls of $12.8 million and carry forward of reserves to FY2009-10 of $7.6 million.

Local budget law (ORS 294.100 and 294.435(4)) requires local governments to stay within the appropriations set for the fiscal year. During FY2008-09, General Fund expenditures exceeded budgetary estimates and revenues by $6,091,045, which required the City to draw upon existing fund balance. Major factors attributing to this unfavorable net change are as follows:

- Total revenues of $431,321,435 were $1.7 million over budgeted revenues, primarily due to lodging tax revenues which came in over budget $3,563,941.

- Total expenditures of $406,704,506 were $52.7 million below budget as discussed above.

- Other financing uses of $30,701,298 were $2.6 million above budget due to fund transfers from the General Fund to anticipated bond sales which did not take place due to the tight financial market.

CAPITAL ASSETS AND DEBT ADMINISTRATION

A. Capital assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2009 amounts to $ 5,552,761,892 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, water rights, buildings, improvements to land, equipment, software, infrastructure, and capitalized leases. The total increase in the City's investment in capital assets for the current fiscal year was $145,240,204 or 2.7 percent (a 2.2 percent decrease for governmental activities and a 6.6 percent increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Governmental capital assets decreased by $52,597,133 or 2.2 percent. Key factors in this change were a decrease in infrastructure of $61,163,494 or 3.3 percent, a decrease in buildings of $16,691,203 or 8.2 percent and a decrease in improvements to land of $10,010,337 or 14.5 percent. These decreases were partially offset by an increase in software of $35,887,386. The decrease in infrastructure was primarily due to Transportation depreciation in excess of new construction. The decrease in buildings and improvements to land was primarily due to adjustments resulting from a re-evaluation of the related assets and their remaining useful lives. The increase in software was due to the implementation of a new integrated financial and human capital management system for the City.

- Business-type capital assets increased $197,837,337 or 6.6 percent. Key factors in this change were increases in construction in progress of $187,463,431 or 46.4 percent and in infrastructure of $15,179,659 or 1 percent. Sewer projects accounted for most of the increase in construction in progress and infrastructure primarily due to the Combined Sewer Overflow project with new water main and service installations and ground water improvements by the Water Bureau also contributing to the increase.

The following table provides comparative information on the City's capital assets for FY2008-09 and FY2007-08:

Table 3
City of Portland, Oregon
Capital Assets, Net of Depreciation
For Years as Stated

Governmental Activities

Asset Category	FY 2008-09	FY 2007-08	Change
Land	$ 121,776,358	$ 116,346,299	$ 5,430,059
Construction in progress	99,151,516	100,955,518	(1,804,002)
Buildings	187,510,326	204,201,528	(16,691,202)
Improvements to land	58,831,423	68,841,760	(10,010,337)
Equipment	67,972,269	72,217,805	(4,245,536)
Software	35,887,386	-	35,887,386
Infrastructure	1,793,606,960	1,854,770,461	(61,163,501)
Total	$ 2,364,736,238	$ 2,417,333,371	$ (52,597,133)

Business-type Activities

Asset Category	FY 2008-09	FY 2007-08	Change
Land	$ 81,155,777	$ 78,290,319	$ 2,865,458
Construction in progress	591,317,243	403,853,811	187,463,432
Water rights	72,306	72,306	-
Buildings	113,095,341	118,671,235	(5,575,894)
Improvements to land	20,293,352	21,219,145	(925,793)
Equipment	32,300,334	33,399,307	(1,098,973)
Infrastructure	2,349,720,754	2,334,541,096	15,179,658
Capital leases	70,547	141,095	(70,548)
Total	$ 3,188,025,654	$ 2,990,188,314	$ 197,837,340

Total Net Capital Assets

Asset Category	FY 2008-09	FY 2007-08	Change
Land	$ 202,932,135	$ 194,636,618	$ 8,295,517
Construction in progress	690,468,759	504,809,329	185,659,430
Water rights	72,306	72,306	-
Buildings	300,605,667	322,872,763	(22,267,096)
Improvements to land	79,124,775	90,060,905	(10,936,130)
Equipment	100,272,603	105,617,112	(5,344,509)
Software	35,887,386	-	35,887,386
Infrastructure	4,143,327,714	4,189,311,557	(45,983,843)
Capital leases	70,547	141,095	(70,548)
Total	$ 5,552,761,892	$ 5,407,521,685	$ 145,240,207

Additional information on the City's capital assets can be found in note III.E on pages 68-70 of this report. See additional capital lease details in note III.G on page 73.

B. Debt administration

As of June 30, 2009, the City had total bonded debt outstanding of $2,730,951,086. Unamortized premiums and discounts for governmental activities net to $10,117,000, while premiums, discounts and deferred loss on refunding for business-type activities net to $64,242,224. Of the total bonded debt outstanding, $69,955,000 is general obligation debt, which is backed by the full faith and credit and unlimited taxing power of the City, a increase of $8,555,000 from FY2007-08. This increase was primarily due to new bond issues of $15,360,000 that were partially offset by scheduled principal payments. Proceeds from new bonds issued during FY2008-09 were used to fund capital improvements to fire, rescue and emergency facilities. A significant portion of the general obligation debt for business-type activities is funded by water revenues; the balance is funded by property taxes.

The City has $562,952,862 of limited tax revenue bonds outstanding, a decrease of $23,854,985 from FY2007-08. These bonds are secured by the full faith and credit of the City and have been issued for a variety of purposes ranging from funding pension liabilities to funding renovations to City Hall and the expansion of the Oregon Convention Center. This reduction was primarily due to scheduled principal payments of $23,334,985 and refunding of outstanding bonds of $21,970,000 which was offset by new bonds issues of $21,450,000. Proceeds from new bonds issued during FY2008-09 were used to fund the Central City Street Car. While these bonds are secured by the full faith and credit of the City, a significant portion of these bonds will be repaid from specific revenue sources.

An additional $334,445,000 of the City's outstanding debt consists of urban renewal bonds that are repaid from tax increment revenues generated from the City's various urban renewal areas. This increase of $26,115,000 was due to new bond issues of $66,600,000 that were partially offset by scheduled principal payments of $17,160,000 and a refunding of outstanding bonds of $23,325,000. Proceeds from new bonds issued during FY2008-09 were used to fund capital improvements in the South Park Blocks and to refund existing urban renewal bonds with new bonds at lower rates.

The City had $44,260,000 of outstanding limited tax improvement bonds as of June 30, 2009, a decrease of $5,200,000 from FY2007-08. This decrease was primarily due to scheduled principal payments of $2,195,000 and a refunding of outstanding bonds of $3,005,000.

The remainder of the City's debt is revenue bonds, totaling approximately $1,644,979,000, an increase of $20,806,000 over FY2007-08. This increase was primarily due to new bond issues of $79,680,000 that were partially offset by scheduled principal payments of $58,874,000. Proceeds from new bonds issued during FY2008-09 were used to fund the cost of capital improvements for the City's water system. Revenue bonds are secured solely by specified revenue sources such as water, sewer, parking, golf and gas tax revenues.

The following table provides comparative information on the City's outstanding debt, not including unamortized premium and discounts on bonds:

Table 4
City of Portland, Oregon
Outstanding Bonded Debt
For Years as Stated

	FY 2008-09	FY 2007-08	Change
Governmental Activities			
General Obligation Bonds	$ 66,820,000	$ 56,770,000	$ 10,050,000
Limited Tax Improvement Bonds	44,260,000	49,460,000	(5,200,000)
Urban Renewal Bonds	334,445,000	308,330,000	26,115,000
Limited Tax Revenue Bonds	422,137,316	439,919,759	(17,782,443)
Revenue Bonds	4,865,000	5,415,000	(550,000)
Unamortized premiums & discounts	10,117,000	10,110,051	6,949
Total	882,644,316	870,004,810	12,639,506
Business-type Activities			
General Obligation Bonds	3,135,000	4,630,000	(1,495,000)
Limited Tax Revenue Bonds	140,815,546	146,888,088	(6,072,542)
Revenue Bonds	1,640,114,000	1,618,758,000	21,356,000
Unamortized premiums & discounts	64,242,224	69,738,415	(5,496,191)
Total	1,848,306,770	1,840,014,503	8,292,267
Total Outstanding Debt			
General Obligation Bonds	69,955,000	61,400,000	8,555,000
Limited Tax Improvement Bonds	44,260,000	49,460,000	(5,200,000)
Urban Renewal Bonds	334,445,000	308,330,000	26,115,000
Limited Tax Revenue Bonds	562,952,862	586,807,847	(23,854,985)
Revenue Bonds	1,644,979,000	1,624,173,000	20,806,000
Unamortized premiums & discounts	74,359,224	79,848,466	(5,489,242)
Total	$ 2,730,951,086	$ 2,710,019,313	$ 20,931,773

The City's total debt increased by $26,421,015 or 1 percent during the FY2008-09. Debt for governmental activities increased by $12,639,506, while debt for business-type activities increased by $8,292,259. As detailed above, the primary reason for the increase in debt relating to governmental activities was the issuance of new urban renewal bonds while the primary reason for the increase in debt relating to business-type activities was the issuance of new revenue bonds.

Other factors impacting the City's debt management program are as follows:

- **Debt limitation.** Oregon Revised Statutes provides a limit on non-self-supporting general obligation debt of 3 percent of the real market value of all taxable property within the City's boundaries. Based on the City's FY2008-09 real market value, this debt limitation is $2,710,753,327. The amount of outstanding City debt subject to this limitation is $66,820,000.

- **Debt ratings**. The City's unlimited tax general obligation debt is rated "Aaa" by Moody's Investors Service. This rating was confirmed in June, 2009. The various underlying credit ratings of City debt are listed below and are from Moody's Investors Service unless indicated otherwise. The City's First and Second Lien Sewer Revenue Bonds were upgraded from AA- to AA by Standard and Poor's ("S&P") in December, 2008. All other ratings remain unchanged in FY2008-09.

Credit	Rating
Unlimited Tax G.O. Bonds	Aaa
First Lien Water Revenue Bonds	Aa1
Second Lien Water Revenue Bonds	Aa2
Limited Tax Revenue Bonds	Aa1
Arena Limited Tax Revenue Bonds	Aa1
Limited Tax Improvement Bonds	Aa1
Limited Tax Pension Obligation Revenue Bonds	Aa1
Limited Tax Housing Revenue Bonds	Aa1
Gas Tax Revenue Bonds	Aa3
First Lien Sewer Revenue Bonds	Aa3 / AA (S&P)
Second Lien Sewer Revenue Bonds	A1 / AA (S&P)
Parking Revenue Bonds	A1
Airport Way Urban Renewal Bonds	Aa3
Convention Center Urban Renewal Bonds	Aa3
Downtown Waterfront Urban Renewal Bonds	Aa3
South Park Blocks Urban Renewal Bonds	Aa3
River District Urban Renewal Bonds	A3
Interstate Corridor Urban Renewal Bonds	A3
Hydroelectric Revenue Bonds (PGE)	Baa1 / BBB+ (S&P)

Debt ratios. The City's debt ratios, as of June 30, 2009, are shown below:

	Amount	Per Capita	Percent of Real Market Valuation	Percent of Assessed Valuation
Population July 1, 2008	575,930	--	--	
2008-09 Real Market Value	$90,358,444,241	$156,891	--	
2008-09 Assessed Value (1)	$46,334,487,048	$80,452	51.28%	
Gross Bonded Debt (2)	$870,657,955	$1,512	0.96%	1.88%
Net Direct Debt (3)	$66,820,000	$116	0.07%	0.14%
Net Overlapping Debt	$376,148,901	$653	0.42%	0.81%
Net Direct and Overlapping Debt	$442,968,901	$769	0.49%	0.96%

(1) Includes urban renewal excess values.

(2) Includes City's outstanding general obligation bonds, limited tax revenue bonds, limited tax improvement bonds, and general fund backed lines of credit and state loans.

(3) Includes all general obligation bonds paid from a separate, unlimited ad valorem tax.

Additional information on the City's long-term debt can be found in note III.H on pages 74-88 of this report.

REQUESTS FOR INFORMATION

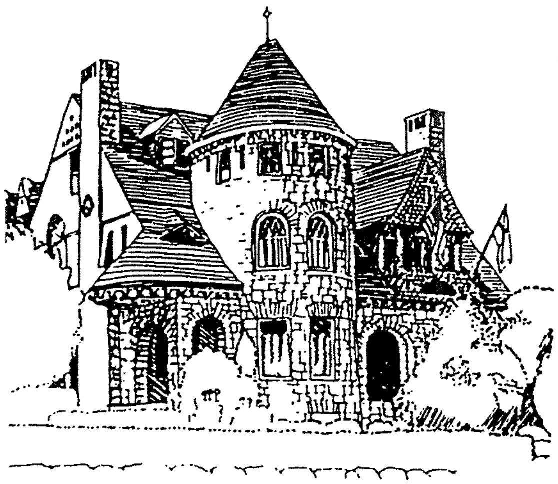
This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Portland's Accounting Division, Bureau of Financial Services, 1120 SW Fifth Avenue, Suite 1250, Portland, Oregon 97204.

Basic Financial Statements

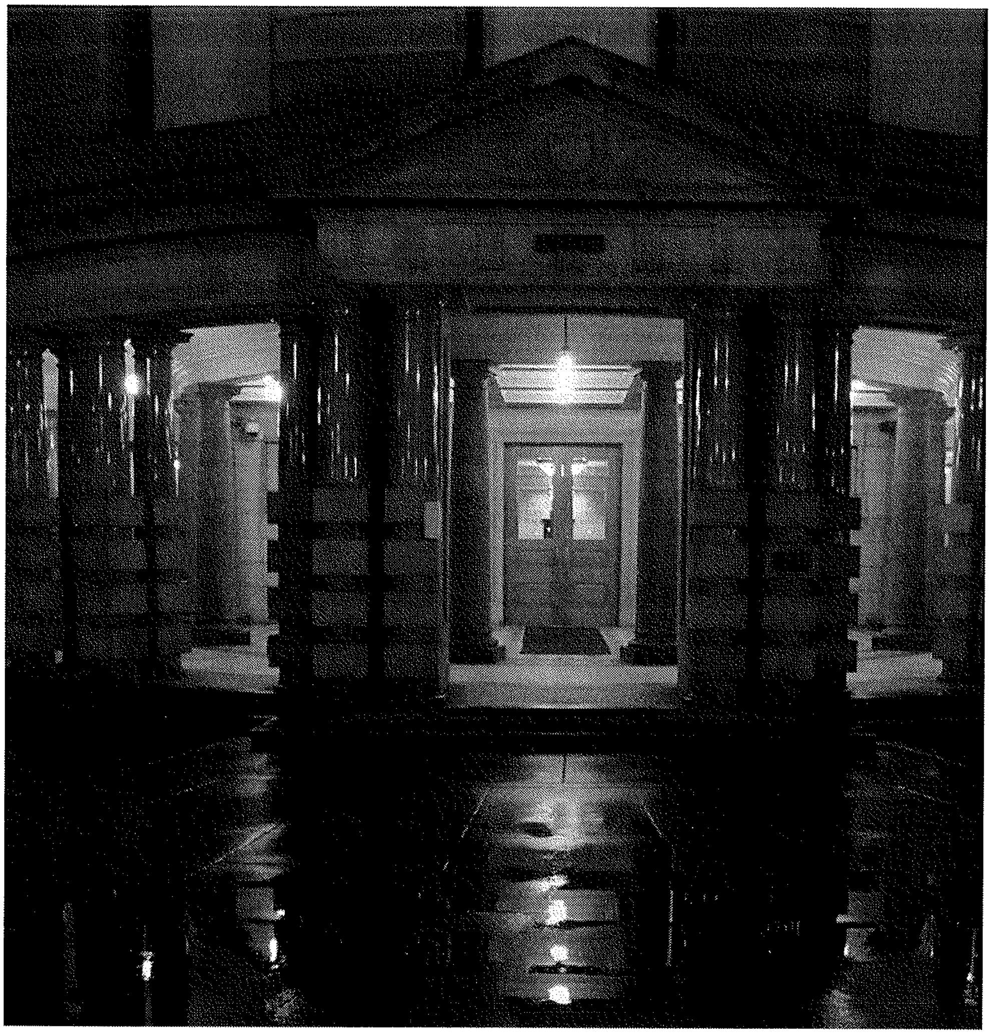
E.K. Haseltine Residence, 1880

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements



K.A.J. Mackenzie Residence, 1892



CITY HALL REFLECTION

City of Portland, Oregon
Statement of Net Assets
June 30, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Portland Development Commission
ASSETS				
Current assets (unrestricted):				
Cash and investments	$ 281,467,932	$ 149,742,727	$ 431,210,659	$ 112,045,245
Receivables:				
Taxes	18,519,259	-	18,519,259	-
Accounts, net	37,526,670	50,148,842	87,675,512	729,945
Assessments	8,358,742	5,047,312	13,406,054	-
Loans, net	-	-	-	5,306,219
Advances	1,926,878	70,000	1,996,878	-
Accrued interest	2,815,112	2,821,627	5,636,739	907,450
Due from primary government	-	-	-	6,565,390
Due from component unit	8,903,410	-	8,903,410	-
Internal balances	(7,434,606)	7,434,606	-	-
Inventories	4,326,864	3,308,828	7,635,692	-
Property held for resale	-	-	-	122,875,400
Prepaid expense	4,592,052	2,569,690	7,161,742	313,570
Current assets (restricted):				
Cash and investments	34,032,591	21,068,881	55,101,472	-
Receivables:				
Taxes	6,852,503	-	6,852,503	-
Assessments	2,094,726	-	2,094,726	-
Grants	24,661,786	-	24,661,786	-
Advances	874,250	-	874,250	-
Accrued interest	936,995	179,339	1,116,334	-
Due from component unit	17,484,296	-	17,484,296	-
Prepaid expense	1,305	-	1,305	-
Total current assets	447,940,765	242,391,852	690,332,617	248,743,219
Noncurrent assets (unrestricted):				
Capital assets not being depreciated:				
Land	121,776,358	81,155,777	202,932,135	8,439,349
Construction in progress	99,151,516	591,317,243	690,468,759	-
Water rights	-	72,306	72,306	-
Capital assets net of accumulated depreciation:				
Buildings	187,510,326	113,095,341	300,605,667	2,846,914
Improvements to land	58,831,423	20,293,352	79,124,775	-
Equipment	67,972,269	32,300,334	100,272,603	1,118,592
Software	35,887,386	-	35,887,386	-
Infrastructure	1,793,606,960	2,349,720,754	4,143,327,714	-
Capital leases	-	70,547	70,547	-
Net capital assets	2,364,736,238	3,188,025,654	5,552,761,892	12,404,855
Loans receivable, net	-	-	-	80,972,160
Prepaid expense	126,032,421	49,136,799	175,169,220	-
Assessments receivable	7,486,910	-	7,486,910	-
Noncurrent assets (restricted)				
Cash and investments	45,969,066	92,721,999	138,691,065	422,744
Receivables:				
Assessments	52,099,583	-	52,099,583	-
Grants	9,723,847	-	9,723,847	-
Due from component unit	4,250,000	-	4,250,000	-
Total noncurrent assets	2,610,298,065	3,329,884,452	5,940,182,517	93,799,759
Total assets	3,058,238,830	3,572,276,304	6,630,515,134	342,542,978

Continued next page

City of Portland, Oregon
Statement of Net Assets, Continued
June 30, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Portland Development Commission
LIABILITIES				
Current liabilities (payable from unrestricted assets):				
Accounts payable	$ 34,831,355	$ 24,481,162	$ 59,312,517	$ 2,257,190
Self insurance claims	10,592,663	-	10,592,663	-
Compensated absences	27,827,623	5,204,196	33,031,819	-
Bonds payable	8,589,005	79,087,058	87,676,063	-
Notes and loans payable	154,468,176	1,157,893	155,626,069	207,300
Capital leases payable	-	84,772	84,772	-
Accrued interest payable	3,077,696	11,005,989	14,083,685	-
Unearned revenue	2,419,470	916,095	3,335,565	-
Due to component unit	3,500,120	1,836,469	5,336,589	-
Due to primary government	-	-	-	30,637,706
Other liabilities	16,805,132	3,268,551	20,073,683	2,713,222
Current liabilities (payable from restricted assets):				
Accounts payable	9,438,027	6,912,957	16,350,984	-
Bonds payable	37,651,797	1,841,319	39,493,116	-
Due to component unit	1,228,801	-	1,228,801	-
Accrued interest payable	-	232,932	232,932	-
Unearned revenue	27,812,886	-	27,812,886	-
Total current liabilities	338,242,751	136,029,393	474,272,144	35,815,418
Noncurrent liabilities:				
Self insurance claims	14,622,120	-	14,622,120	-
Compensated absences	24,116,846	3,593,380	27,710,226	-
Bonds payable	836,403,514	1,767,378,385	2,603,781,899	-
Notes and loans payable	39,661,532	18,877,070	58,538,602	1,031,421
Accrued Interest payable	42,428,827	8,466,233	50,895,060	-
Net pension obligation -- pension trust fund	933,696,127	-	933,696,127	-
Prepaid sewer assessment	-	37,698	37,698	-
Pollution remediation	-	-	-	8,930,354
Other postemployment benefits	19,654,116	1,709,593	21,363,709	371,649
Total noncurrent liabilities	1,910,583,082	1,800,062,359	3,710,645,441	10,333,424
Total liabilities	2,248,825,833	1,936,091,752	4,184,917,585	46,148,842
NET ASSETS				
Invested in capital assets, net of related debt	2,200,647,133	1,456,004,768	3,656,651,901	12,404,855
Restricted for:				
Parks, recreation and culture	7,761,928	-	7,761,928	-
Community development	7,904,968	-	7,904,968	-
Public safety	15,446	-	15,446	-
Transportation and metered parking	21,961,554	-	21,961,554	-
Debt service	105,821,219	19,033,446	124,854,665	-
Capital projects	16,324,152	-	16,324,152	262,020,868
Parks endowment fund:				
Nonexpendable	184,345	-	184,345	-
Unrestricted surplus (deficit)	(1,551,207,748)	161,146,338	(1,390,061,410)	21,968,413
Total net assets	$ 809,412,997	$ 1,636,184,552	$ 2,445,597,549	$ 296,394,136

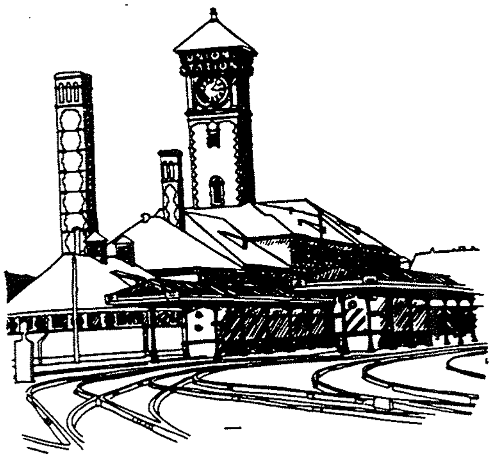
The accompanying notes are an integral part of the basic financial statements.

City of Portland, Oregon
Statement of Activities
For the Year Ended June 30, 2009

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
					Primary Government			Component Unit
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Portland Development Commission
Primary government:								
Governmental activities:								
Public safety	$ 452,587,026	$ 29,183,131	$ 8,427,785	$ 7,873	$ (414,968,237)	$ -	$ (414,968,237)	$ -
Parks, recreation and culture	79,614,221	28,955,330	195,178	4,750,222	(45,713,491)	-	(45,713,491)	-
Community development	131,625,434	45,989,635	19,500,637	61,000	(66,074,162)	-	(66,074,162)	-
Transportation and metered parking	250,748,147	101,601,907	1,800,640	55,340,720	(92,004,880)	-	(92,004,880)	-
Legislative/ Admin/ Support services	180,764,479	194,127,883	974,890	1,148,067	15,486,361	-	15,486,361	-
Interest on long-term debt	50,010,337	-	-	-	(50,010,337)	-	(50,010,337)	-
Total governmental activities	1,145,349,644	399,857,886	30,899,130	61,307,882	(653,284,746)	-	(653,284,746)	-
Business-type activities:								
Environmental services	189,638,280	237,136,104	-	1,998,768	-	49,496,592	49,496,592	-
Water	98,707,471	101,728,593	-	-	-	3,021,122	3,021,122	-
Hydroelectric power	2,458,249	3,363,647	-	-	-	905,398	905,398	-
Parking facilities	9,764,605	10,708,326	-	-	-	943,721	943,721	-
Golf	8,603,692	8,388,970	-	-	-	(214,722)	(214,722)	-
Motor sports	1,811,021	1,922,096	-	-	-	111,075	111,075	-
Spectator facilities	8,698,111	9,000,391	-	-	-	302,280	302,280	-
Total business-type activities:	319,681,429	372,248,127	-	1,998,768	-	54,565,466	54,565,466	-
Total primary government	$ 1,465,031,073	$ 772,106,013	$ 30,899,130	$ 63,306,650	(653,284,746)	54,565,466	(598,719,280)	-
Component unit:								
Portland Development Commission	$ 113,920,764	$ 8,253,261	$ 16,378,576	$ -	-	-	-	(89,288,927)
General revenues:								
Property taxes					388,147,722	-	388,147,722	-
Lodging taxes					23,571,670	-	23,571,670	-
Payments from the City					-	-	-	105,254,573
Investment earnings					18,518,024	12,328,970	30,846,994	2,946,426
Miscellaneous revenues (primarily sale of property held for sale)					-	-	-	7,950,856
Transfers					3,425,005	(3,425,005)	-	-
Total general revenues, special items and transfers					433,662,421	8,903,965	442,566,386	116,151,855
Change in net assets					(219,622,325)	63,469,431	(156,152,894)	26,862,928
Net assets -- beginning					1,029,035,322	1,572,715,121	2,601,750,443	277,319,980
Adoption of GASBS 49					-	-	-	(7,788,772)
Net assets -- beginning, as restated					1,029,035,322	1,572,715,121	2,601,750,443	269,531,208
Net assets -- ending					$ 809,412,997	$ 1,636,184,552	$ 2,445,597,549	$ 296,394,136

The accompanying notes are an integral part of the basic financial statements.

Fund Financial Statements



Union Station, 1890

DOWNTOWN WEDNESDAY FARMER'S MARKET

City of Portland, Oregon
Balance Sheet
Governmental Funds
June 30, 2009

	General Fund	Transportation Operating	Other Governmental Funds	Total
ASSETS				
Unrestricted:				
Cash and investments	$ 117,073,956	$ -	$ 29,022,056	$ 146,096,012
Receivables:				
Taxes	18,519,259	-	-	18,519,259
Accounts, net	26,922,835	4,834,314	4,329,060	36,086,209
Assessments	44,041	691,228	15,110,383	15,845,652
Advances	1,539,664	-	387,214	1,926,878
Accrued interest	1,277,545	-	453,770	1,731,315
Due from other funds	9,203,475	4,949,569	58,481	14,211,525
Due from component unit	261,186	5,636,797	2,765,258	8,663,241
Inventories	-	2,227,039	-	2,227,039
Prepaid items	2,791,250	761,107	313,819	3,866,176
Restricted:				
Cash and Investments	-	2,232,464	73,858,072	76,090,536
Receivables:				
Taxes	-	-	6,852,503	6,852,503
Assessments	-	-	54,194,309	54,194,309
Advances	-	-	874,250	874,250
Grants	-	-	34,385,633	34,385,633
Accrued interest	-	-	936,995	936,995
Due from component unit	-	-	21,734,296	21,734,296
Prepaid items	-	-	1,305	1,305
Total assets	$ 177,633,211	$ 21,332,518	$ 245,277,404	$ 444,243,133
LIABILITIES AND FUND BALANCES				
Liabilities payable from unrestricted assets:				
Accounts payable	$ 11,018,683	$ 4,958,574	$ 2,881,237	$ 18,858,494
Due to other funds	-	-	447,382	447,382
Due to component unit	3,500,120	-	-	3,500,120
Due to fiduciary fund	6,569,936	-	-	6,569,936
Deferred revenue	12,672,604	657,604	16,058,522	29,388,730
Unearned revenue	4,900	2,414,550	20	2,419,470
Other accrued liabilities	10,111,542	88,375	34,879	10,234,796
Liabilities payable from restricted assets:				
Accounts payable	-	390,090	9,047,937	9,438,027
Due to other funds	-	-	16,735,681	16,735,681
Due to component unit	-	-	1,228,801	1,228,801
Deferred revenue	-	-	89,444,263	89,444,263
Unearned revenue	-	-	27,812,886	27,812,886
Total liabilities	43,877,785	8,509,193	163,691,608	216,078,586
Fund balances:				
Reserved for :				
Transportation inventories	-	2,227,039	-	2,227,039
Capital projects	-	-	22,528,676	22,528,676
Parks endowment fund:				
Nonexpendable	-	-	184,345	184,345
Unreserved, reported in:				
Major funds	133,755,426	10,596,286	-	144,351,712
Special revenue funds	-	-	8,976,573	8,976,573
Debt service funds	-	-	43,489,029	43,489,029
Capital projects funds	-	-	6,407,173	6,407,173
Total fund balances	133,755,426	12,823,325	81,585,796	228,164,547
Total liabilities and fund balances	$ 177,633,211	$ 21,332,518	$ 245,277,404	$ 444,243,133

The accompanying notes are an integral part of the basic financial statements.

City of Portland, Oregon
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2009

Fund balances - total governmental funds	$	228,164,547
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental funds are not financial resources and, therefore, are reported only in the government-wide statements.		2,164,382,356
Other long-term assets are prepaid or are not available to pay for current period expenditures and, therefore, are deferred in the fund statements:		
Prepaid item - unamortized PERS balance		114,638,723
Deferred items eliminated for government-wide (See footnote III.C., Unearned revenue)		118,832,993
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		215,467,140
Noncurrent bonds payable are not due and payable in the current period and are not reported in the governmental funds.		(798,888,413)
Unfunded net pension obligation for the City's Fire and Police Disability and Retirement Plan is not reported in the governmental fund financial statements because such amounts are not due and payable in the current period. (See footnote IV.D., Employee retirement systems and pension plans section of the Notes to the Financial Statements.)		(933,696,127)
Other long-term liabilities that are not due and payable in the current period and are not reported in the governmental funds include:		
Compensated absences		(48,926,205)
Other postemployment benefits		(19,114,219)
Notes and loans payable		(183,816,345)
Internal service fund lookback adjustment to business-type activities		(4,538,815)
Accrued interest		(43,092,638)
Net assets of governmental activities	$	809,412,997

The accompanying notes are an integral part of the basic financial statements.

City of Portland, Oregon
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
June 30, 2009

	General Fund	Transportation Operating	Other Governmental Funds	Total
REVENUES				
Taxes:				
Property	$ 283,254,492	$ -	$ 97,822,772	$ 381,077,264
Lodging	19,643,852	-	3,927,818	23,571,670
Licenses and fees	141,974,295	1,586,823	28,851,047	172,412,165
Intergovernmental	29,288,133	45,849,135	37,283,668	112,420,936
Charges for services	60,736,199	32,259,171	9,129,370	102,124,740
Parking fees	194,943	16,778,511	-	16,973,454
Parking fines	-	3,701,318	-	3,701,318
Concessions	37,945	-	-	37,945
Rents and reimbursements	3,921,431	246,848	53,500	4,221,779
Miscellaneous service charges	2,947,396	876,225	4,830,024	8,653,645
Loan collections	11,144	-	8,031,536	8,042,680
Assessments	-	1,002,213	9,492,312	10,494,525
Investment earnings	5,219,844	96,307	8,834,727	14,150,878
Payments in lieu of taxes	758,737	-	-	758,737
Miscellaneous	3,265,859	1,610,680	4,402,772	9,279,311
Total revenues	551,254,270	104,007,231	212,659,546	867,921,047
EXPENDITURES				
Current:				
Public safety	340,683,111	-	25,154,340	365,837,451
Parks, recreation and culture	55,051,936	-	11,461,282	66,513,218
Community development	35,991,649	1,150	94,506,076	130,498,875
Transportation and metered parking	-	106,801,273	58,345	106,859,618
Legislative/admin/support services	74,903,683	-	108,487,360	183,391,043
Debt service and related costs:				
Principal	-	1,440,000	100,770,897	102,210,897
Interest	150	648,500	40,802,489	41,451,139
Debt issuance costs	1,915	-	1,061,508	1,063,423
Capital outlay	358,618	15,820,323	44,215,640	60,394,581
Total expenditures	506,991,062	124,711,246	426,517,937	1,058,220,245
Excess(deficiency) of revenues over(under) expenditures	44,263,208	(20,704,015)	(213,858,391)	(190,299,198)
OTHER FINANCING SOURCES (USES)				
Transfers in	9,718,996	15,278,802	39,384,194	64,381,992
Transfers out	(52,369,567)	(5,159,271)	(16,116,740)	(73,645,578)
Proceeds from sale of capital assets	1,202,998	72,391	134,411	1,409,800
Bonds and notes issued	-	-	160,941,346	160,941,346
Bonds and notes premium	-	-	1,390,471	1,390,471
Loans issued	-	-	1,540,000	1,540,000
Payments to refunded loan and bond escrow agents	-	-	(24,865,000)	(24,865,000)
Total other financing sources and uses	(41,447,573)	10,191,922	162,408,682	131,153,031
Net change in fund balances	2,815,635	(10,512,093)	(51,449,709)	(59,146,167)
Fund balances - beginning	130,939,791	23,335,418	133,035,505	287,310,714
Fund balances - ending	$ 133,755,426	$ 12,823,325	$ 81,585,796	$ 228,164,547

The accompanying notes are an integral part of the basic financial statements.

City of Portland, Oregon
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2009

Net change in fund balances - total governmental funds	$	(59,146,167)
Amounts reported for governmental activities in the statement of activities are different because:		
The effect of capital outlays made by the governmental funds		60,394,581
Disposals of capital assets and capital contributions		40,896,398
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost is depreciated over their useful lives. Depreciation expense for governmental funds is reported in the government-wide statements. (See footnote III.E., the capital assets section of the Notes to the Financial Statements for a breakdown of depreciation expense by function.)		(169,138,779)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		28,993,313
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is allocated to governmental and business-type activities.		13,716,158
The issuance of long-term debt provides current financial resources to governmental funds while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. This is the amount by which bond proceeds exceeded principal retirement in the current period.		(41,762,795)
Some expenses reported in the statement of activites do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Changes related to long-term liabilities included:		
Accrual of compensated absences and interest payable, the premium amortization on bonds payable, and recognition of capital lease obligations		(7,128,905)
Accrual of net pension liability which is not reported as an expenditure in governmental funds		(71,930,237)
Amortization of prepaid pension costs		(5,614,958)
Internal service fund lookback adjustment to business-type activities		(388,072)
Accrual of other postemployment benefits which are not reported as an expenditure in governmental funds		(8,512,862)
Net change in net assets - governmental activities	$	(219,622,325)

The accompanying notes are an integral part of the basic financial statements.

City of Portland, Oregon
Statement of Net Assets
Proprietary Funds
June 30, 2009

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Sewage Disposal	Water	Other Funds	Total	
ASSETS					
Current assets (unrestricted):					
Cash and investments	$ 77,591,298	$ 42,142,347	$ 30,009,082	$ 149,742,727	$ 135,371,920
Receivables:					
Accounts, net	36,021,211	12,996,974	1,130,657	50,148,842	1,440,461
Assessments	4,938,001	109,311	-	5,047,312	-
Advances	10,000	-	60,000	70,000	-
Accrued interest	1,891,102	682,004	248,521	2,821,627	1,083,797
Due from other funds	1,303,924	1,591,867	-	2,895,791	75,747
Due from component unit	-	-	-	-	240,169
Inventories	1,074,639	2,234,189	-	3,308,828	2,099,825
Prepaid expenses	2,113,087	421,535	35,068	2,569,690	725,876
Total current assets (unrestricted)	124,943,262	60,178,227	31,483,328	216,604,817	141,037,795
Current assets (restricted):					
Cash and investments	-	6,912,957	14,155,924	21,068,881	-
Accrued interest receivable	-	-	179,339	179,339	-
Total current assets (restricted)	-	6,912,957	14,335,263	21,248,220	-
Total current assets	124,943,262	67,091,184	45,818,591	237,853,037	141,037,795
Noncurrent assets (unrestricted):					
Capital assets:					
Land	46,657,942	17,007,946	17,489,889	81,155,777	7,726,182
Construction in progress	505,635,924	85,678,528	2,791	591,317,243	15,417,183
Water rights	-	72,306	-	72,306	-
Buildings	19,313,434	27,063,028	142,811,595	189,188,057	141,477,570
Improvements to land	1,079,330	3,771,553	23,464,393	28,315,276	873,162
Equipment	28,311,433	29,984,461	4,896,567	63,192,461	86,301,783
Software	-	-	-	-	35,887,386
Infrastructure	2,089,164,385	740,960,777	44,123,225	2,874,248,387	11,993,542
Capital leases	306,728	-	-	306,728	-
Accumulated depreciation and amortization	(263,805,874)	(288,989,287)	(86,975,420)	(639,770,581)	(99,322,926)
Capital assets net of accumulated depreciation and amortization	2,426,663,302	615,549,312	145,813,040	3,188,025,654	200,353,882
Prepaid pension obligation	22,952,002	23,838,143	2,346,654	49,136,799	11,393,698
Total noncurrent assets (unrestricted)	2,449,615,304	639,387,455	148,159,694	3,237,162,453	211,747,580
Noncurrent assets (restricted):					
Cash and Investments	72,203,826	20,518,173	-	92,721,999	3,911,121
Total noncurrent assets	2,521,819,130	659,905,628	148,159,694	3,329,884,452	215,658,701
Total assets	2,646,762,392	726,996,812	193,978,285	3,567,737,489	356,696,496

Continued next page

City of Portland, Oregon
Statement of Net Assets, Continued
Proprietary Funds
June 30, 2009

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Sewage Disposal	Water	Other Funds	Total	
LIABILITIES					
Current liabilities (payable from unrestricted assets):					
Accounts payable	$ 18,112,711	$ 3,572,072	$ 2,796,379	$ 24,481,162	$ 15,972,861
Self insurance claims	-	-	-	-	10,592,663
Compensated absences	2,098,956	2,830,726	274,514	5,204,196	1,784,221
Bonds payable	53,284,499	12,591,336	6,245,979	72,121,814	8,224,293
Notes and loans payable	1,157,893	-	-	1,157,893	-
Capital leases payable	84,772	-	-	84,772	-
Accrued interest payable	7,656,185	2,927,529	422,275	11,005,989	450,753
Unearned revenue	683,732	232,363	-	916,095	-
Due to component unit	1,814,662	-	21,807	1,836,469	-
Other liabilities	342,333	676,218	2,250,000	3,268,551	400
Total current liabilities (unrestricted)	85,235,743	22,830,244	12,010,954	120,076,941	37,025,191
Current liabilities (payable from Restricted assets):					
Accounts payable	-	6,912,957	-	6,912,957	-
Bonds payable	-	-	1,841,319	1,841,319	-
Accrued interest payable	-	-	232,932	232,932	-
Total current liabilities (restricted)	-	6,912,957	2,074,251	8,987,208	-
Total current liabilities	85,235,743	29,743,201	14,085,205	129,064,149	37,025,191
Noncurrent liabilities:					
Self insurance claims	-	-	-	-	14,622,120
Compensated absences	1,422,569	1,974,573	196,238	3,593,380	1,234,043
Bonds payable	1,387,785,456	295,683,735	90,874,438	1,774,343,629	75,531,610
Notes and loans payable	18,877,070	-	-	18,877,070	10,313,363
Accrued interest payable	3,954,617	4,107,369	404,247	8,466,233	1,963,132
Prepaid sewer assessment	37,698	-	-	37,698	-
Other postemployment benefits	709,049	883,097	117,447	1,709,593	539,897
Total noncurrent liabilities	1,412,786,459	302,648,774	91,592,370	1,807,027,603	104,204,165
Total liabilities	1,498,022,202	332,391,975	105,677,575	1,936,091,752	141,229,356
NET ASSETS					
Invested in capital assets, net of related debt	1,065,106,461	340,751,468	50,146,839	1,456,004,768	132,598,793
Restricted for debt service	200,000	5,398,600	13,434,846	19,033,446	-
Unrestricted	83,433,729	48,454,769	24,719,025	156,607,523	82,868,347
Total net assets	$ 1,148,740,190	$ 394,604,837	$ 88,300,710	1,631,645,737	$ 215,467,140
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				4,538,815	
Net assets of business-type activities				$ 1,636,184,552	

The accompanying notes are an integral part of the basic financial statements.

City of Portland, Oregon
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2009

	Business-type Activities - Enterprise Funds				
	Sewage Disposal	Water	Other Funds	Total	Governmental Activities- Internal Service Funds
Operating revenues:					
Service charges and fees	$ 226,397,001	$ 101,383,963	$ 11,481,308	$ 339,262,272	$ 156,349,625
Licenses and permits	1,094,165	-	2,310,593	3,404,758	-
Rents and reimbursements	55,780	-	7,883,149	7,938,929	966,786
Concessions	-	-	1,189,469	1,189,469	-
Parking fees	-	-	10,579,395	10,579,395	-
Miscellaneous	712,433	344,630	9,034,487	10,091,550	3,970,833
Total operating revenues	228,259,379	101,728,593	42,478,401	372,466,373	161,287,244
Operating expenses:					
Salaries and wages	38,918,743	35,779,508	5,816,093	80,514,344	37,362,119
Operating supplies	3,394,636	3,738,907	1,592,848	8,726,391	14,546,159
Professional services	37,765,018	19,163,084	9,351,708	66,279,810	40,201,904
Utilities	5,171,400	2,003,828	292,768	7,467,996	3,204,816
Claims	-	-	-	-	34,105,603
Utility license fees	12,809,321	4,275,133	-	17,084,454	-
Miscellaneous	1,909,729	1,215,312	9,616,099	12,741,140	26,871,305
Depreciation and amortization	29,511,785	20,672,524	6,795,603	56,979,912	10,170,177
Total operating expenses	129,480,632	86,848,296	33,465,119	249,794,047	166,462,083
Operating income (loss)	98,778,747	14,880,297	9,013,282	122,672,326	(5,174,839)
Nonoperating revenues (expenses):					
Investment earnings	7,926,561	3,039,569	1,362,840	12,328,970	4,367,146
Interest expense	(50,336,722)	(11,143,410)	(5,586,600)	(67,066,732)	(3,581,936)
Debt issuance costs	(102,499)	(232,315)	(162,684)	(497,498)	(30,623)
Gain (loss) on sale of capital assets	(252,088)	(269,881)	(757,724)	(1,279,693)	(1,871,179)
Miscellaneous	(1,124,180)	(410,659)	(114,938)	(1,649,777)	(543,210)
Total nonoperating revenues (expenses)	(43,888,928)	(9,016,696)	(5,259,106)	(58,164,730)	(1,659,802)
Income (loss) before contributions and transfers	54,889,819	5,863,601	3,754,176	64,507,596	(6,834,641)
Transfers in	62,100	450,000	-	512,100	15,725,102
Transfers out	(799,601)	(582,291)	(3,209,951)	(4,591,843)	(2,381,773)
Capital contributions	2,053,939	599,567	-	2,653,506	7,207,470
Change in net assets	56,206,257	6,330,877	544,225	63,081,359	13,716,158
Total net assets - beginning	1,092,533,933	388,273,960	87,756,485		201,750,982
Total net assets - ending	$ 1,148,740,190	$ 394,604,837	$ 88,300,710		$ 215,467,140
Adjustment to reflect the consolidation of internal service funds' activities related to enterprise funds				388,072	
Change in net assets of business-type activities				$ 63,469,431	

The accompanying notes are an integral part of the basic financial statements.

BUBBLER DRINKING FOUNTAIN CUSTOMER

City of Portland, Oregon
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Sewage Disposal	Water	Other Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	$ 221,276,452	$ 98,505,064	$ 44,002,573	$ 363,784,089	$ 72,796,207
Receipts from interfund services provided	1,980,135	5,331,456	4,260	7,315,851	87,564,854
Payments to suppliers	(30,947,656)	(14,629,903)	(15,797,928)	(61,375,487)	(47,034,466)
Payments to employees	(38,037,233)	(33,992,102)	(5,756,806)	(77,786,141)	(36,685,087)
Payments for interfund services used	(32,501,504)	(18,656,197)	(4,530,858)	(55,688,559)	(24,323,871)
Other payments	64,555	-	-	64,555	-
Claims paid	-	-	-	-	(35,378,194)
Net cash provided by operating activities	121,834,749	36,558,318	17,921,241	176,314,308	16,939,443
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Other noncapital increases	-	756,922	-	756,922	-
Transfers in	62,100	450,000	-	512,100	15,725,102
Transfers out	(799,601)	(582,291)	(3,209,951)	(4,591,843)	(2,381,773)
Net cash provided (used) by noncapital financing activities	(737,501)	624,631	(3,209,951)	(3,322,821)	13,343,329
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of bonds and notes	33,297	79,680,000	21,450,000	101,163,297	10,313,363
Premium on bonds and notes issued	-	952,459	938,427	1,890,886	-
Sale of capital assets	311,639	295,731	1,244	608,614	616,771
Acquisition of capital assets	(182,453,198)	(71,478,950)	(96,076)	(254,028,224)	(27,802,642)
Principal paid on bonds, notes and capital leases	(48,909,205)	(10,252,410)	(29,377,652)	(88,539,267)	(8,373,336)
Interest paid on bonds, notes and capital leases	(60,756,963)	(10,504,571)	(5,863,897)	(77,125,431)	(3,501,620)
Bond issuance costs	(102,499)	(232,315)	(162,684)	(497,498)	(30,623)
Net cash used by capital related financing activities	(291,876,929)	(11,540,056)	(13,110,638)	(316,527,623)	(28,778,087)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments	8,179,318	2,643,663	1,478,584	12,301,565	4,104,776
Net increase (decrease) in cash and cash equivalents	(162,600,363)	28,286,556	3,079,236	(131,234,571)	5,609,461
CASH AND CASH EQUIVALENTS, July 1, 2008	312,395,487	41,286,921	41,085,770	394,768,178	133,673,580
CASH AND CASH EQUIVALENTS, June 30, 2009	$ 149,795,124	$ 69,573,477	$ 44,165,006	$ 263,533,607	$ 139,283,041
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:					
Unrestricted cash and cash equivalents	$ 77,591,298	$ 42,142,347	$ 30,009,082	$ 149,742,727	$ 135,371,920
Restricted cash and cash equivalents	72,203,826	27,431,130	14,155,924	113,790,880	3,911,121
Total	$ 149,795,124	$ 69,573,477	$ 44,165,006	$ 263,533,607	$ 139,283,041

Continued next page

City of Portland, Oregon
Statement of Cash Flows, Continued
Proprietary Funds
For the Year Ended June 30, 2009

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Sewage Disposal	Water	Other Funds	Total	
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	$ 98,778,747	$ 14,880,297	$ 9,013,282	$ 122,672,326	$ (5,174,839)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization of capital assets	29,511,785	20,672,524	6,795,603	56,979,912	10,170,177
Provision for uncollectible accounts	1,224,893	1,039,138	-	2,264,031	-
Capital assets transferred to Enterprise Business Solutions Services Fund	-	-	-	-	35,883,246
Debt transferred to Enterprise Business Solutions Services Fund	-	-	-	-	(28,893,928)
Change in assets and liabilities:					
Accounts and contracts receivable	(6,489,105)	(2,347,070)	1,549,470	(7,286,705)	(474,688)
Inventories	(61,237)	(262,216)	-	(323,453)	(793,288)
Checks and accounts payable	(2,934,608)	1,020,119	481,793	(1,432,696)	6,998,079
Accrued compensated absences	535,690	1,356,361	39,560	1,931,611	785,142
Due from (to) other funds	1,524,738	3,560,792	21,807	5,107,337	(139,794)
Other assets	-	(421,535)	(35,070)	(456,605)	(361,707)
Deferred revenue	85,899	56,102	-	142,001	-
Accrued claims	-	-	-	-	(1,272,590)
Other accrued liabilites	(687,873)	(3,427,239)	-	(4,115,112)	(39,964)
Accrued other postemployment benefits	345,820	431,045	54,795	831,660	253,597
Net cash provided by operating activities	$ 121,834,749	$ 36,558,318	$ 17,921,241	$ 176,314,308	$ 16,939,443
Noncash information					
Non-operating prepaid PERS amortization	$ 1,124,180	$ 1,167,583	$ 114,938	$ 2,406,701	$ 558,060
Capital contribution	2,053,939	599,567	-	2,653,506	6,785
Increase in fair value of investments (classified as cash equivalents)	134,351	419,100	159,189	712,640	630,155

The accompanying notes are an integral part of the basic financial statements.

City of Portland
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

	Pension Trust	Agency
ASSETS		
Current assets (unrestricted):		
Cash and investments	$ 12,758,664	$ 39,557,826
Receivables:		
Accounts, net	157,454	45,259
Accrued interest	432,844	25,440
Due from other funds	6,569,936	-
Prepaid expenses	368,037	-
Total current assets	20,286,935	39,628,525
Capital assets:		
Equipment	28,821	-
Accumulated depreciation and amortization	(28,821)	-
Net capital assets	-	-
Total assets	20,286,935	$ 39,628,525
LIABILITIES		
Accounts payable	7,846,115	$ 3,974
Salaries and withholding taxes	-	28,242,803
Compensated absences	229,752	-
Other liabilities	-	11,381,748
Accrued interest payable	62,768	-
Bonds payable	502,722	-
Other postemployment benefits	15,517	-
Total liabilities	8,656,874	$ 39,628,525
NET ASSETS		
Held in trust for pension benefits	$ 11,630,061	

The accompanying notes are an integral part of the basic financial statements.

City of Portland
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

		Pension Trust
ADDITIONS		
Contributions:		
Employer	$	104,414,913
Plan member		19,386
Other		292,763
Total contributions		104,727,062
Investment earnings		1,226,194
Total additions		105,953,256
DEDUCTIONS		
Benefits and refunds paid to plan members and beneficiaries		96,241,317
Refunds		40,187
Administrative expenses		3,484,184
Total deductions		99,765,688
Change in net assets		6,187,568
Net assets - beginning		5,442,493
Net assets - ending	$	11,630,061

The accompanying notes are an integral part of the basic financial statements.

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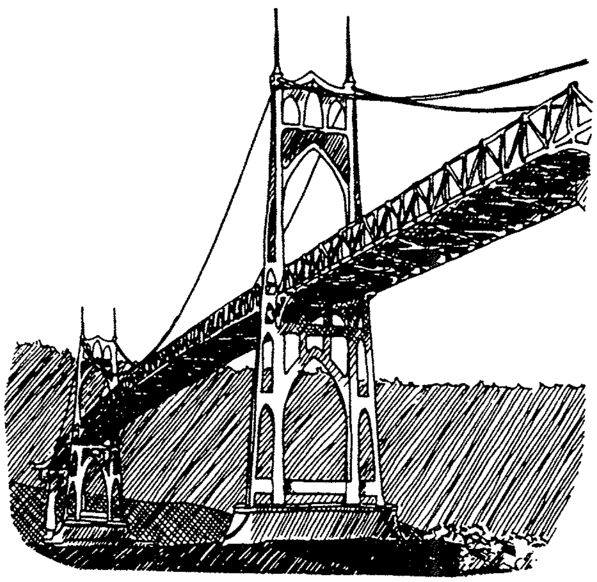
Notes to the Financial Statements



St. John's Bridge, 1931

I. Summary of significant accounting policies:

A. Reporting entity:

The territory of Oregon incorporated the City of Portland (City) in 1851: eight years prior to the year Oregon was granted statehood in 1859. The State of Oregon granted a new charter to the City of Portland in 1903. Voters approved an extensive revision to the City Charter, which established a commission form of government in 1913. The City Council, composed of an elected mayor and four commissioners, forms the legislative branch of the City government. The Council and an elected City Auditor manage City departments.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Criteria indicating financial accountability include, but are not limited to, the following:

- Appointment by the City of a majority of voting members of the governing body of an organization, and ability to impose its will on the daily operations of an organization, such as power to remove appointed members at will; to modify or approve budgets, rates or fees; or to make other substantive decisions; or provision by the organization of specific financial benefits to the City; or imposition by an organization of specific financial burdens on the City, such as assumption of deficits or provision of support; or
- Fiscal dependency by the organization on the City such as lack of authority to determine a budget, approve rates or issue its own bonded debt without City approval.

Blended component units although legally separate entities, are, in substance, part of the government's operations. Their sole purpose is to provide services entirely to or exclusively for the City or the City Council as the governing body. The *discretely presented component unit* is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City, its governing body is not substantially the same as the City's governing body and it does not provide services entirely or exclusively to the City government.

Blended component unit - Fire and Police Disability and Retirement Fund

The Fire and Police Disability and Retirement Fund (FPD&R) was established by adoption of Chapter 5 of the City Charter by voters in a general election held on November 2, 1948. Voters have made nine subsequent amendments, the last one being November 6, 2007. The FPD&R provides "for the benefit of the sworn employees of Portland Fire and Rescue, and the Bureau of Police of the City of Portland and for the benefit of the Surviving Spouses and Dependent Minor Children of deceased members" (Section 5-101).

The FPD&R's Board of Trustees also administer a reserve fund and a supplemental reserve fund authorized under a provision of Chapter 5 (Section 5-104) of the Charter of the City of Portland. The reserve fund provides for advances to the Fire and Police Disability and Retirement Fund in the event the latter is depleted to the extent it cannot meet its obligations. Under provisions of the City Charter, the reserve fund maximum is established at $750,000 (Section 5-103). The supplemental reserve fund provides for supplemental retirement benefits to certain members of the Fire and Police Bureaus. The FPD&R is reported as a pension trust fund, fiduciary fund type.

Complete financial statements may be obtained from the administrative office at: Fire and Police Disability and Retirement Fund Board, 1800 SW First Ave., Suite 450, Portland, Oregon 97201, e-mail: FPDR@ci.portland.or.us, URL: http://www.portlandonline.com/index.cfm?c=41134& or by phone: (503) 823-6823.

Continued next page

I. Summary of significant accounting policies, continued:

A. Reporting entity, continued:

Discretely presented component unit - Portland Development Commission

The Portland Development Commission (PDC) is organized under Chapter 15 of the Charter of the City of Portland, Oregon, and is the City's urban renewal and redevelopment agency. The Department of Development and Civic Promotion has been administered by the PDC since May 16, 1958. Its principal activities are business retention, employment creation, and real estate acquisition to remove or prevent blight, construction improvements, and rehabilitation/restoration lending.

Based upon criteria established by the Governmental Accounting Standards Board (GASB), assets, liabilities, revenues and expenses related to PDC are included in the component unit column of the City's government-wide financial statements. Unless noted otherwise in this report, accounting policies of the component unit are consistent with those described for the primary government. The City is financially accountable for operations of PDC through budgetary authority and fiscal management. PDC prepares a separate Comprehensive Annual Financial Report (CAFR), and it may be obtained from their administrative offices at 222 NW Fifth Ave., Portland, Oregon 97209-3859, URL: http://www.pdc.us/pubs/, or by telephone: (503) 823-3200.

B. Government-wide and fund financial statements:

The government-wide financial statements, which include the statement of net assets and the statement of activities, report information on all of the non-fiduciary activities of 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 primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or business-type segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Segments are identified as individual enterprise funds. Segment information for the major funds, Sewage Disposal and Water, is provided in separate columns in the Statement of Net Assets: Proprietary Funds. Segment information for nonmajor enterprise funds is provided in the Combining Statement of Net Assets and the Combining Statement of Revenues, Expenses and Changes in Fund Net Assets. *Program revenues* include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 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 presentation:

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, though agency funds have no measurement focus. 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 have been met.

Continued next page

I. <u>Summary of significant accounting policies</u>, continued:

C. **Measurement focus, basis of accounting, and financial statement presentation**, continued:

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 become 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 City considers revenues to be available if they are collected within *sixty days* of the end of the current fiscal period, with the exception of federal and state grants.

Significant revenues, measurable and available for the fiscal year ended June 30, 2009, under the modified accrual basis of accounting were as follows:

- Federal and state grants (to the extent that revenues are earned as eligible expenditures are incurred)
- State, county and local shared revenues of business license taxes, liquor taxes and other taxes
- Property taxes collected within sixty days following year-end

Expenditures generally are recorded when a liability is incurred. Exceptions are:

- Claims and judgments
- Interfund transactions for services which are recorded on the accrual basis
- Interest expenditures on general long-term debt which are recorded when due
- Earned but unpaid vacations which are recorded as expenditures to the extent they are expected to be liquidated with expendable, available financial resources

The City reports the following major governmental funds:

The **General Fund** is the government'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 **Transportation Operating Fund** accounts for activities associated with the City's transportation system.

The City reports the following major proprietary funds:

The **Sewage Disposal Fund** accounts for the activities associated with waste water collection and treatment.

The **Water Fund** accounts for activities associated with the water distribution system.

Additionally the City reports the following fund types:

Internal service funds account for goods and services provided by one City bureau to another City bureau, or to other governments on a cost reimbursement basis. Internal service funds account for the activities of health insurance for employees, facilities, fleet, printing and distribution, liability insurance, workers' compensation insurance, technology services, and services of the City's financial system.

Pension trust funds account for pension and benefits for members of the Fire and Police Bureaus, their widows and surviving children.

Continued next page

I. Summary of significant accounting policies, continued:

C. Measurement focus, basis of accounting, and financial statement presentation, continued:

Agency funds account for resources received and held by the City in a custodial capacity, on behalf of other organizations. The City maintains two types of agency funds: trustee and clearing. Trustee funds are used to account for resources collected on behalf of other governments. Clearing funds are used to account for amounts previously expensed to operating funds and transferred to the clearing funds until paid.

Permanent funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs for the benefit of the City and its citizenry.

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 GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City 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 charges between enterprise functions and various other City functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Indirect expenses include general government, support services, and administration costs. These indirect expenses are allocated based on a full-cost allocation approach, thereby allocating indirect expenses among functions with the objective of allocating all expenses. This allocation is done through the General Fund and is included in direct program expenses for the various functional activities within individual funds.

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. Taxes and other items not properly included as program revenues are reported instead as *general revenues*.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods or services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges for customer services including water and sewer charges, printing fees, telecommunication charges, vehicle use and maintenance fees, insurance fees, facility rents and information system support charges. 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 non-operating revenues and expenses.

The Parks Endowment Fund, the City's only permanent fund, accounts for gifts, donations, and endowments of a permanent nature. The principal is invested and earnings are available to support Parks and Recreation programs and activities. Any income not used under the terms and conditions of the original donation shall apply to increase the trust reserve.

Continued next page

I. Summary of significant accounting policies, continued:

C. Measurement focus, basis of accounting, and financial statement presentation, continued:

Specific fund changes

During the fiscal year ended June 30, 2009, there were two new funds established:

Special Revenue Fund:
Police Special Revenue Fund – This fund was established to account for restricted or committed law enforcement revenues. By law, the Police Bureau may only spend asset forfeiture proceeds on certain functions such as drug enforcement and education. Other donations received are restricted to specific programs for which the contributions were provided.

Internal Service Fund:
Enterprise Business Solutions Services Fund – This fund was established to account for the City's financial system, including current support and future improvements, and to appropriately allocate expenditures of this system across City bureaus.

During the fiscal year ended June 30, 2009, there were four fund closures:

Special Revenue Fund:
Public Safety Fund – This fund was closed to the Emergency Communications Fund.

Enterprise Funds:
Water Growth Impact Charge Trust Fund – This fund was closed to Water Fund.
Parking Facility Debt Redemption Fund – This fund was closed to Parking Facilities Fund.

Internal Service Fund:
Portland Police Association Health Insurance Fund –This fund was closed to the General Fund.

During the fiscal year ended June 30, 2009, there was one fund name change:

Special Revenue Fund:
The "Federal Grants Fund" was renamed to "Grants Fund" to properly reflect the usage as a clearing fund for federal as well as, state, local, and private sources.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The City maintains a cash and investment pool that is available for use by all funds including its component units. Cash and investments are presented on the balance sheet in the basic financial statements at fair value in accordance with GASB Statement No. 31.

All investment pool cash purchases and sales are part of the City's cash management activity and considered cash and cash equivalents. Activities undertaken by the pool on behalf of the proprietary funds are not part of operating, capital, investing, or financing activities of the proprietary funds, and details of these transactions are not reported in the Statements of Cash Flows. In general, interest earned from pooled investments is allocated to each fund based on the average earnings rate and daily cash balance of each fund.

Continued next page

I. **Summary of significant accounting policies**, continued:

D. **Assets, liabilities, and net assets or equity**, continued:

2. Deposits and investments, continued:

Oregon Revised Statutes (ORS) 294, authorizes the City and component units to invest primarily in general obligations of the U.S. Government and its agencies and instrumentalities of the U.S. or enterprises sponsored by the U.S. Government, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, high-grade commercial paper and the State Treasurer's Local Government Investment Pool (LGIP).

2. Receivables and payables

Uncollected property taxes in governmental funds are shown on the balance sheet as receivables. Property is valued as of January 1. Taxes are assessed and become property liens on July 1, annually. Property tax statements are mailed no later than October 25th, and taxes are due in three installments on November 15, February 15, and May 15. Discounts, less than or equal to three percent, are offered to those paying early. Taxes outstanding on May 16 are considered delinquent. 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.

Proprietary fund receivables are recorded as revenue when earned, including services earned but not billed. The receivables of proprietary funds include billing for residential and commercial customers utilizing the City's water, sewer and storm water management services. These receivables are reported net of an allowance for doubtful accounts.

The allowance for doubtful accounts is based on management's assessment of the collectibility of specific customer accounts, the aging of the accounts receivable, historical experience, and other currently available evidence.

Local Improvement District (LID) project expenditures are recognized as accounts receivable when incurred. Upon completion of LID projects, City Council assesses a lien upon the benefited properties at which point accounts receivable are reclassified as assessments receivable.

Effective September 18, 2008, a change to the Revenue Bureau's business license tax policy, assesses fees based on revenues earned in the prior year instead of prospectively as assessed in prior years. The impact is that revenue will be recognized as it is received instead of being booked as unearned.

Contracts and mortgages receivable consist primarily of loans for restoration and rehabilitation of property within the City. Federal and state grants, shared revenues, and interest are recorded as revenue when earned and are included in accounts and grants receivable. Advances receivable are primarily monies paid to third parties prior to services performed. As services are rendered these advances are reduced from future payments.

Accounts payable to vendors and contractors include general accounts payable, retainage payable, deposits payable and other accrued contingent liabilities not included in short-term or long-term liabilities.

3. Inventories

Inventories are stated at average cost. Expenditures are recognized in governmental funds when inventories are purchased for budgetary reporting. Inventories are expensed as used.

Continued next page

I. **Summary of significant accounting policies**, continued:

D. **Assets, liabilities, and net assets or equity**, continued:

4. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements using the purchases method and are immaterial. Amortization of Public Employees Retirement System (PERS) expenditures applicable to future accounting periods are recorded as noncurrent prepaid items in both the government-wide and proprietary fund financial statements.

5. Restricted amounts

Certain assets are classified as restricted assets because their use is limited by parties external to the City. Parties external to the City include citizens, creditors, grantors, public interest groups, other governments, and the courts. Restrictions may also be imposed by laws through constitutional provisions or legally enforceable enabling legislation. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources, as they are needed.

6. Capital assets

Capital assets, which include land, buildings and building improvements, improvements to land, equipment, infrastructure, construction in progress, and capital leases, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

All land and buildings are capital assets with no minimum cost threshold. Infrastructure and land improvements are capitalized with total costs of $10,000 or more. Equipment with a cost of $5,000 or greater are capitalized. Dollar thresholds for capital lease assets are the same amount as the purchased capital asset counterpart.

Capital assets are recorded at historical cost or estimated historical cost when actual cost is not available. Items acquired through donations are capitalized on the basis of fair value at the date of transfer, plus ancillary costs necessary to place them in service. Donated items are capitalized if the fair value and any ancillary charges necessary to place the asset into use meet the capitalization threshold for that class of asset. The cost of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized.

Upon disposal of capital assets, historical cost or estimated historical cost is removed. Proceeds from sales are generally recorded as revenue in the fund that originally acquired the assets.

Depreciation and amortization of capital assets are computed on the straight-line method over their estimated useful lives. Depreciation and amortization are not taken during the year of acquisition. Beginning in fiscal year 2008-09, salvage values are no longer used except for vehicles.

The estimated useful lives of capital assets are:

- Buildings & building improvements – 10 to 50 years
- Improvements to land – 20 to 50 years
- Equipment – 3 to 20 years
- Infrastructure – 20 to 100 years

Works of art and historical treasures held for public exhibit rather than financial gain are not capitalized. These items are owned by the City but protected and maintained by the Regional Arts and Culture Council, a nonprofit corporation.

Continued next page

I. **Summary of significant accounting policies**, continued:

D. **Assets, liabilities, and net assets or equity**, continued:

7. Capitalized interest

Interest costs of tax exempt borrowing, less interest earned on investments acquired with these proceeds, are capitalized in proprietary funds from the date of borrowing, after the date of actual expenditure, until the constructed assets are ready for their intended use. Total interest costs incurred in internal service funds in fiscal year 2009 were $3,581,936. Total interest costs incurred in business-type activities in fiscal year 2009 were $82,524,642, of which $15,457,910 was capitalized for a net interest expense of $67,066,732.

8. Leases

In accordance with Financial Accounting Standards Board (FASB) Statement No. 13, some leases are classified as capital lease obligations and are recorded at the lesser of present value of minimum lease payments or fair value of the leased property at inception. Leases not meeting the criteria of a capital lease are classified as operating leases.

9. Compensated absences

City employees accumulate earned but unused vacation and sick leave benefits in accordance with applicable bargaining agreements. Vacation leave is recorded in government-wide, proprietary, and fiduciary fund financial statements when earned by employees. Compensated absences are reported in governmental funds only if they have matured. Collective bargaining agreements for Fire and Police Bureau employees require they be paid for accrued sick leave upon retirement. Sick leave for these employees is accrued when earned. Sick leave for other City employees does not vest and is expended in all funds when leave is taken. Historically, compensated absences are paid by the individual funds as they become due.

10. Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental and business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when bonds are issued.

In the governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs, are recognized 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

11. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. A portion of net assets for proprietary funds has been segregated from unrestricted net assets for amounts legally required to be set aside to pay bonded debt service, in accordance with revenue bond and general obligation water bond ordinances. Other reservations for capital projects and parks endowments have been segregated from unreserved fund balance in governmental funds to indicate that this amount does not represent available expendable resources.

Continued next page

I. Summary of significant accounting policies, continued:

D. Assets, liabilities, and net assets or equity, continued:

12. Statement of cash flows

In the statement of cash flows for proprietary funds, cash and cash equivalents include all assets in the cash and investment pool. This pool is similar to a demand deposit account for enterprise and internal service funds in that they may deposit and withdraw cash at any time without prior notice or penalty. This treatment is in conformity with GASB Statement No. 9, which states that deposits in cash management pools that have the general characteristics of demand deposit accounts are appropriately classified as cash.

13. Use of estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America (GAAP), requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Adoption of new GASB pronouncements:

During the fiscal year ended June 30, 2009, the City implemented the following GASB Pronouncements:

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. Issued on December 2006, this Statement requires governments to estimate their expected outlays for pollution remediation if they know a site is polluted and any of the recognition triggers set by the standard occur. Liabilities would be estimated using an "Expected cash flows" measurement technique, which is used by environmental professional but will be employed for the first time by governments. Governments are required to disclose information about their pollution obligations associated with clean up efforts in the notes to the financial statements. The provisions of GASB Statement No. 49 require the measurement of pollution remediation liabilities retroactively, restating beginning net assets at July 1, 2008. The City was not involved in pollution remediation activities that would require a long-term loss contingency accural, and accordingly did not report any obligations that required a restatement of beginning net assets. However, the City has been involved in a remedial investigation and feasibility study and has appropriately accrued a liability for costs associated with this study. Additional information is provided in the Other information section of the Notes to the Financial Statements (Note IV.B. Commitments and contingent liabilities – Environmental Remediation).

Component Unit – Portland Development Commission:

Beginning net assets for PDC have been restated. The following is a reconciliation of the total net assets previously reported as of June 30, 2008 to the beginning net assets balance:

Net assets at June 30, 2008	$ 277,319,980
Adoption of GASB Statement No. 49	(7,788,772)
Total net assets at July 1, 2008	$ 269,531,208

GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. Issued November 2007, the objective of this Statement is to establish consistent standards for reporting land and other real estate held as investments thereby enhancing users' ability to meaningfully evaluate an entity's investment decisions and performance. This Statement requires land and other real estate held as investments to be reported at fair value, reporting the changes in fair value as investment income and to disclose the methods and significant assumptions used to determine fair value. Though GASB 52 was effective for the City fiscal year July 1, 2008-June 30, 2009, no such properties were held as investments by endowments.

Continued next page

I. **Summary of significant accounting policies**, continued:

E. **Adoption of new GASB pronouncements**, continued:

GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Issued March 2009, the objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The requirements in this Statement will improve financial reporting by contributing to the GASB's efforts to codify all GAAP for state and local governments so that they derive from a single source. The Board concluded that the GAAP hierarchy should reside in the accounting literature established by the GASB and is issuing this Statement to accomplish that objective. This Statement will make it easier for preparers of state and local government financial statements to identify and apply all relevant guidance. This Statement did not result in a change in current practice.

GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards.* Issued March 2009, the objective of this Statement is to incorporate into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles – related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than in auditing literature. This Statement does not establish new accounting standards but rather incorporates the existing guidance (to the extent appropriate in a governmental environment) into the GASB standards.

The requirements in this Statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of GAAP for state and local governments so that they derive from a single source. This effort is important from the perspective of bringing the authoritative accounting and financial reporting literature together in one place, with that guidance modified as necessary to appropriately recognize the governmental environment and the needs of governmental financial statement users.

F. **Future adoption of GASB pronouncements:**

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2009:

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. Issued June 2007, the objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of state and local governments. This Statement requires that an intangible asset be recognized in the statement of net assets only if it is considered identifiable and that it must be treated like capital assets. Additionally, this Statement establishes a specified-conditions approach to recognizing intangible assets that are internally generated. GASB 51 will be effective for the City fiscal year July 1, 2009-June 30, 2010.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* Issued June 2008, the objective of this Statement is to improve the recognition, measurement, and disclosures regarding derivative instruments, thereby improving the understandability of a government's resources available to provide services. Though the changing financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools, there is significant exposure to risks and liabilities. Disclosure requirements include the objectives, terms and risks of hedging derivative instruments, a summary of the activity that provides an indication of the location of fair value amounts reported in the financial statements. GASB 53 will be effective for the City fiscal year July 1, 2009-June 30, 2010.

Continued next page

I. Summary of significant accounting policies, continued:

F. Future adoption of GASB pronouncements, continued:

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* Issued February 2009, the objective of this Statement is to improve the usefulness and understandability of governmental fund balance information. This Statement provides more clearly defined categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. It also clarifies the existing governmental fund type definitions to improve the comparability of governmental fund financial statements and help financial statement users better understand the purposes for which governments have chosen to use particular funds for financial reporting. GASB 54 will be effective for the City fiscal year July 1, 2010-June 30, 2011.

The City of Portland will implement the new GASB pronouncements in the fiscal year no later than the required effective date. The City has not yet determined if the above listed new GASB pronouncements will have a significant financial impact to the City or in issuing its financial statements.

II. Stewardship, compliance, and accountability:

A. Budgetary information:

Except for certain fiduciary funds, state law requires the City to budget all funds. State law further requires that total resources in each fund equal total expenditures and requirements for that fund. Appropriations lapse at fiscal year end.

The City legally adopts its budget annually for all funds prior to July 1st through passage of an ordinance. The FY2008-09 budget ordinance authorized positions and established appropriations for the fiscal year by appropriation unit within the General fund, and by major object class for all other funds. In the Adopted Budget Appropriation Schedule, the Revenue Bureau, Citywide Projects Division, Office of Management and Finance, and Special Appropriations were distinct appropriation units within the General Fund. For all other funds, the major object categories include: personal services, internal materials and services, external materials and services, capital outlay, contingency, interfund cash transfers, and debt retirement.

Budgets may be modified during the fiscal year through different means. Bureau managers, without City Council's approval, may transfer appropriations between line items within major object categories, provided transfers do not affect total appropriations. In addition, bureaus may transfer appropriations between major object categories with the permission of their commissioner-in-charge, provided the adjustments do not affect total appropriations.

Bureaus are allowed to amend the budget outside the Adopted Budget and Budget Monitoring Process with City Council approval. All new grant awards received mid year go before Council for budget amendment approval.

Intrafund activity has been eliminated from the Schedules of Revenues and Expenditures – Budget and Actual. The City has discontinued budgeting for intrafund transfers within the same business area, but will continue to budget intrafund transfers that cross business areas.

The City budgets on the modified accrual basis of accounting. Due to constraints of the prior accounting system, interest expense has been recorded in the budgetary schedules of the proprietary and fiduciary funds on the full accrual basis of accounting. With our new accounting system we are now able to adjust the budgetary basis of accounting for interest expense from full accrual to modified accrual to more fully comply with legal requirements. This change in accounting resulted in the restoration of fund balances in the amount of $15.5 million.

Continued next page

II. Stewardship, compliance, and accountability, continued:

B. Expenditures in excess of appropriations:

State law requires a supplemental budget to increase appropriations when unexpected additional resources become available. A supplemental budget is also required to transfer appropriations from a fund's operating contingency during the fiscal year. The supplemental budget process requires a public hearing, advance notice by newspaper publication, and City Council approval. The City adopted four supplemental budgets and made a number of appropriation transfers requiring approval by the City Council during the year ended June 30, 2009.

Oregon state law requires disclosure of fund expenditures in excess of budgeted appropriations. However, local budget law exempts reporting of over appropriations for a variety of situations related to the issuance, repayment and refunding of bonds as defined in ORS 294.326 (5-6). This includes bonds issued under revenue bond authority as defined in ORS 287A.150 for which the referral period described in that statute ended after the preparation of the budget for the current budget year.

For the fiscal year ended June 30, 2009, four funds had expenditures for debt service and related costs over appropriations that were exempt from supplemental budgetary requirements. The Bancroft Bond Interest and Sinking Fund, Sewer System Operating Fund was exempt per ORS 294.326(6)(c), whereas additional assessments received on limited tax revenue bonds are used to pay off bonds. The South Park Block Redemption, the Parking Facilities and the Parking Facilities Debt Redemption Funds were exempt per ORS 294.326(5)(c) and ORS 294.483(1)(c).

Though Community Development reports expenditures in excess of budgeted appropriations, total General Fund special appropriations across functional areas are under budget by $5 million. Several other funds: Housing Investment, Campaign Finance, Parks Local Option Levy, Children's Investment, Housing and Community Development, Home Grant, and Environmental Remediation, were within budget at the bureau program level, but exceeded budget at the major object category (see Note II.A. above).

For the fiscal year ended June 30, 2009, the following funds had total expenditures in excess of budgeted appropriations:

General Fund:	
Community Development	
Cable Communication and Franchise Management	
Personal Services	$ 7,896
Special appropriations	
Personal Services	624
Materials and Services	273,448
Legislative/Admin/Support Services	
Office of Government Relations	
Personal Services	25,356
Nondepartmental	
Debt service and related costs	2,065
Special Revenue Funds	
Housing Investment	
Personal Services	59,485
Campaign Finance	
Personal Services	33,829
Parks Local Option Levy	
Materials and Services	81,825
Children's Investment	
Personal Services	16,055
Housing and Community Development	
Personal Services	286,706
Home Grant	
Personal Services	51,496

Continued next page

II. Stewardship, compliance, and accountability, continued:

B. Expenditures in excess of appropriations, continued:

Nonmajor Enterprise Fund:	
Hydroelectric Power Bond Redemption	
Debt service and related costs	$ 25,325
Environmental Remediation	
Personal Services	10,385
Internal Service Fund:	
Portland Police Association Health Insurance	
Transfers to other fund: General	6,676

All expenditures in excess of budgeted appropriations in the fiscal year ended June 30, 2009 were funded by additional revenue or available fund balance.

C. Deficit fund equity:

Oregon state law requires fund disclosure of deficit fund balances/total net assets. At June 30, 2009, two funds had a deficit balance reported in the Schedule of Revenues and Expenditures - Budget and Actual, and thus in the GAAP basis financial statements.

Nonmajor Special Revenue Funds:	
Grants	$26,092,167
Home Grant	351,530

The activities for these funds are reported in the governmental activities on the Statement of Activities. The deficits were the result of the design of the new financial system which tracks all grants related expenditures in a central grants fund. Since almost all grants are reimbursable, there is a delay between when expenditures are incurred and the processing of the related billing.

D. Negative budget amounts:

Oregon Administrative Rule (OAR) 150-294.361(1)-(B) prohibits municipal corporations from showing negative amounts when estimating resources. The final budget reported a negative resource amount in one fund, which created a negative appropriation in the corresponding fund.

Nonmajor Special Revenue Fund:	
Grants	
Transfers to other fund: Facilities Services Operating	$436
Internal Service Fund:	
Facilities Services Operating	
Transfers from other fund: Grants	436

Continued next page

III. Detailed notes:

A. Cash and investments:

Cash and investments for the primary government are comprised of governmental and business-type activities. The balances at June 30, 2009 are:

	Primary Government	Component Unit (PDC)	Total
Cash on hand	$ -	$ 500	$ 500
Deposits with financial institutions	14,764,233	423,083	15,187,316
Investments	610,238,963	112,044,406	722,283,369
Total primary government	625,003,196	112,467,989	737,471,185
Fiduciary	52,316,490	70,647	52,387,137
Total Government	$ 677,319,686	$ 112,538,636	$ 789,858,322

	Governmental Activities	Business-type Activities	Total Primary Government	Fiduciary Activities	Total Government	Component Unit (PDC)
Unrestricted	$ 281,467,932	$ 149,742,727	$ 431,210,659	$ 52,316,490	$ 483,527,149	$ 112,115,892
Restricted	80,001,657	113,790,880	193,792,537	-	193,792,537	422,744
Total	$ 361,469,589	$ 263,533,607	$ 625,003,196	$ 52,316,490	$ 677,319,686	$ 112,538,636

Restricted cash and investments

Cash and investments at June 30, 2009 that are restricted by legal or contractual requirements are comprised of the following:

Governmental activities:	
Transportation fund:	
Capital projects	$ 22,351,644
Less: Intrafund loan	(20,119,180)
Net Transportation fund	2,232,464
Nonmajor governmental and internal service funds:	
Debt service	40,417,089
Police forfeitures	15,433
Voter approved special levies	15,610,579
Capital projects	21,542,969
Permanent endowment	183,123
Total governmental activities	$ 80,001,657
Business-type activities:	
Sewer operations enterprise funds:	
Capital projects	$ 72,203,826
Water operations enterprise funds:	
Debt service for capital projects related debt	27,431,130
Hydroelectric power enterprise funds:	
Debt service	4,651,680
Renewal and replacement	8,819,506
Total Hydroelectric power enterprise funds	13,471,186
Other Nonmajor Enterprise funds	684,738
Total business-type activities	113,790,880
Total primary government restricted cash	$ 193,792,537
Component unit activities	422,744
Total restricted cash and investments	$ 194,215,281

Continued next page

III. Detailed notes, continued:

A. Cash and investments, continued:

The Transportation Fund has remaining restricted cash of $22.4 million from System Development Charges (SDC). This includes an intrafund loan of $20.1 million of SDC cash for operating purposes (intrafund activity has been eliminated for government-wide reporting.) These funds will be restored with interest and made available for SDC projects. SDC interest earnings for fiscal year ended June 30, 2009 were $559,614.

Deposits:

Primary government

Custodial credit risk–deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's deposit policy is in accordance with ORS 295. All deposits are collateralized with eligible securities in amounts determined by the Office of the State Treasurer (OST). The City's deposit policy requires that all deposits are covered by the Federal Deposit Insurance Corporation (FDIC), and/or are collateralized as required by and in compliance with ORS 295. As of June 30, 2009, the book value of all the City's deposits was $89.1 million.

The FDIC's standard insurance amount currently is $250,000 per depositor. The $250,000 limit is permanent for certain retirement accounts (includes IRAs) and is temporary for all other deposit accounts through December 31, 2013. On January 1, 2014, the standard insurance amount will return to $100,000 per depositor for all deposit accounts except certain retirement accounts, which will remain at $250,000 per depositor.

The OST's custodian, Federal Home Loan Bank of Seattle, is the agent of the depository bank. The securities pledged are designated as subject to the Pledge Agreement between the Depository Bank, Custodian Bank and OST are held for the benefit of the OST on behalf of the public depositors.

Component Unit - Portland Development Commission:

Total deposits for PDC were $423,083 of which 100% was covered by Federal Depository Insurance Corporation.

Investments

Primary government

All investment pool purchases and sales are part of the City's cash management activity and considered cash and cash equivalents. Activities undertaken by the pool on behalf of the proprietary funds are not part of operating, capital, investing, or financing activities of the proprietary funds, and details of these transactions are not reported in the Statement of Cash Flows.

Interest earned from pooled investments is allocated to each fund based on the average earnings rate and daily cash balance of each fund. The City has recorded investments at fair value.

City Treasury assesses a management fee that is deducted from investment income before distributions are made to all City funds. This fee is based on City Treasury's net operating expenses and totaled $671,892 for fiscal year ended June 30, 2009.

The City's investment policy, developed annually by the Office of Management and Finance after consulting with the City's Investment Advisory Committee (IAC), is adopted annually by the City Council and forwarded to the Oregon Short-Term Fund Board for review. The IAC is established pursuant to City Code section 3.88.010 and comprised of public members who serve without compensation and have industry experience in areas of finance, investment or economics. The public members are appointed by the Mayor, approved by City Council and serve two-year terms. The Oregon Short-Term Fund Board consists of the State Treasurer and six members appointed by the Governor and the State Treasurer.

Continued next page

III. Detailed notes, continued:

A. Cash and investments, continued:

Investments, continued:

The City does not invest in any form of derivatives or reverse repurchase agreements and does not leverage its investment portfolio in any manner. The City purchases investments only through designated Primary Government Securities Dealers approved by the Federal Reserve Bank of New York, or broker/dealers approved by the Chief Administrative Officer or designee in consultation with the City Treasurer and the IAC.

Investments in the LGIP are included in the Oregon Short-Term Fund, which is not registered with the U.S. Securities and Exchange Commission as an investment company. The fair value of the LGIP is the same as the value of the pool shares. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board.

The following investments are permitted under the City's investment policy as well as by ORS 294.035 and ORS 294.810:

- United States Treasury Debt Obligations
- United States Agency Debt Obligations
- Bankers' Acceptances
- Commercial Paper Issued by U.S. Corporations
- Interest Bearing Deposits in State of Oregon Financial Institutions Collateralized with Securities as required by Oregon Revised Statutes 295
- State of Oregon Local Government Investment Pool
- Repurchase Agreements Secured by United States Treasury Debt Obligations
- Corporate Debt Obligations Guaranteed by: the United States Government, the Federal Deposit Insurance Corporation (FDIC), or any other United States Government Agency that Sponsors Commercial Deposit or Credit Default Protection Insurance

Interest rate risk. As of June 30, 2009, the weighted average maturity of the City's investment portfolio was 0.76 years. To minimize interest rate risk, the City's investment policy limits the portfolio to a maximum weighted average maturity of eighteen months. In addition, no more than 50% of the projected lowest cash balance may be invested in securities with a maturity range beyond two years. All other funds must be invested in less than two-year maturities and must meet the City's cash flow requirements. Investments with maturities greater than two years may be purchased only with the approval of the IAC.

Credit risk. Credit risk is the financial risk of not receiving principal and interest when due from an issuer. The types of investments permitted by the Investment Policy seeks to minimize this risk by the conservative nature of the permissible investments and by establishing safe limits on the level of investments with Oregon financial institutions and issuers of commercial paper and monitoring their credit quality on an ongoing basis. A portfolio policy stressing a relatively short maturity serves to additionally minimize credit risk.

The City's investments in United States Treasury and Agency Obligations have short-term credit ratings of A-1+ / P-1 / F1+, by Moody's Investor Services, Standard & Poor's, and Fitch Ratings respectively. The City's investments in United States Treasury and Agency Obligations have long-term credit ratings of Aaa / AAA / AAA, by Moody's Investor Services, Standard & Poor's, and Fitch Ratings respectively.
As of June 30, 2009, the LGIP was not rated.

Continued next page

III. Detailed notes, continued:

A. Cash and investments, continued:

Investments, continued:

Credit Quality Distribution for Securities with Credit Exposure as a Percentage of Total Investments

	Moody's Investor's Service	Standard & Poor's	Fitch Ratings	Percentage of Total Investments
Federal Home Loan Banks	Aaa	AAA		40.64%
Federal Home Loan Mortgage Corporation	Aaa	AAA	AAA	5.11%
Federal National Mortgage Association	Aaa	AAA	AAA	30.56%
Federal Farm Credit Bank	Aaa	AAA	AAA	10.85%
Total United States Agency Debt Obligations				87.16%
United States Treasury Debt Obligations				1.31%
Time / Interest Bearing Deposits				11.46%
State of Oregon Local Government Investment Pool				0.07%
Total Investments				100.00%

Concentration of credit risk. Of the City's total investments as of June 30, 2009, 87.2 percent were United States Agency Debt Obligations or short-term investments (see the table above for the individual distribution). All other investments not explicitly guaranteed by the United States Government were less than three percent of the City's total investments. The City's investment policy addresses credit risk concentration by limiting both the types and amounts of securities that may be held in the portfolio. These portfolio restrictions vary based upon the investment type and issuer. These restrictions as well as other information contained in the City's investment policy are located at: http://www.portlandonline.com/shared/cfm/image.cfm?id=197428.

Custodial credit risk-investments. For an investment, this is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy complies with ORS 294.035 and ORS 294.810 that lists acceptable investments that are identified below. As of June 30, 2009, the City had no investments that were held by either counterparty or the counterparty's trust department agent. Therefore, the City has no outstanding investments that were exposed to custodial credit risk. As of June 30, 2009, the City had the following investments and maturities (this table includes fiduciary funds):

		Fair Value				Weighted
				Investment Maturity (Years)		Average
Investment Type	Book Value	Fair Market Value	Non Maturity Rated	Less Than 1	1 - 5	Maturity (Years)
U.S. Treasuries	$ 10,193,135	$ 10,192,188	$ -	$ 10,192,188	$ -	0.92
U.S. agencies	672,220,297	677,542,009	-	404,712,411	272,829,598	0.86
Time/interest bearing deposits	89,110,000	89,110,000	89,110,000	-	-	
Local government pool	520,808	520,808	520,808	-	-	
Total	$ 772,044,240	$ 777,365,005	$ 89,630,808	$ 414,904,599	$ 272,829,598	
Portfolio weighted average maturity						0.76

Continued next page

III. Detailed notes, continued:

B. Receivables and payables:

Receivables as of June 30, 2009, are as follows:

	Governmental Activities					Business-type Activities			
	General	Trans-portation	Nonmajor Funds	Internal Service	Total	Sewage Disposal	Water	Nonmajor Funds	Total
Taxes	$18,519,259	$ -	$ 6,852,503	$ -	$ 25,371,762	$ -	$ -	$ -	$ -
Accounts	27,504,053	4,845,255	4,329,060	1,480,591	38,158,959	44,172,240	16,889,084	1,130,657	62,191,981
Assessments	44,041	691,228	69,304,692	-	70,039,961	4,938,001	109,311	-	5,047,312
Grants	-	-	34,385,633	-	34,385,633	-	-	-	-
Advances	1,539,664	-	1,261,464	-	2,801,128	10,000	-	60,000	70,000
Interest	1,277,545	-	1,390,765	1,083,797	3,752,107	1,891,102	682,004	427,860	3,000,966
Total receivables	48,884,562	5,536,483	117,524,117	2,564,388	174,509,550	51,011,343	17,680,399	1,618,517	70,310,259
Allowance for doubtful accounts	(581,218)	(10,941)	-	(40,130)	(632,289)	(8,151,029)	(3,892,110)	-	(12,043,139)
Receivables, net	$48,303,344	$5,525,542	$ 117,524,117	$2,524,258	$173,877,261	$42,860,314	$ 13,788,289	$1,618,517	$58,267,120
Not scheduled for collection during the subsequent year	$ -	$ 432,841	$ 57,388,748	$ -	$ 57,821,589	$ 4,406,774	$ 27,970	$ -	$ 4,434,744
Delinquent special assessments	$ 18,671	$ 189,320	$ 7,297,031	$ -	$ 7,505,022	$ 201,637	$ 279	$ -	$ 201,916

Some special assessments in the Transportation, other Nonmajor Governmental, Sewage Disposal, and Water Funds are not expected to be collected within one year. City special assessment liens are defined as being delinquent once they are 30 days past due. This applies to assessments that cannot be financed, or to those that have entered into a financing repayment contract. Certain special assessments have not been financed but are under deferral status and are not deemed delinquent. Delinquent special assessments total $7.7 million, of which $.6 million in the LID Construction Fund (a nonmajor capital projects fund) is under negotiation and an installment payment contract may be established in the subsequent year.

Payables and other accrued liabilities at June 30, 2009, are as follows:

	Governmental Activities					
	General	Trans-portation	Nonmajor Funds	Internal Service	Unallocated Governmental	Total
Accounts to vendors and contractors	$ 21,130,225	$ 5,437,039	$ 11,964,053	$ 15,973,261	$ 6,569,936	$ 61,074,514
Interest on bonds and notes	-	-	-	2,413,885	43,092,638	45,506,523
Total payables	$ 21,130,225	$ 5,437,039	$ 11,964,053	$ 18,387,146	$ 49,662,574	$ 106,581,037

	Business-type Activites			
	Sewage Disposal	Water	Nonmajor Funds	Total
Accounts to vendors and contractors	$ 18,455,044	$ 11,161,247	$ 5,046,379	$ 34,662,670
Interest on bonds and notes	11,610,802	7,034,898	1,059,454	19,705,154
Total payables	$ 30,065,846	$ 18,196,145	$ 6,105,833	$ 54,367,824

Continued next page

III. Detailed notes, continued:

C. Deferred and unearned revenue:

The City recognizes revenues when earned. Amounts received in advance of the period in which services are rendered are recorded as a liability, "Unearned Revenue." 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. The various components of deferred revenue reported in the governmental funds at June 30, 2009 are as follows:

	Governmental Funds			
	General	Transportation	Nonmajor Funds	Total
Accounts	$ -	$ -	$ 31,696,275	$ 31,696,275
Liens - LID	-	-	304,910	304,910
Liens	44,490	657,604	68,464,234	69,166,328
Taxes	12,628,114	-	5,037,366	17,665,480
Total fund level deferred revenue	$ 12,672,604	$ 657,604	$105,502,785	$ 118,832,993

The various components of unearned revenue reported at June 30, 2009 are as follows:

	Governmental Activities				Business-type Activities		
	General	Transportation	Nonmajor Funds	Total	Sewage Disposal	Water	Total
Grants	$ -	$ -	$ 27,812,886	$ 27,812,886	$ -	$ -	$ -
Accounts	4,900	2,414,550	20	2,419,470	683,732	232,363	916,095
Total unearned	$ 4,900	$ 2,414,550	$ 27,812,906	$ 30,232,356	$ 683,732	$ 232,363	$ 916,095

D. Restricted net assets:

Restricted net assets consist of net assets with constraints placed on the use either by (1) external parties such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) are legally restricted through provisions or enabling legislation. As summarized below, the government-wide statement of net assets reports $179 million of restricted net assets.

Restricted by:	
State law related to developer contributions for transportation	$ 21,961,554
Voted levy for parks improvements	7,761,928
Voted levy for aid to children	6,753,463
Grant agreements	1,032,876
Court orders for public safety projects	15,446
Bond covenants for community development	118,629
Bond covenants for payment of debt	105,821,219
Bond covenants for construction of capital assets	16,324,152
Permanently restricted for parks endowment	184,345
Total governmental activities	159,973,612
Water operations for payment of debt	5,398,600
Environmental operations for payment of debt	200,000
Power sales contract for payment of debt	13,434,846
Total business-type activities	19,033,446
Total government-wide	$ 179,007,058

Continued next page

III. Detailed notes, continued:

E. Capital assets:

Primary Government

In the governmental activities column of the statement of activities, capital asset reclassification or transfers between governmental funds and internal service funds have been eliminated. In a like manner, capital asset transfers between enterprise funds have been eliminated in the business-type activities column. The remaining transfers shown on the statement of activities consist of $1.9 million in capital asset transfers from governmental activities to business-type activities. Capital assets activity for the primary government, which excludes fiduciary activities, for the year ended June 30, 2009, is as follows:

	Beginning Balance	Increases	Decreases	Reclassifications	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 116,346,299	$ 4,717,948	$ (334,882)	$ 1,046,993	$ 121,776,358
Construction in progress	100,955,518	82,913,108	-	(84,717,110)	99,151,516
Total capital assets, not being depreciated	217,301,817	87,631,056	(334,882)	(83,670,117)	220,927,874
Capital assets, being depreciated:					
Buildings	280,550,434	4,682,349	-	(243,912)	284,988,871
Improvements to land	107,532,027	-	(6,806,358)	-	100,725,669
Equipment	142,969,880	5,215,856	(9,854,330)	3,283,063	141,614,469
Software	-	-	-	35,887,386	35,887,386
Infrastructure	4,286,239,085	40,634,935	(70,000)	42,775,235	4,369,579,255
Total capital assets being depreciated	4,817,291,426	50,533,140	(16,730,688)	81,701,772	4,932,795,650
Less Accumulated depreciation for:					
Buildings	(76,348,906)	(21,234,487)	19,069	85,779	(97,478,545)
Improvements to land	(38,690,267)	(3,203,979)	-	-	(41,894,246)
Equipment	(70,752,075)	(10,357,243)	7,439,292	27,826	(73,642,200)
Infrastructure	(2,431,468,624)	(144,513,247)	9,576	-	(2,575,972,295)
Total accumulated depreciation	(2,617,259,872)	(179,308,956)	7,467,937	113,605	(2,788,987,286)
Total capital assets, being depreciated, net	2,200,031,554	(128,775,816)	(9,262,751)	81,815,377	2,143,808,364
Governmental activities capital assets, net	$ 2,417,333,371	$ (41,144,760)	$ (9,597,633)	$ (1,854,740)	$ 2,364,736,238
Business-type activities:					
Capital assets, not being depreciated:					
Land	$ 78,290,319	$ 1,882,240	$ (216,782)	$ 1,200,000	$ 81,155,777
Construction in progress	403,853,811	247,374,951	-	(59,911,519)	591,317,243
Water rights	72,306	-	-	-	72,306
Total capital assets, not being depreciated	482,216,436	249,257,191	(216,782)	(58,711,519)	672,545,326
Capital assets, being depreciated:					
Buildings	188,456,774	-	(425,150)	1,156,433	189,188,057
Improvements to land	28,118,477	9,024	-	187,776	28,315,277
Equipment	62,320,717	3,463,815	(6,064,273)	3,472,203	63,192,462
Infrastructure	2,817,412,802	2,129,813	(1,164,205)	55,869,977	2,874,248,387
Capital leases	306,728	-	-	-	306,728
Total capital assets being depreciated	3,096,615,498	5,602,652	(7,653,628)	60,686,389	3,155,250,911
Less accumulated depreciation for:					
Buildings	(69,785,539)	(6,239,109)	17,711	(85,779)	(76,092,716)
Improvements to land	(6,899,332)	(1,122,593)	-	-	(8,021,925)
Equipment	(28,921,410)	(6,605,591)	4,669,224	(34,351)	(30,892,128)
Infrastructure	(482,871,706)	(42,942,070)	1,286,143	-	(524,527,633)
Capital leases	(165,633)	(70,548)	-	-	(236,181)
Total accumulated depreciation	(588,643,620)	(56,979,911)	5,973,078	(120,130)	(639,770,583)
Total capital assets, being depreciated, net	2,507,971,878	(51,377,259)	(1,680,550)	60,566,259	2,515,480,328
Business-type activities capital assets, net	$ 2,990,188,314	$ 197,879,932	$ (1,897,332)	$ 1,854,740	$ 3,188,025,654

Continued next page

III. Detailed notes, continued:

E. Capital assets, continued:

	Beginning Balance	Increases	Decreases	Reclassifications	Ending Balance
Total:					
Capital assets, not being depreciated:					
Land	$ 194,636,618	$ 6,600,188	$ (551,664)	$ 2,246,993	$ 202,932,135
Construction in progress	504,809,329	330,288,059	-	(144,628,629)	690,468,759
Water rights	72,306	-	-	-	72,306
Total capital assets, not being depreciated	699,518,253	336,888,247	(551,664)	(142,381,636)	893,473,200
Capital assets, being depreciated:					
Buildings	469,007,208	4,682,349	(425,150)	912,521	474,176,928
Improvements to land	135,650,504	9,024	(6,806,358)	187,776	129,040,946
Equipment	205,290,597	8,679,671	(15,918,603)	6,755,266	204,806,931
Software	-	-	-	35,887,386	35,887,386
Infrastructure	7,103,651,887	42,764,748	(1,234,205)	98,645,212	7,243,827,642
Capital leases	306,728	-	-	-	306,728
Total capital assets being depreciated	7,913,906,924	56,135,792	(24,384,316)	142,388,161	8,088,046,561
Less accumulated depreciation for:					
Buildings	(146,134,445)	(27,473,596)	36,780	-	(173,571,261)
Improvements to land	(45,589,599)	(4,326,572)	-	-	(49,916,171)
Equipment	(99,673,485)	(16,962,834)	12,108,516	(6,525)	(104,534,328)
Infrastructure	(2,914,340,330)	(187,455,317)	1,295,719	-	(3,100,499,928)
Capital leases	(165,633)	(70,548)	-	-	(236,181)
Total accumulated depreciation	(3,205,903,492)	(236,288,867)	13,441,015	(6,525)	(3,428,757,869)
Total capital assets, being depreciated, net	4,708,003,432	(180,153,075)	(10,943,301)	142,381,636	4,659,288,692
Total capital assets, net	$ 5,407,521,685	$ 156,735,172	$ (11,494,965)	$ -	$ 5,552,761,892

Depreciation and amortization. Fully depreciated capital assets at June 30, 2009 totaled $125.7 million, of which $56.9 million pertains to governmental activities, and $68.8 million to business-type activities. Remaining salvage values are $3.3 million in total, $1.9 million for governmental activities and $1.4 million for business-type activities. There were no permanent impairment write-downs in fiscal year 2008-09.

Capital assets held by the City of Portland's internal service funds are billed according to interagency agreements to the various functions based on their usage of the assets. Depreciation and amortization expenses are charged to the internal service fund that owns and bills for the use of the assets. Depreciation and amortization expenses of the primary government are as follows:

	Amount
Governmental activities:	
Public safety	$ 3,549,969
Parks, recreation and culture	16,394,567
Community development	21,152
Transportation and metered parking	143,972,409
Legislative/ Admin/ Support services	5,200,682
Total governmental funds	169,138,779
Internal service funds -	
Legislative/ Admin/ Support services	10,170,177
Total governmental activities	$ 179,308,956

Continued next page

III. Detailed notes, continued:

E. Capital assets, continued:

Business-type activities:	
Environmental services	$ 29,580,111
Water	20,672,524
Hydroelectric power	607,392
Parking facilities	1,291,574
Golf	892,610
Motor sports	645,820
Spectator facilities	3,289,880
Total business-type activities	$ 56,979,911
Total accumulated depreciation and amortization	$ 236,288,867

Construction commitments. The City has active construction and technology projects as of June 30, 2009. These include building, remodeling and retrofitting fire facilities, park improvements, enterprise business system improvements, plus communication, sewer, transportation and water infrastructure upgrades. At year end the City's contractual commitments to complete the various projects are as follows:

Projects	Spent to date	Remaining Commitments	Financing Source
Governmental activities:			
BGS facilities	$ 9,205,104	$ 666,332	General Fund discretionary
Fire facilities	8,434,604	3,312,041	General obligation bonds / Intergovernmental cost sharing
Parks	101,295,256	5,561,657	Local option levy / Tax increment / Grants / General Fund discretionary
Technology Services	14,345,188	319,251	Revenue bonds
Transportation	10,188,079	776,207	Intergovernmental cost sharing / Grants / System development charges / Local improvement districts / Transportation revenues
Total governmental activities	143,468,231	10,635,488	
Business-type activities:			
Sewer	340,533,730	335,212,396	Revenue bonds / Sewer rate revenues
Water	56,057,242	20,357,593	Revenue bonds / Water rate revenues / Project reimbursements
Total business-type activities	396,590,972	355,569,989	
Total project commitments	$ 540,059,203	$ 366,205,477	

Component Unit - Portland Development Commission:

Activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 8,438,819	$ 530	$ -	$ 8,439,349
Capital assets, being depreciated:				
Buildings and improvements	2,707,441	-	-	2,707,441
Leasehold improvements	3,712,694	3,708	-	3,716,402
Furniture, vehicles and equipment	2,016,835	897,112	(76,920)	2,837,027
Total capital assets, being depreciated	8,436,970	900,820	(76,920)	9,260,870
Less accumulated depreciation for:				
Buildings and improvements	(1,082,975)	(54,149)	-	(1,137,124)
Leasehold improvements	(1,801,587)	(638,219)	-	(2,439,806)
Furniture, vehicles and equipment	(1,632,352)	(153,592)	67,510	(1,718,434)
Total accumulated depreciation	(4,516,914)	(845,960)	67,510	(5,295,364)
Total capital assets, being depreciated, net	3,920,056	54,860	(9,410)	3,965,506
Governmental activities capital assets, net	$ 12,358,875	$ 55,390	$ (9,410)	$ 12,404,855

Continued next page

III. **Detailed notes**, continued:

F. Interfund receivables, payables, and transfers

Due to/from other funds

Primary government

Transactions between individual funds and the component unit are recorded as "due to" and "due from". Repayment of these transactions is required. The General Fund due to the fiduciary fund represents employer contributions to pay pension benefits. Nonmajor governmental funds due to other funds represent federal, state, and private grants receivable not yet transferred to benefiting City bureaus. These interfund balances are expected to be repaid within one year. The composition of due to and due from other funds as of June 30, 2009 is:

	Governmental Activities				Business-type Activities			
Funds	General	Transportation	Nonmajor funds	Internal Service	Sewage Disposal	Water	Fiduciary	Total Due To Other Funds
Governmental Activities:								
General	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,569,936	$ 6,569,936
Nonmajor governmental	9,203,475	4,949,569	58,481	75,747	1,303,924	1,591,867	-	17,183,063
Total Due From Other Funds	$ 9,203,475	$ 4,949,569	$ 58,481	$ 75,747	$ 1,303,924	$ 1,591,867	$ 6,569,936	$ 23,752,999

Component unit – Portland Development Commission

The amount due from PDC to the City is $30.6 million. This includes $11.3 million of loan principal and interest receivable on contracts through PDC for Community Development Block Grants program, $10.1 million in accounts receivable, and $4.8 million in other internal balances due from PDC to the City. Other due from amounts are related to PDC property held for sale which was acquired via grant funds and amounts from the City.

Additionally, $1.8 million due from PDC consists of the Streetcar line of credit for the Portland Streetcar from Portland State University to the River Place Project. This line of credit is secured by PDC's property in the South Waterfront Development Lots 3 and 8 in the North Macadam Urban Renewal Area. The property, recorded at cost of $2.5 million, is security for $4.2 million in funds due to the City by PDC. The properties are to be sold by PDC for amounts expected to be sufficient to cover the funds advanced by the City to PDC. The amounts due from the City to PDC for various grant expenditures under various grant programs and other intergovernmental agreements totaled $6.6 million.

	Governmental Activities				Portland Development Commission	Net Due (To) From Component Unit
	General	Transportation	Nonmajor Funds	Internal Services		
Governmental Activities:						
General	$ -	$ -	$ -	$ -	$ (3,500,120)	$ (3,500,120)
Nonmajor Funds	-	-	-	-	(1,228,801)	(1,228,801)
Business-type Activities:						
Sewage Disposal	-	-	-	-	(1,814,662)	(1,814,662)
Nonmajor Funds	-	-	-	-	(21,807)	(21,807)
Total due to Component Unit						(6,565,390)
Portland Development Commission	261,186	5,636,797	24,499,554	240,169	-	30,637,706
Net Due From (To) Component Unit	$ 261,186	$ 5,636,797	$ 24,499,554	$ 240,169	$ (6,565,390)	$ 24,072,316

Continued next page

III. Detailed notes, continued:

F. Interfund receivables, payables, and transfers, continued:

Interfund transfers

Transfers between funds provide support for various City programs in accordance with budgetary authorizations and resources for payment of debt services. General Fund transfers to the Transportation Operating Fund are for street lighting. General Fund transfers to nonmajor governmental funds are for various programs including: emergency communications, nuisance control and other neighborhood programs, the General Fund's portion of the PERS debt, capital construction in the parks program, facilities debt service for City Hall, and various borrowings. General Fund transfers to internal service funds represent financial commitments to fund operating improvements. The Transportation Operating Fund transfers debt service payments to nonmajor governmental funds. Nonmajor governmental fund transfers represent federal, state, and private grants receivable, not yet transferred to benefiting bureaus or the component unit. Transfers from internal service and nonmajor enterprise funds are primarily overhead charges.

In the governmental activities column of the statement of activities, transfers between governmental funds have been eliminated. In a like manner, transfers between enterprise funds have been eliminated in the business-type activities column.

Interfund transfers and the reconciliation to the Statement of Activities for the fiscal year ended June 30, 2009 consist of the following:

	Governmental Activities				Business-type Activities		
	General	Transportation	Nonmajor Funds	Internal Service	Sewage Disposal	Water	Total Transfers Out
Governmental activities:							
General	$ -	$ 11,414,628	$ 26,366,401	$ 14,338,538	$ -	$ 250,000	$ 52,369,567
Transportation	-	-	5,159,271	-	-	-	5,159,271
Nonmajor funds	6,300,715	2,108,670	6,320,791	1,386,564	-	-	16,116,740
Internal Service	2,020,998	-	360,775	-	-	-	2,381,773
Business-type activities:							
Sewage Disposal	-	-	599,601	-	-	200,000	799,601
Water	-	-	520,191	-	62,100	-	582,291
Nonmajor funds	1,397,283	1,755,504	57,164	-	-	-	3,209,951
Total Transfers In	$ 9,718,996	$ 15,278,802	$ 39,384,194	$ 15,725,102	$ 62,100	$ 450,000	80,619,194
Reconciliation:							
Internal Service funds elimination							(2,381,773)
Total governmental funds							(73,645,578)
Water Fund transfers from Sewage Disposal and General Fund							(450,000)
Sewage Disposal transfer from Water							(62,100)
Capital assets transferred from the governmental funds							(654,738)
Total transfers per Statement of Activities							$ 3,425,005

Interfund loans

All prior year interfund loans were repaid and there are no outstanding interfund balances at fiscal year end June 30, 2009.

Continued next page

III. Detailed notes, continued:

G. Leases:

Capital lease

The City has entered into a capital lease agreement for the purpose of acquiring and financing equipment. This lease agreement provides the City the right to purchase the asset at a nominal price at the end of the lease term and is five years in length. This lease agreement has been recorded at the lesser of present value of minimum lease payments or fair value of the leased property at inception as described in Note I.D.8. The asset acquired through a capital lease is as follows:

	Business-type Activities
Assets:	
Equipment	$ 306,728
Less: accumulated amortization	(236,181)
Net	$ 70,547

The net present value of the minimum lease payments as of June 30, 2009, is $84,772, final payment will be made in the subsequent year. The implicit rate of interest is zero to 8.285 percent, which is offset by credit, resulting in no interest.

Operating leases

The City leases land, buildings and equipment under operating leases. Operating leases for governmental type activities were $3.1 million and for business-type activities, $1.7 million. Total costs for such leases were $4.8 million for the year ended June 30, 2009. Future minimum payments for these operating leases are as follows:

Year Ending June 30,	Governmental Activities	Business-type Activities	Total
2010	$ 2,101,149	$ 1,193,703	$ 3,294,852
2011	1,415,275	1,164,616	2,579,891
2012	285,969	975,085	1,261,054
2013	92,263	455,938	548,201
2014	52,180	306,081	358,261
2015-2019	198,457	120,059	318,516
2020-2024	169,872	-	169,872
Total	$ 4,315,165	$ 4,215,482	$ 8,530,647

Continued next page

III. Detailed notes, continued:

G. Leases, continued:

The City acts as lessor for operating leases that arise primarily from leasing office or retail space. Operating lease revenues for governmental activities were $1.9 million and for business-type activities, $2.1 million.

Year Ending June 30,	Governmental Activities	Business-type Activities	Total
2010	$ 1,353,293	$ 1,773,088	$ 3,126,381
2011	874,991	1,603,289	2,478,280
2012	794,802	1,512,782	2,307,584
2013	809,516	1,010,548	1,820,064
2014	694,324	850,062	1,544,386
2015-2019	3,324,721	2,347,944	5,672,665
2020-2024	1,651,493	-	1,651,493
	$ 9,503,140	$ 9,097,713	$18,600,853

The City has entered into various lease agreements that are made up of mixed-use properties, most of which are occupied by a combination of three types of tenants which include: City, leaseholders, and short-term renters. Therefore, it is not practical for the City to determine the original cost, accumulated depreciation and net book value that are leased to others under operating leases.

H. Long-term debt:

The City issues a variety of debt types for the purpose of carrying out its capital financing activities. The various types of debt are discussed below and each debt type reports the range of maturities for each of its outstanding debt issue. The City's tax exempt debt remains in compliance with all Internal Revenue Service arbitrage regulations. Outstanding debt amounts are as of June 30, 2009.

General obligation bonds

The City issues general obligation bonds for the acquisition and construction of capital improvements of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The City originally issued $83.6 million of unlimited tax general obligation bonds for governmental activities. The City currently has $66.8 million of these bonds outstanding. The bonds were originally issued for park system improvements and emergency facilities. The City is authorized to levy an unlimited ad valorem tax to pay these bonds.

In December 2008, the City sold $15.4 million in bonds for emergency facilities. Rates range from 3.00 to 4.75 percent and will be paid off over 20 years.

The City originally issued general obligation bonds in the amount of $7.6 million for business-type activities. The City currently has $3.1 million of unlimited general obligation water bonds outstanding. While the City has the authority to levy an unlimited ad valorem tax to pay these bonds, the City has chosen to pay these bonds entirely from revenues of the water system. The City's general obligation water bonds issued in 2004 are non-callable. The City is in compliance with its bond covenants as of and for fiscal year ended June 30, 2009.

Continued next page

III. Detailed notes, continued:

H. Long-term debt, continued:

General obligation bonds, continued:

General obligation bonds currently outstanding are as follows:

	Bond Series	Interest Rate(s) Outstanding Debt	Date of Issue	Years of Maturity	Amount of Original Issue	Outstanding June 30, 2009
Governmental Activities						
Parks	2001A	4.25-5.00	07/01/2001	2001-2015	$ 29,810,000	$ 25,145,000
Emergency Facilities	1999A	4.90-5.125	06/01/1999	1999-2019	24,500,000	14,920,000
"	2004A	2.75-4.25	01/28/2004	2004-2024	13,965,000	11,395,000
"	2008A	3.00-4.75	11/18/2008	2008-2028	15,360,000	15,360,000
Total General Obligation Bonds: Governmental Activities					83,635,000	66,820,000
Business-type Activities						
Water	2004C	3.20-3.40	06/09/2004	2004-2010	7,640,000	3,135,000
Total General Obligation Bonds: Business-type Activities					7,640,000	3,135,000
Total General Obligation Bonds					$ 91,275,000	$ 69,955,000

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

Year Ending	Governmental Activities		Business-type Activities	
June 30,	Principal	Interest	Principal	Interest
2010	$ 5,815,000	$ 3,309,645	$ 1,545,000	$ 78,780
2011	6,360,000	2,753,142	1,590,000	27,030
2012	6,630,000	2,478,840	-	-
2013	6,935,000	2,171,460	-	-
2014	7,235,000	1,870,197	-	-
2015-2019	20,410,000	5,438,381	-	-
2020-2024	9,045,000	2,247,564	-	-
2025-2029	4,390,000	532,675	-	-
Total	$ 66,820,000	$ 20,801,904	$ 3,135,000	$ 105,810

Limited tax improvement bonds

The City has $44.3 million of outstanding limited tax improvement bonds. These bonds were issued for the purpose of financing local improvement projects. These bonds are expected to be fully self-supporting from assessment payments received from property owners benefiting from the improvement projects. In addition, the City has pledged its full faith and credit to pay the bonds. Interest rates on the outstanding bonds range from 4 to 5 percent.

Continued next page

III. Detailed notes, continued:

H. Long-term debt, continued:

Limited tax improvement bonds, continued:

Limited tax improvement bonds currently outstanding are as follows:

	Bond Series	Interest Rate(s) Outstanding Debt	Date of Issue	Years of Maturity	Amount of Original Issue	Outstanding June 30, 2009
Governmental Activities						
Limited Tax Improvement	2003A	4.35	05/22/2003	2003-2023	$ 21,430,000	$ 9,050,000
"	2007A	4.00-5.00	06/28/2007	2007-2027	41,745,000	35,210,000
Total Limited Tax Improvement Bonds: Governmental Activities					$ 63,175,000	$ 44,260,000

Annual debt service requirements to maturity for limited tax improvement bonds are as follows:

Year Ending June 30,	Governmental Activities Principal	Governmental Activities Interest
2010	$ 2,190,000	$ 2,094,225
2011	2,185,000	2,006,625
2012	2,160,000	1,919,225
2013	-	1,827,425
2014	-	1,827,425
2015-2019	8,995,000	8,237,625
2020-2024	9,050,000	6,494,700
2025-2029	19,680,000	2,952,000
Total	$ 44,260,000	$ 27,359,250

Urban renewal and redevelopment bonds

The City issues urban renewal and redevelopment bonds to finance capital projects to stimulate job creation and growth in designated target areas. The City has urban renewal and redevelopment bonds outstanding that are secured solely by the tax increment revenues generated from the respective urban renewal areas.

The City has issued long-term urban renewal and redevelopment bonds for six of its urban renewal districts including Airport Way, Oregon Convention Center, South Park Blocks, Downtown Waterfront, Interstate Corridor and River District. The $334.4 million outstanding balances on these bonds are paid from tax increment revenues generated from the respective urban renewal areas. No additional City revenues are pledged to the repayment of these bonds. Interest rates on the outstanding bonds range from 3.00 to 7.75 percent.

In July 2008, the City issued $66.6 million of urban renewal and redevelopment bonds for the South Parks Urban Renewal Area. These bonds were issued to fund capital improvements within the Area and to refund some of the outstanding bonds. The bonds are secured by and payable from the tax increment revenues from the South Park Blocks Urban Renewal Area. The bonds will be paid back over 16 years with interest rates ranging from 4.332 to 6.081 percent.

Continued next page

III. **Detailed notes**, continued:

H. **Long-term debt,** continued:

Urban renewal and redevelopment bonds, continued:

Urban renewal bonds currently outstanding are as follows:

	Bond Series	Interest Rate(s) Outstanding Debt	Date of Issue	Years of Maturity	Amount of Original Issue	Outstanding June 30, 2009
Governmental Activities						
South Park Blocks	2000B	7.19-7.34	10/15/2000	2000-2013	$ 16,560,000	$ 6,620,000
"	2008A	4.332-6.081	07/01/2008	2008-2019	34,580,000	33,245,000
"	2008B	5.00	07/01/2008	2008-2024	32,020,000	32,020,000
Waterfront Renewal	2000A	5.10-5.75	10/31/2000	2001-2020	33,060,000	33,060,000
"	2000B	7.26	10/31/2000	2001-2013	24,970,000	13,180,000
"	2008A	3.72-6.30	04/23/2008	2008-2024	50,165,000	47,360,000
Airport Way	2002A	3.50	10/01/2002	2002-2010	13,500,000	3,230,000
"	2005A	3.00-5.00	09/29/2005	2005-2020	45,370,000	43,790,000
Oregon Convention Center	2000A	5.25-5.75	08/01/2000	2001-2020	32,900,000	32,900,000
"	2000B	7.50-7.75	08/01/2000	2001-2014	16,840,000	13,705,000
River District	2003A	3.25-5.00	06/17/2003	2004-2023	33,180,000	33,180,000
"	2003B	3.35-4.10	06/17/2003	2004-2015	28,760,000	14,455,000
Interstate Corridor	2004A	3.50-5.25	12/09/2004	2005-2025	32,310,000	27,700,000
Total Urban Renewal & Redevelopment Bonds: Governmental Activities					$ 394,215,000	$ 334,445,000

Annual debt service requirements for urban renewal and redevelopment bonds are as follows:

Year Ending	Governmental Activities	
June 30,	Principal	Interest
2010	$ 17,930,000	$ 18,087,109
2011	18,965,000	17,146,519
2012	19,995,000	16,104,154
2013	21,130,000	14,974,609
2014	22,345,000	13,771,942
2015-2019	134,225,000	49,627,929
2020-2024	97,445,000	15,028,027
2025-2029	2,410,000	120,500
Total	$ 334,445,000	$ 144,860,789

Continued next page

III. Detailed notes, continued:

H. Long-term debt, continued:

Limited tax and limited tax revenue bonds

The City has issued limited tax revenue bonds to finance local and public capital improvement projects and to reduce the City's payments to the State of Oregon Public Employees Retirement System (PERS). These bond issues include non self-supporting General Fund obligations and self-supporting General Fund obligations.

Non self-supporting general fund obligations

Limited Tax Revenue Bonds. As of June 30, 2009, the City had $74.8 million of outstanding limited tax revenue bonds and $20.1 in limited tax housing revenue bonds outstanding, which are backed primarily from General Fund resources.

Non self-supporting limited tax revenue bonds currently outstanding are as follows:

	Bond Series	Interest Rate(s) Outstanding Debt	Date of Issue	Years of Maturity	Amount of Original Issue	Outstanding June 30, 2009
Governmental Activities						
Capital Financing - Facilities	2008A	3.75-5.00	06/10/2008	2008-2018	$ 17,725,000	$ 16,100,000
System Development	2002A	4.50	04/01/2002	2002-2011	2,245,000	570,000
Integrated Regional Network Enterprise (IRNE)	2002A	4.50-4.625	04/01/2002	2002-2013	7,795,000	3,540,000
Emergency Operations Center Expansion (EOC)	2002A	4.50	04/01/2002	2002-2012	220,000	75,000
EBS Project	2007A	4.25	04/24/2007	2007-2016	22,480,000	18,240,000
Capital Improvement & Renovation	1998B	4.45-4.90	06/15/1998	1999-2018	8,499,490	1,565,000
"	1999B	5.25-5.875	11/01/1999	2001-2020	10,135,000	3,755,000
Radio Shop	2003A	3.50-4.00	01/15/2003	2003-2009	930,000	410,000
Emergency Operations Center Expansion (EOC)	2003A	3.50-4.00	01/15/2003	2003-2013	160,000	70,000
800MHz	2003A	3.50-4.00	01/15/2003	2003-2013	2,635,000	1,155,000
"	2004A	5.00	03/25/2004	2004-2011	3,420,000	1,095,000
"	2004A	3.00-5.00	03/25/2004	2004-2016	21,096,000	14,714,000
"	2004A	3.00-5.00	03/25/2004	2004-2013	624,000	326,000
Archives Space Project	2007C	4.00-4.50	10/11/2007	2008-2028	11,925,000	11,525,000
Total Non Self-Supporting Limited Tax Revenue Bonds: Governmental Activities					109,889,490	73,140,000
Business-type Activities						
Portland International Raceway	LOC	6.14	10/25/2007	2008-2017	2,010,000	1,700,000
Total Non Self-Supporting Limited Tax Revenue Bonds					$ 111,899,490	$ 74,840,000

Non self-supporting limited tax housing revenue bonds currently outstanding are as follows:

	Bond Series	Interest Rate(s) Outstanding Debt	Date of Issue	Years of Maturity	Amount of Original Issue	Outstanding June 30, 2009
Governmental Activities						
Headwaters Apt Project	2005A	3.35-4.71	04/18/2005	2005-2035	$ 10,480,000	$ 10,155,000
"	2005B	4.70	04/18/2005	2005-2035	1,260,000	1,220,000
Housing Projects	2005C	4.25-4.45	06/21/2005	2005-2014	3,170,000	1,720,000
"	2005D	3.25-5.00	06/21/2005	2005-2025	6,975,000	6,975,000
Total Non Self-Supporting Limited Tax Housing Revenue Bonds					$ 21,885,000	$ 20,070,000

Continued next page

III. Detailed notes, continued:

H. Long-term debt, continued:

Limited tax and limited tax revenue bonds, continued:

Non self-supporting general fund obligations, continued:

Limited Tax Pension Obligation Revenue Bonds. The City issued $300.8 million of Limited Tax Pension Obligation Revenue Bonds in November 1999 to finance the City's December 31, 1997 PERS unfunded actuarial accrued pension liability with the State of Oregon Public Employees Retirement System. The bonds are secured by available general funds, defined as revenues that are legally available to pay the bonds and not prohibited for such use under the charter and ordinances of the City and Oregon laws. Revenues include all taxes and other legally available general funds of the City. At June 30, 2009, interest rates on the outstanding bonds $75 million for both the 1999 series D and the 1999 series E variable rate bonds ($150 million total) is .315 percent. Interest rates on the fixed rate $137.5 million of 1999 series C bonds range from 7.42 to 7.93 percent. In accordance with GAAP, in fiscal year 2002, the City allocated the PERS bond liability to all funds that have employees who are PERS members.

The $300.8 million liability has been distributed as follows:

	Original Distribution	Liability June 30, 2009
Governmental Activities:		
Governmental funds	$ 211,379,554	$ 202,024,265
Internal service funds	16,741,773	16,000,813
Total governmental activities	228,121,327	218,025,078
Business-type Activities	72,201,017	69,005,546
Fiduciary funds	526,002	502,722
Total	$ 300,848,346	$ 287,533,346

Non self-supporting limited tax pension obligation revenue bonds currently outstanding are as follows:

	Bond Series	Interest Rate(s) Outstanding Debt	Date of Issue	Years of Maturity	Amount of Original Issue	Outstanding June 30, 2009
Governmental Activities						
Allocation of Limited Tax Pension Obligation	1999C	7.420-7.701	11/01/1999	2000-2022	$ 84,291,994	$ 74,195,745
"	1999C	7.93	11/01/1999	2000-2029	30,090,303	30,090,303
"	1999D&E	variable	11/01/1999	2000-2019	113,739,030	113,739,030
Total Governmental Activities					228,121,327	218,025,078
Business-type Activities						
Allocation of Limited Tax Pension Obligation	1999C	7.420-7.701	11/01/1999	2000-2022	26,678,646	23,483,175
"	1999C	7.93	11/01/1999	2000-2029	9,523,661	9,523,661
"	1999D&E	variable	11/01/1999	2000-2019	35,998,710	35,998,710
Total Business Type Activities					72,201,017	69,005,546
Fiduciary Funds						
Allocation of Limited Tax Pension Obligation	1999C	7.420-7.701	11/01/1999	2000-2022	194,360	171,080
"	1999C	7.93	11/01/1999	2000-2029	69,382	69,382
"	1999D&E	variable	11/01/1999	2000-2019	262,260	262,260
Total Fiduciary Funds					526,002	502,722
Total Limited Tax Pension Bonds					$ 300,848,346	$ 287,533,346

Continued next page

III. Detailed notes, continued:

H. Long-term debt, continued:

Limited tax and limited tax revenue bonds, continued:

Non self-supporting general fund obligations, continued:

Approximately 40 percent of the debt service on these bonds is expected to be paid from resources of the General Fund. The remaining 60 percent is expected to be paid by non-General Fund bureaus of the City, (see "Self-supporting General Fund Obligations" below). As of June 30, 2009, $106.7 million of outstanding principal remained on the portion of the bonds is projected to be repaid with General Fund resources.

Self-supporting obligations

Self-supporting limited tax revenue bonds are expected to be repaid from sources other than the general fund and are currently outstanding as follows:

	Bond Series	Interest Rate(s) Outstanding Debt	Date of Issue	Years of Maturity	Amount of Original Issue	Outstanding June 30, 2009
Governmental Activities						
Oregon Convention Center	2001A	5.00-5.125	02/13/2001	2201-2030	$ 81,940,000	$ 75,120,000
Deferred Interest	2001B	4.52-5.36	02/13/2001	2001-2022	18,058,888	18,058,888
Portland Center for Performing Arts	2001C	4.50-5.25	05/01/2001	2001-2021	2,100,000	1,480,000
Portland Mall Revitalization	2007B	4.00-5.00	08/2/2007	2008-2017	16,860,000	13,920,000
North McAdams Investors	LOC	5.75	07/1/2007	2007-2016	2,500,000	2,323,350
Total Self-Supporting Limited Tax Revenue Bonds: Governmental Activities					121,458,888	110,902,238
Business-type Activities						
Central City Streetcar	2009A	1.00-4.00	05/21/2009	2009-2024	21,450,000	21,450,000
Arena	2005A	4.35	03/03/2005	2005-2011	10,555,000	3,520,000
"	2005B	3.25-5.00	03/03/2005	2005-2017	17,810,000	17,810,000
Civic Stadium	2001D	6.375-7.00	05/15/2001	2001-2023	35,000,000	27,330,000
Total Self-Supporting Limited Tax Revenue Bonds: Business-type Activities					84,815,000	70,110,000
Total Self-Supporting Limited Tax Revenue Bonds					$ 206,273,888	$ 181,012,238

In May 2009, $21.4 million in bonds were issued to refund the Central City Streetcar bonds. These bonds will be repaid over 15 years at interest rates ranging from 1 to 4 percent.

Annual debt service requirements to maturity for all of the above types of limited tax revenue bonds at June 30, 2009 are as follows:

Year Ending	Governmental Activities		Business-type Activities		Fiduciary Funds	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2010	$ 18,421,594	$ 21,798,191	$ 6,400,133	$ 7,531,202	$ 12,860	$ 28,764
2011	20,002,591	20,998,642	7,165,922	7,326,253	15,342	27,923
2012	20,890,139	20,209,921	7,871,910	6,977,548	18,009	27,009
2013	22,158,984	19,421,965	8,612,894	6,605,206	20,893	25,937
2014	22,915,261	18,635,174	9,438,874	6,151,340	23,997	24,694
2015-2019	121,514,328	79,427,858	50,626,148	22,525,423	176,457	97,783
2020-2024	115,054,763	89,996,823	44,164,026	22,834,284	187,551	146,154
2025-2029	67,779,656	166,089,552	6,535,639	49,194,453	47,613	358,399
2030-2034	12,710,000	1,149,756	-	-	-	-
2035-2039	690,000	34,260	-	-	-	-
Total	$ 422,137,316	$ 437,762,142	$ 140,815,546	$ 129,145,709	$ 502,722	$ 736,663

Continued next page

III. Detailed notes, continued:

H. Long-term debt, continued:

Revenue bonds

The City issues revenue bonds to satisfy a variety of capital financing requirements backed solely by the fees derived from the provision of certain services. Types of revenue bonds outstanding include bonds issued for sewer system facilities, water system facilities, parking system facilities, golf facilities, environmental remediation activities, road improvements, and hydroelectric generation facilities. Fees and charges are collected for the individual services provided, generally on the basis of usage.

During fiscal year 2009, the City issued $79.7 million of First Lien Water System Revenue Bonds. The First Lien Water System Revenue bonds were issued to fund capital improvements to the Water System. The final maturity of the 2008 Series A Bonds is November 1, 2033 with interest rates ranging from 4 to 5 percent.

Ordinances for revenue bonds generally require the City to maintain restricted reserve accounts to provide for the payment of debt service in the event that pledged revenues are not sufficient to pay debt service when due. The bond ordinances for particular enterprise funds also require setting rates such that net operating income provides specified levels of debt service coverage on outstanding bonds and to maintain adequate insurance on the facilities. Revenue bonds may be redeemed at dates earlier than the stated maturity at call rates varying from 100 to 103 percent of face value dependent upon the call date. The City is in compliance with its bond covenants as of and for fiscal year ended June 30, 2009.

Revenue bonds outstanding at June 30, 2009 are as follows:

Purpose	Interest Rates	Principal Outstanding
Gas Tax Revenue Bonds:		
Public street improvements	3.00-5.00%	$ 4,865,000
Sewage Disposal:		
Sewer improvements and maintenance	3.70-5.25%	1,350,620,000
Water Operating:		
Water lines improvement and maintenance	4.00-5.25%	270,180,000
Hydroelectric Power:		
Electrical power generating plant	5.523%	16,870,000
Golf Operations:		
Golf courses improvement and maintenance	4.84-5.26%	2,854,000
Parking Facilities:		
City owned parking structures and maintenance	4.00-4.25%	2,725,000
Total		$ 1,648,114,000

Continued next page

III. Detailed notes, continued:

H. Long-term debt, continued:

Revenue bonds, continued:

Revenue bonds currently outstanding are as follows:

	Bond Series	Interest Rate(s) Outstanding Debt	Date of Issue	Years of Maturity	Amount of Original Issue	Outstanding June 30, 2009
Governmental Activities						
Gas Tax	1998A	4.60-5.00	06/01/1998	1999-2018	$ 3,070,000	$ 1,720,000
"	2005A	3.00-3.75	03/17/2005	2005-2016	4,400,000	3,145,000
Total Revenue Bonds: Governmental Activities					7,470,000	4,865,000
Business-type Activities						
Water	2000A	5.00-5.50	03/15/2000	2001-2017	35,000,000	8,060,000
"	2004A	4.50- 5.00	05/06/2004	2004-2015	29,900,000	19,855,000
"	2004B	4.00-5.00	05/06/2004	2004-2023	61,900,000	50,870,000
"	2006A	4.125-5.00	09/21/2006	2007-2031	68,970,000	65,855,000
"	2006B	4.00-5.00	09/21/2006	2007-2020	44,000,000	42,725,000
"	2008A	4.00-5.00	08/07/2008	2008-2033	79,680,000	79,680,000
Golf	LOC	4.84-5.26	01/10/2003	2004-2013	6,333,333	2,854,000
Sewage Disposal	2003A	3.70-5.25	04/03/2003	2004-2023	88,370,000	46,445,000
"	2004A	4.00-5.00	11/30/2004	2005-2024	163,500,000	142,190,000
"	2004B	4.00-5.00	11/30/2004	2005-2017	93,080,000	88,400,000
"	2005A	5.00	06/16/2005	2005-2020	144,850,000	144,850,000
"	2006A	4.50-5.00	05/25/2006	2007-2031	177,845,000	166,325,000
"	2006B	4.50-5.00	05/25/2006	2007-2031	87,135,000	81,585,000
"	2007A	5.00	03/08/2007	2007-2015	193,510,000	160,620,000
"	2008A	4.25-5.00	04/21/2008	2008-2033	333,015,000	325,315,000
"	2008B	5.00	04/21/2008	2008-2033	195,700,000	194,890,000
Hydroelectric Power	2006	5.523	04/05/2006	2006-2016	21,370,000	16,870,000
Parking Facilities	2001A	4.00-4.25	08/15/2001	2002-2013	10,200,000	2,725,000
Total Revenue Bonds: Business-type Activities					1,834,358,333	1,640,114,000
Total Revenue Bonds					$ 1,841,828,333	$ 1,644,979,000

Remaining future payments to maturity are as follows:

Year Ending June 30,	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest
2010	$ 570,000	$ 190,038	$ 66,018,000	$ 79,240,025
2011	580,000	170,377	69,780,000	75,952,346
2012	600,000	149,628	72,794,000	72,459,325
2013	630,000	127,577	76,382,000	68,860,369
2014	650,000	103,863	78,875,000	65,036,959
2015-2019	1,835,000	165,205	461,435,000	260,428,834
2020-2024	-	-	478,020,000	138,193,016
2025-2029	-	-	194,665,000	59,229,832
2030-2034	-	-	142,145,000	14,897,325
Total	$ 4,865,000	$ 906,688	$ 1,640,114,000	$ 834,298,031

Continued next page

III. Detailed notes, continued:

H. Long-term debt, continued:

Revenue bonds, continued:

The City issues debt backed solely by future fees received for certain services. At June 30, 2009 future pledged revenues are as follows:

Purpose	Revenue Stream	For the Year Ending June 30, of Final Payments	Future Pledged Revenue Debt Outstanding	Approx. % of Future Revenue Pledged to Gross Revenue	For the Year Ended June 30, 2009 Revenue, Net of Related Expenses		For the Year Ended June 30, 2009 Debt Payments
Gas Tax --- Public street improvements	Gas tax from	2018	$ 5,771,688	1.37%	$ 40,263,842	*	$ 758,187
Transportation Line of Credit --- Various transportation related improvements	Gas tax from	2014	1,674,222	0.73%	"	*	2,724,278
Urban Renewal & Redevelopment ---- Fund improvements within the urban renewal & redevelopment area	Tax increment property tax	2025	479,305,789	19.96%	97,345,416		89,752,553
Sewer State Revolving Fund Loans --- Financing energy, sewer system improvements, & housing renovations	Sewer fees	2028	21,439,395	0.33%	154,956,539	**	1,313,590
Sewage Disposal --- Sewer improvement & maintenance	Sewer fees	2033	2,045,282,638	23.78%	"	**	119,624,278
Water Operating --- Water lines improvement & maintenance	Water fees	2033	402,238,191	6.05%	41,158,000		19,540,458
Hydroelectric Power --- Electrical power generating plant	Power sales	2016	20,688,602	67.18%	2,275,930		2,730,057
Golf Operations --- Golf courses improvement & maintenance	Golf course fees	2013	3,228,662	10.43%	1,466,027		807,343
Parking Facilities --- City owned parking structures & maintenance	Parking fees	2013	2,973,938	2.08%	18,238,671		984,975
Total			$2,982,603,125		$ 355,704,425		$ 238,235,719
Governmental activities			$ 486,751,699		$ 137,609,258		$ 93,235,018
Business-type activities			2,495,851,426		218,095,167		145,000,701
Total			$2,982,603,125		$ 355,704,425		$ 238,235,719

* same revenue source pledged for two purposes
**same revenue source pledged for two purposes

Advance and current refundings

On July 16, 2008, the City issued $33.02 million of South Park Blocks Urban Renewal and Redevelopment and Refunding Bonds, including $25.05 million to refund the 2013 to 2020 maturities of the South Park Blocks Urban Renewal and Redevelopment Bonds, 2000 Series A. The proceeds were placed in an irrevocable escrow held by an independent escrow agent and invested in U.S. Government obligations maturing in amounts sufficient to pay the principal of and interest on $23.33 million of the outstanding South Park Blocks Urban Renewal and Redevelopment Bonds, 2000 Series A. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. This advance refunding was undertaken to restructure debt service payments to generate additional proceeds for new money projects for the South Park Blocks urban renewal area and extended the maturity schedule from 2013 to 2020, and 2019 to 2024. This current refunding was undertaken to extend the terms of bonds and resulted in no economic gain.

Continued next page

III. Detailed notes, continued:

H. Long-term debt, continued:

Advance and current refundings, continued

On May 21, 2009, the City issued the $21.45 million Limited Tax Revenue Refunding Bonds, 2009 Series A (Central City Streetcar Project) to refund the 2010 to 2024 maturities of the Limited Tax Revenue Bonds, 1999 Series A. The proceeds were placed in an irrevocable escrow held by and independent escrow agent and invested in U.S. Government obligations maturing in amounts sufficient to pay the principal of and interest on $21.97 million of the outstanding Limited Tax Revenue Bonds, 1999 Series A. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the business-type activities column of the statement of net assets. This current refunding was undertaken to reduce total debt service payments by $3.19 million over the 14 years and resulted in an economic gain of $2.57 million. This current refunding was undertaken to extend the terms of bonds and resulted in no economic gain.

At June 30, 2009, the outstanding balance of all refunded legally defeased debt are as follows:

	Balance Outstanding
South Park Blocks	$ 23,325,000
Airport Way Urban Renewal Area	44,385,000
Sewer System	146,000,000
Water System	22,290,000
	$ 236,000,000

Conduit debt

The City has issued Economic Development Revenue Bonds, which have not been recorded as a liability for GAAP presentation purposes. Private developers use the proceeds of these bond sales to finance capital expansion. The Economic Development Revenue Bonds have not been recognized as a liability of the City because the bonds are secured solely by the specific project and the developers make the payments. The bonds shall not be payable from a charge upon any of the City's resources or assets, nor shall the City be subject to any liability thereon. No holder or holders of the bonds shall ever have the right to compel an exercise of the taxing power of the City to pay the bonds or the interest thereon, nor to enforce payment thereof against any property of the City except the specific project. Upon completion of the project, the developer owns the assets constructed. Since the City does not own any of the assets constructed or assume any of the liabilities associated with repayment, this does not require balance sheet disclosure or recognition of revenues and expenditures according to GAAP. The total outstanding principal of these bonds as of June 30, 2009 is $188.1 million.

The City has made a limited, subject-to-appropriation, pledge of its General Fund to restore reserve fund balances on six Housing Authority of Portland revenue bond issues. The original par amount of these issues is $36.2 million, of which $32.8 million remains outstanding.

Notes, lines of credit and loans payable

Notes payable. The City issues Notes to finance equipment acquisitions and improvements, improving streets and sidewalks, and to provide interim financing of urban renewal plans. Sewage Disposal Fund's $0.4 million note payable with the State of Oregon is for flood storage, water quality and habitat improvements to the Johnson Creek flood plain. The interest rate on the note outstanding on June 30, 2009 was 5 percent.

Continued next page

III. Detailed notes, continued:

H. Long-term debt, continued:

Notes, lines of credit and loans payable, continued:

Lines of credit. As of June 30, 2009, the City has $194.1 million outstanding on various lines of credit. The use of proceeds and remaining balances are as follows:

Provide interim financing for urban renewal district projects	$167.6 million
Finance various City backed projects, including:	
Extension of the Portland Central City Streetcar line	5.0 million
Various transportation improvements	1.5 million
Local improvement district projects	9.6 million
Home ownership opportunities	0.2 million
Enterprise business solution project	10.3 million

Other than the outstanding line of credit for transportation improvements, the remaining outstanding lines of credit are secured by the General Fund. The City expects to retire the lines of credit either with proceeds of long-term bonds or with other designated revenues. Interest rates on the outstanding line of credit balances on June 30, 2009 ranged from .54 to 2.84 percent; all are variable rates tied to either prime or the London Interbank Offered Rate.

Loans Payable. The City has entered into various loan agreements for the purpose of financing energy, sewer system improvements and housing renovations. The principal balance of these loans on June 30, 2009, is $19.6 million. Interest rates vary from 1 to 2.72 percent with maturities to fiscal year 2028.

Details for the activity of notes, lines of credit and loans payable can be found in the changes in long-term liabilities schedule at the end of this Note.

Annual debt service requirements to maturity for notes payable, lines of credit and loans payable are as follows:

Year Ending	Governmental Activities		Business-type Activities	
June 30,	Principal	Interest	Principal	Interest
2010	$ 154,468,175	$ 1,419,984	$ 1,157,893	$ 215,360
2011	25,143,961	506,698	1,128,187	202,134
2012	13,882,571	172,440	1,102,910	189,477
2013	310,000	22,447	1,113,960	176,678
2014	325,000	10,339	1,125,134	163,752
2015-2019	-	-	5,778,368	617,407
2020-2024	-	-	5,867,213	304,117
2025-2029	-	-	2,761,298	39,807
Total	$ 194,129,707	$ 2,131,908	$ 20,034,963	$ 1,908,732

Compensated Absences

The City's policy relating to compensated absences is described in Note I.D.9. The long-term portion of compensated absences for governmental activities and business-type activities is $24.1 million and $3.6 million respectively at June 30, 2009. The long-term portions of these liabilities are expected to be paid in future years from future resources. In prior years, compensated absences have been liquidated primarily by the governmental and enterprise funds for which the employees who earned the compensated absences were assigned. The total amount outstanding at June 30, 2009 was $51.9 million for governmental activities and $8.8 million for business-type activities.

Continued next page

III. Detailed notes, continued:

H. Long-term debt, continued:

Changes in long-term liabilities

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for internal service funds are included as part of the totals below for governmental activities. At June 30, 2009, internal service funds had $82.2 million bonds outstanding. When debt service payments become due, cash is transferred from the applicable governmental fund and enterprise operating fund to the disbursing debt service fund within five days prior to the payment date.

For fiscal year 2009, there were no governmental funds used to liquidate other long-term liabilities. The governmental funds and internal service funds, which committed to a long-term liability such as a capital lease, paid the debt service obligations from current resources. Liabilities for net pension obligation, compensated absences and other postemployment benefits are paid from all funds that report personal services expenses.

Overnight bonds, as presented in the short-term debt Note III.I., are also included below in the urban renewal and redevelopment activity for reconciliation purposes.

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Government Activities:					
Bonds payable:					
General obligation bonds	$ 56,770,000	$ 15,360,000	$ 5,310,000	$ 66,820,000	$ 5,815,000
Limited tax improvement bonds payable from assessment payments	49,460,000	-	5,200,000	44,260,000	2,190,000
Urban renewal and redevelopment bonds	308,330,000	118,845,000	92,730,000	334,445,000	17,930,000
Limited tax and limited tax revenue bonds	439,919,759	-	17,782,443	422,137,316	18,421,594
Revenue bonds	5,415,000	-	550,000	4,865,000	570,000
Unamortized premium and discounts on bonds	10,110,051	1,380,088	1,373,139	10,117,000	1,314,208
Total bonds payable	870,004,810	135,585,088	122,945,582	882,644,316	46,240,802
Notes, loans and line of credit payable	169,416,794	38,589,711	13,876,797	194,129,708	154,468,176
Self insurance claims	26,487,373	34,105,603	35,378,193	25,214,783	10,592,663
Net pension obligation	861,765,890	175,015,496	103,085,259	933,696,127	-
Other postemployment benefits	10,887,657	11,616,564	2,850,105	19,654,116	-
Compensated absences	44,030,422	39,894,762	31,980,715	51,944,469	27,827,623
Governmental activities long-term liabilities	$ 1,982,592,946	$ 434,807,224	$ 310,116,651	$ 2,107,283,519	$ 239,129,264
Business-type Activities:					
Bonds payable:					
General obligation bonds	$ 4,630,000	$ -	$ 1,495,000	$ 3,135,000	$ 1,545,000
Limited tax and limited tax revenue bonds	146,888,088	21,450,000	27,522,542	140,815,546	6,400,133
Revenue bonds	1,618,758,000	79,680,000	58,324,000	1,640,114,000	66,018,000
Unamortized premium and discounts on bonds	69,738,415	1,890,886	7,387,077	64,242,224	6,965,244
Total bonds payable	1,840,014,503	103,020,886	94,728,619	1,848,306,770	80,928,377
Notes and loans payable	21,145,029	33,297	1,143,363	20,034,963	1,157,893
Compensated absences	6,865,965	7,998,886	6,067,275	8,797,576	5,204,196
Other postemployment benefits	877,933	1,119,753	288,093	1,709,593	-
Capital leases	139,129	-	54,357	84,772	84,772
Business-type activities long-term liabilities	$ 1,869,042,559	$ 112,172,822	$ 102,281,707	$ 1,878,933,674	$ 87,375,238

Continued next page

III. Detailed notes, continued:

H. Long-term debt, continued:

Auction Rate Securities

As of June 30, 2009, the City had $150 million in outstanding Limited Tax Pension Obligation Revenue Bonds, 1999 Series D and E, in the form of auction rate securities. These taxable, seven-day auction rate securities are rated Aa1 by Moody's Investors Service and are not backed by municipal bond insurance or other credit enhancement. All $150 million of these securities remain outstanding as of December 28, 2009.

Beginning in February 2008, the City began to experience "failed" auctions due to the collapse of the auction rate market. Failed auctions occur when, on any given auction date, there are insufficient buyers to purchase all of the auction rate securities that have been offered for sale by investors. When an auction fails, the rate on the securities for the next interest rate period is determined by a mathematical formula that is defined in the legal provisions for the bonds.

The legal provisions for the City's outstanding auction rate securities provide that in the event of a failed auction (and assuming the rating of the securities remains at Aa3 or higher), the interest rate for the next interest period is set at 150% of the most recent seven-day AA-rated financial commercial paper index.

Since February 2008, all of the City's auctions have "failed" and the rate on these securities has been set by formula. The average interest paid by the City since July 1, 2009 has been 0.2147 percent, plus a 0.250 percent broker/dealer fee, for an average all-in cost of 0.465 percent. For the week of December 21, 2009 (the week immediately preceding the date of this Report), the City paid an all-in rate of 0.400 percent.

The City expects that it will continue to experience failed auctions for the foreseeable future. As such, the interest rates on the City's auction rates securities will likely continue to be tied directly to the seven-day, AA-rated financial commercial paper index. The City continues to evaluate options related to its pension auction rate securities, including the possibility of refunding the auction rate securities into fixed rate debt if market conditions warrant.

Bond Insurer Rating Downgrades

The City has approximately $167 million face amount of debt service reserve fund surety policies ("credit facilities") relating to outstanding sewer, water, parking and gas tax revenue bonds, as well as urban renewal and redevelopment bonds issued for the Airport Way, Convention Center, Downtown Waterfront, South Park Blocks and Interstate Corridor urban renewal areas. The City has frequently purchased debt service reserve surety bonds from municipal bond insurance companies in lieu of cash funding debt service reserve requirements for certain revenue bonds and urban renewal bonds.

The legal provisions for these revenue bonds and urban renewal bonds provide that the minimum credit rating of the credit facility provider must exceed specified rating levels. In most cases, the legal provisions state that the credit facility rating "test" is made only at the time of issuance of the bonds. However, in other documents it is unclear or ambiguous whether the test is made only at the time of issuance or whether the rating test is ongoing. Where the rating test is unclear as to its timing (at time of issuance only vs. ongoing), the City has taken the position that if the rating of the credit facility provider falls below the minimum standard subsequent to the issuance of the bonds, the City is not required to replace the credit facility with an alternative credit facility or with cash.

Continued next page

III. Detailed notes, continued:

H. Long-term debt, continued:

Bond Insurer Rating Downgrades, continued

As of December 28, 2009, the City had the following face amount of debt service reserve (DSR) surety policies with the various bond insurers. Where only one rating is shown, the related bonds are rated only by Moody's Investors' Service.

	Insurer Ratings (Moody's / S&P)	Face Amount of DSR Surety Bonds
Ambac Assurance Corporation (Ambac)	Caa2 / CC	$ 20,101,335
Assured Guaranty Municipal Corporation (formerly FSA)	Aa3 / AAA	95,541,029
National Public Finance Guarantee Corporation (formerly MBIA)	Baa1 / A	48,437,406
National Public Finance Guarantee Corporation (Reinsured from FGIC)	Baa1	2,535,331
Total		$ 166,615,101

I. Short-term debt:

The City issues overnight bonds to permit the City's component unit, PDC, to access tax increment revenues deposited into debt service funds established for each urban renewal district. Under ORS 457.435 and 457.440, tax increment collections may only be spent to pay principal and interest on indebtedness. Tax increment collections are expected to be sufficient to meet debt service requirements for outstanding long-term debt. The City issues overnight debt to release excess collections to PDC for capital projects. The City issued $52.2 million in overnight bonds in fiscal year 2009 and redeemed those bonds within five days. At June 30, 2009, there were no outstanding overnight bonds.

At the beginning of the fiscal year, the City issued $29.1 million of Tax Anticipation Notes in advance of property tax collections, depositing the proceeds in the Fire and Police Disability and Retirement (fiduciary) Fund. The notes were issued to meet current operating expenses of the Fire and Police Disability and Retirement Fund. The Tax Anticipation Notes were paid prior to the end of the fiscal year.

Short-term debt activity of the fiscal year ended June 30, 2009 was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Overnight bonds	$ -	$ 52,245,000	$ 52,245,000	$ -
Tan anticapation notes	-	29,075,000	29,075,000	-
	$ -	$ 81,320,000	$ 81,320,000	$ -

J. Termination benefits:

The City offers a targeted severance program which provides qualified employees with a minimum of two months salary and six months of paid health insurance upon termination of employment. The American Recovery and Reinvestment Act of 2009 (ARRA) allows qualified individuals a heath insurance premium reduction of 65 percent for up to nine months. The six month severance term and the nine month ARRA term run consecutively. At the end of fiscal year 2009, ten individuals had qualified for and entered into these programs. The net cost of this termination benefit was $16,902. Due to the short duration of this termination plan, payments have not been discounted. This plan has no effect on the actuarial accrued liability related to other postemployment benefits.

Continued next page

IV. Other information:

A. Risk management:

The City is exposed to various risks of loss related to theft, damageand destruction of assets, tort claims (general and fleet liability), injuries to employees, acts of terrorism, and natural disasters. The City of Portland is self-insured for workers' compensation, general liability claims and certain employees' medical coverage in internal service funds. Per ORS 30.270(1)(b)(c), general and fleet liability claims are limited to $100,000 per person, an additional $100,000 per person under special circumstances and $500,000 aggregate per occurrence. Claims under federal jurisdiction are not subject to such limitations. The City estimates liability for incurred losses for reported and unreported claims for workers' compensation, general and fleet liability and employee medical coverage (included in accrued self insurance claims in the combined statement of net assets). Workers' compensation, general and fleet liability estimates are primarily based on individual case estimates for reported claims and through historical data for unreported claims as determined by the City's Risk Management Division and independent actuarial studies. Liabilities are based on estimated ultimate cost of settling claims, including effects of inflation and other societal and economic factors. Estimated liability is then discounted by the City's expected rate of return and anticipated timing of cash outlays to determine present value of the liability. For fiscal year ended June 30, 2009, the expected rate of return was 2.5 percent. For fiscal year ending June 30, 2010, the expected rate of return is 1.1 percent. The Bureau of Human Resources and the employee benefits consultant determines relevant employees' medical coverage estimates.

The City provides insurance coverage deemed as adequate, appropriate, and actuarially sound. It meets all the City's anticipated settlements, obligations and outstanding liabilities. Furthermore, current levels of accrued claims and retained earnings are viewed as reasonable provisions for expected future losses. An excess liability coverage insurance policy covers individual claims in excess of $1,000,000, and an excess workers' compensation coverage insurance policy covers claims in excess of $750,000. The City purchases commercial insurance for claims in excess of coverage provided by the Fund and for all other risks of loss. Settlements have not exceeded coverage limitations for each of the past three fiscal years.

Liabilities are reported in the applicable fund 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 reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), 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. Changes in the balances of claims liabilities during the past two years are as follows:

	Year ended June 30, 2009	Year ended June 30, 2008
Balance, beginning of fiscal year	$ 26,487,373	$ 29,479,911
Incurred claims and adjustments	34,105,603	31,395,851
Claim cash payments	(35,378,193)	(34,388,389)
Unpaid claims, end of fiscal year	$ 25,214,783	$ 26,487,373

Continued next page

IV. Other information, continued:

B. Commitments and contingent liabilities

The City is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. Claims covered by the City's self insurance internal service funds are reviewed and losses, discounted to reflect the time value of money, and are accrued based on the judgment of City management. According to City management, based on advice of legal counsel with respect to such litigation and claims, ultimate disposition of these matters will not have a material adverse effect on the financial position or results of City operations. Claims not covered by the City's self insurance program are recognized in proprietary funds when it appears probable that the loss has been incurred and the amount in question can be reasonably estimated. Claims against governmental funds are recognized when due.

Bonds

The City has a contingent liability against its full faith and credit for liabilities recorded in enterprise funds for general obligation water district bonds in the amount of $3.1 million at June 30, 2009. General credit of the City is obligated on these bonds only to the extent cash, generated from income in the Water Fund, is insufficient to pay debt service on the bonds.

The City's general credit is obligated on limited tax improvement bonds aggregating $44.3 million at June 30, 2009, only to the extent that liens foreclosed against properties involved in the assessment districts and collections of related assessments and interest are insufficient to retire outstanding bonds and pay bond interest.

Labor agreements

There are eight labor agreements between the City and its employees, all of which are currently in effect.

	Effective Dates	
The Portland Fire Fighters' Association - Local 43 (PFFA)	7/1/2007	6/30/2010
Portland Police Association (PPA)	7/1/2006	6/30/2010
The Portland Police Commanding Officers Association (PPCOA)	7/1/2006	6/30/2010
Bureau of Emergency Communications - Oregon AFSCME Council 75, Local 189-2 (BOEC)	7/1/2006	6/30/2010
The District Council of Trade Unions (DCTU)	7/1/2006	6/30/2010
The City of Portland Professional Employees Association (COPPEA)	7/1/2007	6/30/2010
Laborers', Local 483 - Recreation Employees	7/1/2007	6/30/2010
Laborers', Local 483 - Seasonal Maintenance Workers	7/1/2007	6/30/2011

Contractual commitments

Contractual commitments at June 30, 2009 amount to:

Governmental activities	$ 26,679,159
Business-type activities	4,761,127
Total	$ 31,440,286

Included in these amounts are remaining balances of professional service contracts, goods and services contracts and intergovernmental agreements. Construction commitments of $366.2 million are presented in Note III.E.

Continued next page

IV. Other information, continued:

B. Commitments and contingent liabilities, continued:

Hydroelectric Power Fund

The Hydroelectric Power Fund's (Hydro) agreement with a private utility (the utility) requires that the cost to the utility for the power generated by Hydro's plant be measured against the cost of power generated by the utility at one of its generating plants. The agreement specifies that to the extent the cost of power generated by Hydro's plant is less than the cost of power generated by the utility, 50 percent of the cost savings is to be paid by the utility to Hydro. To date, there have been no such payments, as the cost of power generated by Hydro's plant has been greater than that of the utility's designated plants on a cumulative contract basis.

The agreement states that, upon expiration of the term of the agreement, if the accumulated cost of power generated at Hydro's plant exceeds that of the accumulated cost of a like amount of power generated by the utility, then the carrying value of the renewal and replacement assets shall be paid to the utility to offset up to 50 percent of the "excess cost" incurred by the utility to generate power at Hydro's plant. The balance of the assets, if any, shall be divided equally between Hydro and the utility. In the event the accumulated cost of power generated at Hydro's plant exceeds that of the accumulated cost of a like amount of power generated by the utility, and the carrying value of the renewal and replacement assets is less than 50 percent of the excess cost, no further amounts would be required to be paid to the utility. At August 31, 2009, the total accumulated excess cost was $22,566,368, 50 percent of this total was $11,283,184, and the carrying value of the renewal and replacement assets was $8,887,342.

Environmental Remediation

Portland Harbor Superfund Site

Portland Harbor was listed as a federal Superfund site in December of 2000. In 2003, the City of Portland and nine other potentially responsible parties entered into an Administrative Agreement and Order on Consent (AOC) with EPA obligating them to finance a Remedial Investigation and Feasibility Study (RI/FS) under the federal Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA).

The signatories to the AOC have agreed upon an interim cost sharing plan to fund the RI/FS. Under this plan, the City is contributing 25 percent of the costs. The City's share of the RI/FS costs does not define the City's final liability for the assessment costs and bears no relationship to the City's potential liability for clean up costs at the site. The City's costs for various programs associated with Portland Harbor including this phase of the work are being financed primarily from user fees generated by the City's sanitary sewer and storm water utility, which is managed by the City's Bureau of Environmental Services (BES) and funds the City's Environmental Remediation Fund. The City's estimated costs associated with the RI/FS activities are based on the arrangement to share the RI/FS costs, and for the subsequent year are expected to be $2.25 million; future costs cannot be estimated at this time. $2.25 million, has been accrued at fiscal year end June 30, 2009 using the probability weighted cash flow technique. Since 2001, the City has contributed over $18 million to the RI/FS. An estimate of maximum exposure of the Portland Harbor clean up cannot be made but could be material to the period in which it is recorded.

Costs of cleaning up the site and restoration of natural resources will be estimated at the completion of the RI/FS. After selection of a remedial action, allocation of liability for cleanup will be determined. Under CERCLA, responsible parties that fail to enter into agreements to remediate and restore Superfund sites become subject to legal action by EPA including imposition of fines and other financially punitive measures. The City's ultimate liability is undeterminable at this time. However, it is expected to be a material amount.

Continued next page

IV. Other information, continued:

B. Commitments and contingent liabilities, continued:

Environmental Remediation, continued:

The City will seek recovery of some or all of its RI/FS costs from other parties that have liability at the Superfund site. To date, EPA has notified more than 85 entities and property owners along the Willamette River, including the City, that they are potentially responsible for investigation and cleanup of contaminated sediments in Portland Harbor. The City is participating in voluntary negotiations with approximately 75 other potentially responsible parties to develop a method of fairly allocating investigation and remedy costs among all responsible parties. Additional entities that contributed to the contamination may be discovered throughout the process. This non-judicial allocation process is expected to take several more years to complete. Under a cost sharing agreement with the other parties in the negotiations, the City pays a per capita share of negotiation costs (for facilities, facilitation, and administrative support). The City's per capita share of costs for FY2009-10 have not been estimated but are expected to be similar to FY2008-09 costs of $20,000.

The City is also one of ten plaintiffs who filed suit in June 2009 against 40 entities to protect against a potential statute of limitations claim by parties that are not participating in negotiated settlements or did not agree to waive statute of limitation defenses. The plaintiffs in the litigation will seek a stay of the litigation pending the outcome of the negotiated settlement discussed above. The City may also have liabilities to Natural Resource Trustees of the Willamette River (including federal, state and tribal resource agencies) for damages to natural resources in Portland Harbor. The City is participating in negotiations with the federal resource trustees regarding settlement of these potential natural resource damages and is voluntarily contributing funding for the trustees to develop a damage assessment. City funding of trustee activities for FY2009-10 is estimated at $360,000. The amount or duration of additional trustee funding cannot be determined. Potential resource damages have not been quantified by the trustees and cannot be estimated at this time until the conclusion of trustee activities. Remedy costs and restoration of natural resource damages will be estimated at the completion of the RI/FS. The City's ultimate liability is undeterminable at this time. However, it is expected to be a material amount in the period it is recorded.

Other Remediation Obligations
The City expects to conduct remediation activities in FY2009-10 at the following sites:

- Vleck Property, 15300 SE Martins St (R81660-1000) – heating oil tank remediation is in progress
- Glasco Property, 6615 SE 106th Ave (R99222-0830) – heating oil tank remediation is in progress
- Swan Island Lagoon (R64986-796/7700) – bank erosion control study may be required by agency
- Terminal 1 North (R76600-4790) – additional stormwater monitoring may be required by agency
- Guilds Lake Industrial Center (R82910-0210/0230, R94129-1030/1840) – ongoing groundwater and methane monitoring

The total estimated remediation cost at these sites are insignificant and are not accured. Estimates are based on professional experience in estimating staff time, consultant costs, analytical costs, agency oversight, and equipment costs for similar work. Potential changes in estimate are expected to be low to moderate. Significant cost recovery is not expected at these sites and does not reduce estimated liability.

Remediation work per site was considered to be non-material and are not included; this includes primarily sites with ongoing post remediation monitoring. This estimate also does not include cost of disposal of contaminated media encountered during public works projects such as utility corridor excavation. The focus of these public works projects is infrastructure improvement and not remediation. Remediation responsibilities generally remain with the property owners where the contamination is discovered and are not City liabilities. When contaminated media is encountered in the work zone and must be removed by the City to ensure project schedule and worker safety, it is removed and disposed of by the City in accordance with applicable law. These costs of soil removal and characterization for disposal are generally considered and included in the contingency funds for the specific construction project. The pollution remediation obligation is an estimate that is subject to changes due to future price changes, technology changes, laws or regulations, etc.

Continued next page

IV. Other information, continued:

C. Other postemployment benefits:

The other postemployment benefits (OPEB) for the City combines three separate plans. The City provides an implicit rate subsidy for retiree Health Insurance Continuation premiums, a contribution to the State of Oregon's PERS cost-sharing multiple-employer defined benefit plan, and a stand-alone plan for certain retired Police and Firefighters.

Health Insurance Continuation

Plan Description: The City has a Health Insurance Continuation option available for most groups of retirees. It is a substantive postemployment benefits plan offered under Oregon Revised Statutes (ORS) 243. ORS 243.303 requires the City provide retirees with group health and dental insurance from the date of retirement to age 65, and the rate be calculated using claims experience from retirees and active employees for health plan rating purposes. Providing the same rate to retirees as provided to current employees constitutes an implicit rate subsidy for OPEB. This single-employer "plan" is not a stand-alone plan and therefore does not issue its own financial statements.

Funding Policy: For the Health Insurance Continuation option, the City collects insurance premiums from participating retirees each month. The premiums are either deposited in the City's self insurance fund or paid directly to a third party health insurance provider depending upon the plan. At the date of the actuarial report 815 retirees and 663 spouses were participating in the plan.

For fiscal year ended June 30, 2009, the City benefits paid on behalf of retirees exceeded the premiums they paid by $2,813,269. The City has elected to not pre-fund the fiscal year 2009 employer's annual required contribution to the plan (ARC) of $8,121,541, which reflects the net of the payments made in relation to the ARC.

The Health Insurance Continuation "blended" premium rates were as follows for the year ended July 1, 2007, the date of the most recent actuarial valuation.

All Employee Groups			
	Medical Only	Dental	Vision
City Health Care Plan			
Individual	$ 424.18	$ 52.28	$ 4.78
Two-Party	828.15	90.28	8.74
Family	1,110.54	160.41	11.61
HDHP (early retiree only)			
Individual	$ 309.87	N/A	N/A
Two-Party	596.11	N/A	N/A
Family	796.20	N/A	N/A
Kaiser			
Individual	$ 397.71	$ 52.79	$ 4.82
Two-Party	782.44	90.80	9.78
Family	1,055.11	154.15	13.30

N/A = not applicable

Continued next page

IV. Other information, continued:

C. Other postemployment benefits, continued:

Health Insurance Continuation, continued:

Annual OPEB Cost and Net OPEB Obligation: The City's annual other postemployment benefit cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's OPEB obligation to the plan.

Net OPEB Obligation	Health Insurance Continuation
Employer's normal cost	$ 10,895,922
Interest on net OPEB obligation	(446,471)
One year's amortization of AAL with interest	
Adjustment to annual required contribution	485,359
Annual Required Contribution (ARC)	10,934,810
Less OPEB contributions	
(Amounts paid by the City during year)	(2,813,269)
Contribution deficiency	
(ARC less current year payments)	8,121,541
Net OPEB obligation - beginning of year	8,929,418
Net OPEB obligation - end of year	$ 17,050,959

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2009 was as follows:

Health Insurance Continuation				
Fiscal Year Ended	Annual OPEB Cost	Contribution	Percent of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2008	$ 10,934,810	$ 2,005,392	18.34%	$ 8,929,418
6/30/2009	10,934,810	2,813,269	25.73%	17,050,959

Funded Status and Funding Progress: The funded status of the plan as of July 1, 2007 (the date of the most recent actuarial valuation), was as follows:

Funded Status Schedule	Health Insurance Continuation
Actuarial accrued liability (AAL)	$ 98,027,683
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	$ 98,027,683
Funded ratio ((actuarial value of plan assets (AAL))	0%
Covered payroll (active plan members)	N/A
UAAL as a percentage of covered payroll	N/A

N/A = not applicable

Continued next page

IV. Other information, continued:

C. Other postemployment benefits, continued:

Health Insurance Continuation, continued:

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far 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 revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows 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 plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2007 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 5 percent investment rate of return and an annual healthcare cost trend rate of 4.5 to 13.47 percent for health insurance, 4.1 to 6.1 percent for dental insurance and 4 to 6 percent for vision. The UAAL is amortized over an open period of 30 years using the level percentage of projected pay. Payroll growth increase assumption is 4 percent for general services.

PERS Retirement Health Insurance Account

Plan Description: The City contributes to the PERS Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by PERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. ORS 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700.

Funding Policy: Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to $60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the RHIA established by the employer, and any monthly cost in excess of $60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Continued next page

IV. Other information, continued:

C. Other postemployment benefits, continued:

PERS Retirement Health Insurance Account, continued:

Participating cities are contractually required to contribute to RHIA at a rate assessed each year by PERS, currently 0.59 percent of annual covered payroll. The Oregon PERS Board of Trustees sets the employer contribution rate. It is based on the annual required contribution of the combined participant employers. This is an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a closed period not to exceed 30 years. The City's contributions to RHIA was $951,332 for the year ended June 30, 2009 and was $870,639 for the year ended June 30, 2008, which equaled the required contributions each year. PERS was not able to provide the City with this information for the years ended June 30, 2007.

Fire and Police Disability and Retirement Direct Subsidy Other Postemployment Benefits Plan

Plan Description: The City's Fire and Police Disability and Retirement fund pays medical and hospital expenses for retired police officers and firefighters for service connected or occupational injuries or illnesses. The Plan issues a publicly available financial report including financial statements and required supplementary information. See *The Fire and Police Disability and Retirement Fund*, (Note I.A.) for information on obtaining financial statements. Plan amendments are done through changes to the City's Charter and administrative rules of the Plan. The Plan is a single-employer plan, funded through a voter authorized tax levy.

Funding Policy: The disability payments for retired police officers and firefighters are paid through the City's Fire and Police Disability and Retirement Fund. This fund is run on the pay as you go basis. Benefits paid during the fiscal year 2009 totaled $328,656. At June 30, 2009, 349 retirees were eligible to participate in this benefit.

Annual OPEB Cost and Net OPEB Obligation: The City's annual other postemployment benefit cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's OPEB obligation to the plan.

Net OPEB Obligation	FPD&R Employees Direct Subsidy OPEB Plan
Annual Required Contribution (ARC)	$ 1,855,049
Interest on net OPEB obligation	127,842
One year's amortization of AAL with interest	
Adjustment to annual required contribution	(166,899)
Employer's normal cost	1,815,992
Less OPEB contributions	
(Amounts paid by the City during year)	(328,656)
Contribution deficiency	
(Normal cost less current year payments)	1,487,336
Net OPEB obligation - beginning of year	2,840,930
Net OPEB obligation - end of year	$ 4,328,266

Continued next page

IV. **Other information**, continued:

C. **Other postemployment benefits**, continued:

Fire and Police Disability and Retirement Direct Subsidy Other Postemployment Benefits Plan, continued:

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2009 was as follows:

FPD&R Employees Direct Subsidy OPEB Plan

Fiscal Year Ended	Annual OPEB Cost	Contribution	Percent of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2008	$ 3,131,519	$ 290,589	9.28%	$ 2,840,930
6/30/2009	1,815,992	328,656	18.10%	4,328,266

Does not reflect the implicit subsidy benefits for FPD&R Members included in the City of Portland's OPEB valuation conducted by AON.

Funded Status and Funding Progress: The funded status of the plan as of July 1, 2008 (the date of the most recent actuarial valuation), was as follows:

Funded Status Schedule	FPD&R Employees Direct Subsidy OPEB Plan
Actuarial accrued liability (AAL)	$ 20,308,278
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	$ 20,308,278
Funded ratio ((actuarial value of plan assets (AAL))	0%
Covered payroll (active plan members)	N/A
UAAL as a percentage of covered payroll	N/A

N/A = not applicable

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far 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 revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows 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 plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2008 actuarial valuation, the attained age normal actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return and an annual healthcare cost trend rate of 4.5 to 10.05 percent for medical and prescription costs. The UAAL is being amortized over an open period of 30 years using the level dollar method.

Continued next page

IV. Other information, continued:

D. Employee retirement systems and pension plans:

State of Oregon Public Employees Retirement System

Plan description: All civilian City employees, all sworn fire and police personnel hired after December 31, 2006, and 12 sworn fire and police personnel hired before January 1, 2007 are participants under one or more plans currently available through Oregon Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee retirement system administered under ORS 238 and 238A.

The 1995 Legislature created a second tier of benefits for those who became members after 1995. The second tier does not have the Tier One assumed earnings rate guarantee.

There are currently two programs with eligibility determined by the date of employment. Those employed prior to August 29, 2003 are PERS Program members. Those employed on or after August 29, 2003 are Oregon Public Service Retirement Plan (OPSRP) Program members. OPSRP is a hybrid retirement plan with two components: 1) the Pension Program (defined benefit; established and maintained as a tax-qualified governmental defined benefit plan), and 2) the Individual Account Program (IAP) (defined contribution; established and maintained as a tax-qualified governmental defined contribution plan).

Beginning January 1, 2004, all employees who are active members of PERS became members of the OPSRP IAP Program. PERS plan member contributions (the employee contribution, whether made by the employee or "picked-up" by the employer) go into the IAP portion of OPSRP. PERS plan members retain their existing PERS accounts, but any future member contributions will be deposited in the member's IAP, not into the member's PERS account.

Oregon PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to: Oregon Public Employees Retirement System, PO Box 23700, Tigard, Oregon 97281-3700, telephone (503) 598-7377 or by URL: http://Oregon.gov/PERS/section/financial_reports/financials.shtml.

PERS' benefits vest after five years of continuous service or at normal retirement age. General Service employees may retire after reaching age 55. Employees with 30 years of service (25 years for fire and police personnel at age 50) receive unreduced benefits. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with less than 30 years of service. Fire and police personnel benefits are reduced if retirement occurs prior to age 55 with less than 25 years of service. Tier Two members are eligible for full benefits at age 60.

Retirement benefits are based on final average salary and length of service and are calculated under either a money match, full formula or a formula plus annuity computation if a greater benefit results. Fire and police personnel may purchase increased benefits payable between the date of retirement and age 65. PERS also provides death and disability benefits. These benefit provisions and other requirements are established by state statutes.

On November 7, 2006, voters in the City of Portland passed a measure that took effect January 1, 2007. All police officers and firefighters hired on or after January 1, 2007 will now be enrolled in the state retirement system instead of the City's Fire and Police Disability and Retirement fund for retirement purposes. They will remain under the City's plan for disability payments.

Continued next page

IV. Other information, continued:

D. Employee retirement systems and pension plans, continued:

State of Oregon Public Employees Retirement System, continued:

Funding policy: The rate of employer contributions to PERS is determined periodically by PERS based on actuarial valuations performed at least every two years. Beginning in fiscal year 1999-2000, PERS began passing costs on to employers due to the Oregon State Legislature increasing retiree benefits in 1995 by a maximum 9.89 percent benefit increase on benefits earned before October 1991 after a Court decision mandating taxation of state PERS benefits for retirees, and because the interpretation of PERS statutes by the PERS Board increased benefits beyond those foreseen by the legislature. The impact on the City to recover the higher PERS costs would have raised its employer contribution rate from 10.48 to 17.4 percent of covered members' compensation.

Proceeds of the 1999 Series C, D & E Bonds (the "Bonds") were used to finance all of the estimated unfunded actuarial accrued liability (UAAL) of the City of Portland with PERS as of December 31, 1997. The City elected to finance its December 31, 1997, UAAL of $257.9 million to receive a lower employer contribution rate of 8.56 percent of covered employees' salaries. This resulted in the City having an over funded Actuarial Accrued Liability of $60.8 million at December 31, 1999. It is the City's policy to recognize pension expenditures or expenses as currently funded.

In addition to paying PERS the City's estimated UAAL, proceeds of the bond were also used to pay costs related to financing of the UAAL, including capitalized interest and costs of issuance. Full faith and credit of the City secures the bonds. Total bonds issued for fiscal year 2000 equaled $300.8 million. The City is not authorized to levy additional taxes to pay these obligations. The liability will be financed by various city-wide bureaus based upon those bureaus' contributions to PERS for participating employees. The debt is recorded on the government-wide statements and is allocated to both governmental and business-type activities. Ultimately this debt is viewed as being an obligation of the general government.

Risk pooling and revised PERS contribution rates: Effective January 1, 2000, the City elected to participate in the Local Government Rate Pool (LGRP). The LGRP was created by legislative act of the State of Oregon and provided local governments the option to pool their PERS related assets and liabilities with others that elected to participate in the pool, whereby contribution rates are determined based on the overall experience of the pool versus the potentially more volatile experience of individual employers. The LGRP was expanded and replaced by the State and Local Government Rate Pool (the SLGRP). The City made the election to join the SLGRP as of January 1, 2002.

The most recent actuarial valuation was prepared for the period ending December 31, 2008, and was issued in November 2009, Based on the most recent actuarial valuation the City's contribution rate would be increasing for fiscal year 2012. The rates for fiscal years 2007 through 2009 are listed below.

Annual pension cost: PERS sets the rate for the SLGRP, based on the independent actuarial study that is performed every two years. The amortization method used is a 22-year closed group, fixed term. PERS is reducing the amortization on new liabilities each year until it gets to the 20-year amortization standard it has set in policy.

Significant economic assumptions used in the actuarial valuation include: (a) rate of return on the investment of present and future assets of eight percent per annum compounded annually, (b) projected salary increases at four percent per year compounded annually, (c) increases due to promotions and longevity that vary by age and service, (d) pre and post-mortality life expectancies of employees, based upon several mortality tables, (e) rates of withdrawal from active service before retirement for reasons other than death, rates of disabilities, and expected retirement ages developed on the basis of actual plan experience, (f) consumer price inflation at three percent per year, and (g) a factor for unused sick leave that is used to calculate retirement benefits under the Full Formula and Formula Plus Annuity benefit calculations.

Continued next page

IV. **Other information**, continued:

D. **Employee retirement systems and pension plans**, continued:

State of Oregon Public Employees Retirement System, continued:

Contribution rates for the last three fiscal years at June 30, expressed as percentage of covered payroll, were as follows:

	General Service					
	2007		2008		2009	
	PERS	OPSRP	PERS	OPSRP	PERS	OPSRP
PERS Defined Benefit Plan	8.07%	4.66%	6.66%	9.21%	6.66%	9.21%
Employee IAP*	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Total contribution rate	14.07%	10.66%	12.66%	15.21%	12.66%	15.21%

* The City has chosen to pay the employee contribution to the IAP as an additional benefit.

	Firefighters & Police Officers					
	2007		2008		2009	
	PERS	OPSRP	PERS	OPSRP	PERS	OPSRP
PERS Defined Benefit Plan	8.07%	8.27%	6.66%	12.48%	6.66%	12.48%
Employee IAP*	6% / 9%**	9.00%	6% / 9%**	9.00%	6% / 9%**	9.00%
Total contribution rate	14.07-17.07%	17.27%	12.66-15.66%	21.48%	12.66-15.66%	21.48%

* The City has chosen to pay the employee contribution to the IAP as an additional benefit.

** The City pays 6% for firefighers and police officers in this tier who were hired before 1/1/07. 9% is paid for those who were hired since then.

The City sold bonds in 1999 and deposited the proceeds in an account with the state retirement system. The state sets rates for members of the SLGRP. The City opted to amortize the original deposit ratably over the life of the bonds.

The unamortized balance of the funds deposited with PERS at June 30 was:

	2007	2008	2009
Governmental funds	$ 125,868,639	$ 120,253,681	$ 114,638,723
Internal Service funds	12,509,818	11,951,758	11,393,698
Governmental activities	138,378,457	132,205,439	126,032,421
Business-type activities	53,950,200	51,543,499	49,136,798
Fiduciary funds	393,043	375,510	357,977
Total prepaid	$ 192,721,700	$ 184,124,448	$ 175,527,196

The amounts contributed to PERS during the years ended June 30, 2007, 2008 and 2009 were equal to the required contribution for each year. The amounts contributed by the City were as follows:

	2007	2008	2009
Cash contribution during year	$ 31,172,696	$ 32,779,658	$ 35,326,820
Amortization of deposit with PERS	8,597,252	8,597,252	8,597,252
Total	$ 39,769,948	$ 41,376,910	$ 43,924,072

Continued next page

IV. **Other information**, continued:

D. **Employee retirement systems and pension plans**, continued:

Fire and Police Disability and Retirement Plan

Description of plan: Fire and Police Disability and Retirement Plan (the Plan), a single employer defined benefit plan, is administered by the Fire and Police Disability and Retirement Board (the Board). The Authority for the Plan's vesting and benefit provisions is contained in the Charter of the City of Portland, Oregon. The Plan issues a publicly available financial report including financial statements and required supplementary information. See *The Fire and Police Disability and Retirement Fund*, (Note I.A.) for information on obtaining financial statements.

There are two tiers of active working fire and police participants in the Plan: 1,227 vested and 173 non-vested members are participants of FPDR Two, and 220 members are participants of FPDR Three. Of these members, 28 are on short-term disability at June 30, 2009. In addition, there are 1,868 retirees and beneficiaries currently receiving pension and long-term disability benefits and 52 terminated employees who are vested but not yet receiving benefits under the Plan.

Fire and police personnel generally became eligible for membership in the open tier of the Plan, currently FPDR Three, immediately upon employment. On November 7, 2006, voters in the City of Portland passed a measure that took effect January 1, 2007. All police officers and firefighters hired on or after January 1, 2007 are now enrolled in the state retirement system instead of the City's Fire and Police Disability and Retirement Fund for retirement purposes. They remain under the City's Plan for disability payments.

The Plan provides for service connected disability benefits at 75 percent of salary for the first year of disability with 25 to 75 percent of salary in later years, depending on the medical status and ability to obtain other employment. The Plan also provides for non-service connected disability benefits at reduced rates of base pay.

Effective July 1, 1990, the Plan was amended to create the FPDR Two tier that provides for payment of benefits upon termination of employment on or after attaining age 55 or on or after attaining age 50 if the member has 25 or more years of service. Members become 100 percent vested after five years of service. Benefits are paid to members at retirement using the following formula: 2.2 to 2.8 percent (as selected by the member based on the amount of benefits to be paid to the surviving spouse) multiplied by number of years of service (up to 30 years) incurred by the member. The product is multiplied by the highest one-year base pay the member received during the final three years of the member's employment.

Death benefits are paid to the surviving spouse or minor children if the member dies from a service connected or occupational death, regardless of vesting, based on a percentage of base pay or salary as defined in the Plan. Death benefits are also paid to the surviving spouse or minor children in accordance with terms of the Plan from a non-service connected death and for death after retirement.

The City created an independent Citizen Review Committee in 2005 to oversee a comprehensive analysis of the Portland Fire and Police Disability & Retirement (FPD&R) system. This committee presented their recommendations to the City Council in January, 2006. Recommendations were ultimately referred to the ballot and resulted in adoption of a Charter amendment which required significant changes to the structure and operations of the Plan. Changes to the pension portion of the Plan require that sworn police officers or firefighters hired after January 1, 2007 be enrolled in the appropriate program of the State of Oregon Public Employees Retirement System (PERS) rather than in the Plan.

Continued next page

IV. **Other information**, continued:

D. **Employee retirement systems and pension plans**, continued:

Fire and Police Disability and Retirement Plan, continued:

On November 6, 2007, voters in the City of Portland passed a measure that changed the medical coverage for retirees of the Fund. The change is effective for retirees after January 1, 2007. Under the ballot measure, the Fund will pay lifetime medical expenses for retired police and fire-fighters' approved claims for job-related injuries and illnesses.

New state legislation governing workers' compensation law requires that the Fund treat 12 cancers as presumptive occupational illnesses for firefighters effective January 1, 2010. Claims for these 12 cancers may be made up to seven years after employment ends.

Summary of significant accounting policies: The Plan is reported as a Pension Trust Fund, included within the fiduciary funds, and is maintained on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Cash and investments held by the City Treasurer in the City of Portland investment pool are stated at fair value. The Pension Trust Fund's cash and investments are maintained in a cash and investment pool with other funds of the City. Interest earned on pooled investments is allocated monthly based on average participation of the Pension Trust Fund in relation to total investments in the pool.

Funding policy and reserves: The Pension Trust Fund was established by adoption of Chapter 5 of the City Charter by the voters at the general election held November 2, 1948. Nine subsequent amendments have been made by voters with the last one being November 6, 2007.

The Board of Trustees of the Pension Trust Fund also administers a Reserve Fund, authorized under provisions of Chapter 5 (Section 5-104) of the City of Portland's Charter. The Reserve Fund's purpose is to provide a reserve from which advances can be made to the Fire and Police Disability and Retirement Fund in the event the latter is depleted to the extent it cannot meet its current obligations. Under provisions of the City Charter, the Reserve Fund maximum is established at $750,000 and is fully funded at June 30, 2009.

In accordance with Charter provisions, there are no requirements to finance the Plan using actuarial techniques. As required by Charter, the Pension Trust Fund's Board of Trustees prepares an estimate of the amount required to pay and discharge all requirements of the Pension Trust Fund, exclusive of any loans or advances, for the next succeeding fiscal year and submits this estimate to the City Council.

The Council is required by Charter to levy a tax sufficient to provide amounts necessary to meet estimates provided by the Board of Trustees. Funding for the Plan is accomplished by imposition of a special property tax levy which cannot exceed two and eight-tenths mills on each dollar of valuation of property ($2.80 per $1,000 of real market value) not exempt from such levy and is recognized in the FPDR Fund.

Continued next page

IV. Other information, continued:

D. Employee retirement systems and pension plans, continued:

Fire and Police Disability and Retirement Plan, continued:

Prior to July 1, 1990, the City had no legal liability to pay for obligations in excess of current year revenues available to the plan. Benefits and claims, if a deficiency occurred, would have been required to be paid on a pro rata basis. Effective July 1, 1990, in the event that funding for the Plan is less than the required payment of benefits to be made in any particular year, the FPDR could receive advances from the FPDR first, and other City funds second, to make up the difference. Repayment of advances, if any, would be made from the special property tax levy in the succeeding year. In the event that the special property tax levy is insufficient to pay benefits because benefits paid exceed the two and eight-tenth mills limit, then other City funds would be required to make up the difference from the Reserve Fund. For fiscal year ended June 30, 2009, the weighted levy rate per $1,000 of real market value under the special property tax levy was $1.19.

Prior to July 1, 1990, members were required to contribute 7 percent of a member's base salary into the Plan. Effective July 1, 1990, members are no longer required to make contributions into the Plan, except those opting to remain in the FPDR One tier of the Plan.

Members enrolled in the Plan prior to July 1, 1990, were required to make an election as to whether they wished to fall under provisions of the Plan as constituted prior to July 1, 1990, or become subject to the new FPDR Two provisions after June 30, 1990. As of June 30, 2009, there were 772 members and beneficiaries that fall under the provisions of the Plan as constituted prior to July 1, 1990, and 2,547 members and beneficiaries were subject to the new Plan as constituted after June 30, 1990 but before January 1, 2007; and 221 were subject to the plan as amended after January 1, 2007.

Recognizing that the economic conditions have changed significantly over the past few years, the City reviewed the discount rate and assumptions utilized in the calculations of the actuarial valuation, actuarial accrued pension liabilities, and net pension obligation, and determined they should be revised to more closely match the funding and investment returns that actually are achieved under existing investment. As a result, the City continued to monitor the discount rate used to value the Fund liabilities throughout the fiscal year; as a result revised 2009's rate from 6.04% to 4.50%. The impact of this change in estimate increased the net pension obligation by $466 million.

Total actual contributions to the Plan for fiscal year ended June 30, 2009, consisted of the special property tax levy of $103.1 million, which is 69.78 percent of the annual covered payroll of $147.7 million. The City has recognized a net pension obligation of $933.7 million. The net pension obligation (NPO) was determined in accordance with GASB Statement 25. No expenditure or liability is reported for the NPO in the governmental fund financial statements, because such amounts normally are not expected to be liquidated with available financial resources. Instead, expenditures are reported in the governmental funds only when the amounts in question are, in fact, funded. In the interim, the liability for the NPO is reported in the government-wide statement of net assets.

The Plan's schedule of funding progress, annual pension cost and net pension obligation are as follows:

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2009 *	$ 11,571,074	$ 2,279,923,000	$ 2,268,351,926	0.51%	$ 147,723,042	1535.54%

Continued next page

IV. **Other information**, continued:

D. **Employee retirement systems and pension plans**, continued:

Fire and Police Disability and Retirement Plan, continued:

SCHEDULE OF ANNUAL PENSION COST

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Contribution	Percentage of APC Coontributed	Net Pension Obligation
2007	$ 176,329,866	$ 82,117,283	46.57%	$ 796,863,583
2008	154,626,180	89,723,873	58.03%	861,765,890
2009	175,015,496	103,085,259	58.90%	933,696,127

NET PENSION OBLIGATION

		Fiscal Year Ended June 30, 2009
Net pension asset (obligation), beginning of year		$ (861,765,890)
Annual Required Contribution	(186,862,957)	
Interest on pension asset (obligation)	(38,779,465)	
Adjustment to Annual Required Contribution	50,626,926	
Annual Pension Cost	(175,015,496)	
Contributions made	103,085,259	
Change in pension asset (obligation)		(71,930,237)
Net pension asset (obligation), end of year		$ (933,696,127)

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2008
Actual cost method	Attained age
Amortization method	30-year level dollar
Remaining amortization period	30 years open
Asset valuation method	Market value of reserve fund
Actuarial assumption methods:	
Investment rate of retum	4.50%
Projected salary increases - Police *	3.75%
Projected salary increases - Fire *	4.25%
Includes inflation at cost of living adjustments	2.75%
Post-retirement benefit increases:	
Per FPDR One	3.75%
Per FPDR Two	2.00%

* These rates are for officers with more than seven years of service. Those with less than seven years have rate increases ranging up to 14%

Continued next page

IV. Other information, continued:

E. Subsequent events:

Fire and Police Disability and Retirement

In July 2008, FPDR Fund staff discovered an error in how additional pension benefits that are mandated by the Oregon Revised Statutes had been calculated. The benefits were paid beginning in 1997 but were retroactive back to 1991; the total overpayment to date is estimated to be $3.5 million. The additional benefits calculation was corrected with the October 1, 2008 benefit payment for most members and beneficiaries who were being overpaid; the remainder was corrected with the January 1, 2009 payment. In July 2009, the FPDR Board of Trustees' legal counsel filed a Voluntary Correction Program application, designed to address the operational failure that caused the overpayment, and a determination letter application with the Internal Revenue Service. The Voluntary Correction Program is needed to ensure the Plan maintains its tax-qualified status and requests IRS approval for the prospective-only correction now in place. The IRS ruling is expected sometime in the first half of calendar year 2010. If the IRS requires the FPDR Fund to seek recovery of past overpayments, FPDR will have 120 days from the ruling date to comply.

Termination Benefits

The City began offering a new plan, "Lay Off with Safety Net Severance," for employees laid off between July 1, 2009 and June 30, 2010. Qualified employees will receive six months of paid health insurance upon termination of employment, and a 65% reduction in premium for an additional three months. Anticipated net cost is $164 thousand for 33 qualified individuals.

Debt activity

Subsequent to fiscal year-end, the City redeemed the following debt instruments:

Debt Redeemed:	Event Date	Principal
Series 1999A General Obligation Emergency Facilities bonds	7/7/2009	$ 14,920,000
Series 2003A Tax Improvement bonds	11/30/2009	400,000
Series 2007A Tax Improvement bonds	11/30/2009	275,000

Subsequent to fiscal year-end, the City increased existing debt instruments:

Notes and Loans:	Issue Date	Principal	Length in Years	Interest Rate	Draw Date	Draw Amount
Tax Anticipation Notes, Series 2009 Fire and Police Disability and Retirement Fund	7/23/2009	$27,830,000	0.9	2.50%	N/A	N/A
Clean Water SRF Loan Loan R74164 -- Sewer Extension Project	6/30/2004	2,803,473	20	Variable	9/28/2009	$269,104

Continued next page

IV. Other information, continued:

E. Subsequent events, continued:

Debt activity, continued:

Subsequent to fiscal year-end, the City issued the following debt:

Bonds and Terms:	Origination Date	Principal	Length in Years	Interest Rate
General Obligation (GO) Emergency Facilities Refunding Bonds 2009 Series A, beginning December 1, 2009 Project: refund GO Emergency Facilities Bonds, 1999 Series A Interest payable semi-annually on June 1 And December 1	7/7/2009	$14,560,000	9.9	1.75 - 4.00%
Economic Development Revenue Refunding Bonds Series 2009, tax-exempt Project: Lovejoy Fountain Conduit bonds	7/1/2009	15,000,000	18.5	Variable
Limited Tax Revenue Bonds, 2009 Series B Dated December 17, 2009 Project:establish Enterprise Business Systems Project line of credit and finance Computer Aided Dispatch replacement Interest payable semi-annually on June1 and December 1	12/17/2009	17,610,000	8	3.00 - 4.00%

Subsequent to fiscal year-end, the City made draws on open lines of credit:

Line of Credit Activity	Origination Date	Maximum Credit	Draw (Repayment) Date	Principal Draw (Repayment)	Length in Years	Interest Rate
Lents Town Center Urban Renewal Area Non-Revolving Taxable Credit Facility	12/13/2007	$ 26,000,000	10/22/2009	$ 5,332,286	3	Variable
Gateway Urban Renewal Area Non-Revolving Taxable Credit Facility	12/13/2007	15,300,000	10/29/2009	1,134,105	3	Variable
Central Eastside Urban Renewal Area Non-Revolving Taxable Credit Facility	12/13/2007	27,000,000	12/21/2009	1,700,000	3	Variable
Streetcar Extension Non-Revolving Tax-Exempt Credit Facility Repayment	6/12/2008	6,500,000	10/19/2009	(1,900,000)	2.5	Variable
Oregon Conv. Ctr. Urban Renewal Area Non-Revolving Taxable Credit Facility	12/13/2007	36,000,000	10/15/2009	2,372,754	3	Variable
Interstate Corridor Urban Renewal Area Non-Revolving Taxable Credit Facility	12/13/2007	26,000,000	10/15/2009	3,902,069	3	Variable
2009 LID Line of Credit Non-Rev Taxable orTax-Ex Credit Facility	11/17/2009	19,400,000	11/17/2009	16,915,575	1	Variable
Enterprise Business Solution Project Non-revolving Tax Exempt Facility Repayment	11/25/2008	11,500,000	12/17/2009	(10,313,363)	2	Variable
Resource Access Ctr Line of Credit Non-revolving Taxable or Tax-Exempt Facility	11/12/2009	16,000,000	11/17/2009	383,250	3	Variable
Resource Access Ctr Line of Credit Non-revolving Taxable or Tax-Exempt Facility	11/12/2009	16,000,000	12/22/2009	100,000	3	Variable

Continued next page

IV. Other information, continued:

E. Subsequent events, continued:

Debt activity, continued:

Lines of Credit Activity, continued:	Origination Date	Maximum Credit	Draw (Repayment) Date	Principal Draw (Repayment)	Length in Years	Interest Rate
Home Ownership No. 74						
Revolving Taxable Credit Facility						
Repayment	8/20/2007	2,000,000	7/10/2009	(168,937)	5	Variable
Home Ownership No. 75						
Revolving Taxable Credit Facility	8/20/2007	2,000,000	7/2/2009	133,829	5	Variable
Repayment			7/29/2009	(133,829)		
Home Ownership No. 76						
Revolving Taxable Credit Facility	8/20/2007	2,000,000	7/2/2009	246,670	5	Variable
Repayment			7/14/2009	(246,670)		
Home Ownership No. 77						
Revolving Taxable Credit Facility	8/20/2007	2,000,000	7/21/2009	124,804	5	Variable
Repayment			8/7/2009	(124,804)		
Home Ownership No. 78						
Revolving Taxable Credit Facility	8/20/2007	2,000,000	7/27/2009	175,226	5	Variable
Repayment			8/7/2009	(175,226)		
Home Ownership No. 79						
Revolving Taxable Credit Facility	8/20/2007	2,000,000	7/29/2009	160,062	5	Variable
Repayment			8/7/2009	(160,062)		
Home Ownership No. 80						
Revolving Taxable Credit Facility	8/20/2007	2,000,000	7/30/2009	121,952	5	Variable
Repayment			8/25/2009	(121,952)		
Home Ownership No. 81						
Revolving Taxable Credit Facility	8/20/2007	2,000,000	7/31/2009	120,242	5	Variable
Repayment			8/25/2009	(120,242)		
Home Ownership No. 82						
Revolving Taxable Credit Facility	8/20/2007	2,000,000	7/31/2009	147,893	5	Variable
Repayment			8/11/2009	(147,893)		
Home Ownership No. 83						
Revolving Taxable Credit Facility	8/20/2007	2,000,000	8/6/2009	127,867	5	Variable
Repayment			8/14/2009	(127,867)		
Home Ownership No. 84						
Revolving Taxable Credit Facility	8/20/2007	2,000,000	8/7/2009	137,982	5	Variable
Repayment			9/4/2009	(137,982)		
Home Ownership No. 85						
Revolving Taxable Credit Facility	8/20/2007	2,000,000	8/12/2009	155,353	5	Variable
Repayment			8/26/2009	(155,353)		
Home Ownership No. 86						
Revolving Taxable Credit Facility	8/20/2007	2,000,000	8/14/2009	116,088	5	Variable
Repayment			8/26/2009	(116,088)		

Continued next page

IV. Other information, continued:

E. Subsequent events, continued:

Debt activity, continued:

Lines of Credit Activity, continued:	Origination Date	Maximum Credit	Draw (Repayment) Date	Principal Draw (Repayment)	Length in Years	Interest Rate
Home Ownership No. 87						
Revolving Taxable Credit Facility	8/20/2007	$ 2,000,000	8/21/2009	$ 127,022	5	Variable
Repayment			9/1/2009	(127,022)		
Home Ownership No. 88						
Revolving Taxable Credit Facility	8/20/2007	2,000,000	8/25/2009	118,932	5	Variable
Repayment			9/2/2009	(118,932)		
Home Ownership No. 89						
Revolving Taxable Credit Facility	8/20/2007	2,000,000	8/27/2009	115,146	5	Variable
Repayment			9/18/2009	(115,146)		
Home Ownership No. 90						
Revolving Taxable Credit Facility	8/20/2007	2,000,000	9/15/2009	144,952	5	Variable
Repayment			9/30/2009	(144,952)		
Home Ownership No. 91						
Revolving Taxable Credit Facility	8/20/2007	2,000,000	9/21/2009	208,691	5	Variable
Repayment			9/30/2009	(208,691)		
Home Ownership No. 92						
Revolving Taxable Credit Facility	8/20/2007	2,000,000	9/23/2009	254,469	5	Variable
Repayment			10/7/2009	(254,469)		
Home Ownership No. 93						
Revolving Taxable Credit Facility	8/20/2007	2,000,000	9/24/2009	117,594	5	Variable
Repayment			10/7/2009	(117,594)		
Home Ownership No. 94						
Revolving Taxable Credit Facility	8/20/2007	2,000,000	9/28/2009	142,193	5	Variable
Repayment			10/7/2009	(142,193)		
Home Ownership No. 95						
Revolving Taxable Credit Facility	8/20/2007	2,000,000	10/8/2009	105,706	5	Variable
Repayment			10/15/2009	(105,706)		
Home Ownership No. 96						
Revolving Taxable Credit Facility	8/20/2007	2,000,000	11/13/2009	123,917	5	Variable
Repayment			12/11/2009	(123,917)		
Home Ownership No. 97						
Revolving Taxable Credit Facility	8/20/2007	2,000,000	11/25/2009	258,222	5	Variable
Repayment			12/11/2009	(258,222)		
Home Ownership No. 98						
Revolving Taxable Credit Facility	8/20/2007	2,000,000	12/8/2009	227,639	5	Variable
Repayment			12/21/2009	(227,639)		