



Department of County Management
MULTNOMAH COUNTY OREGON

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Multnomah County, Oregon, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages 1-6 of this report. All dollar amounts, unless otherwise indicated, are expressed in thousands.

Financial Highlights

- Multnomah County's assets exceeded its liabilities at June 30, 2006, by \$544,274 (*net assets*). Of this amount, \$4,244 is restricted for bridge rehabilitation projects, \$8,797 is restricted for capital improvement projects, \$7,293 is restricted for various community support programs and \$51,054 is restricted for future years' debt service.
- Total net assets decreased by \$102,989 or 16% in fiscal year 2006. The primary reason for the decrease is the recording of a loss on the transfer of approximately 50 miles of County roads to a neighboring jurisdiction, the City of Gresham. The total loss recognized in the Statement of Activities on the road transfer agreement was \$108,555.
- In fiscal year 2006, the County early implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Early adoption of this accounting standard had a cumulative effect to increase beginning of the year net assets by \$21,091. The current year's expense for the net other postemployment benefits obligation was \$10,643 recorded in the governmental activities general government line item and the related long-term liability at June 30, 2006 is recorded in the amount of \$44,742 in the Statement of Net Assets.
- In governmental activities, business income tax revenues increased by \$14,517 or 40% over the prior year. The County's business income tax revenues are directly linked to the increase in the local economy. Also in recent years County management have made collection efforts on business income taxes a higher priority leading to increased revenues.
- Property tax revenues continue to increase steadily each year and were up by 6% or \$12,356 over the prior year due to new construction and a stronger overall economy.
- The County's capital grants and contributions for governmental activities decreased by \$28,887 or 85% due to the one time \$25,000 grant revenue recognized in fiscal year 2005 from the Oregon Transportation Investment Act to help revitalize the County's aging bridges.
- General government expenses for governmental activities decreased by \$14,493 or 11% from fiscal year 2005. The decrease in expenses is directly related to the decrease in the County's distribution of personal income tax collections. The temporary personal income tax ended with calendar year 2005 and as a result the County's revenues and distributions related to the temporary tax decreased during fiscal year 2006.
- The overall decrease in net assets is also directly affected by the County's three-year 1.25% personal income tax for residents of Multnomah County. The County's personal income tax revenues and related distributions have significantly decreased in 2006 as compared to 2005. Calendar year 2005 was the last year for the three year temporary personal income tax. In fiscal year 2006 personal income tax revenues are down by \$64,813 or 52% from 2005 with related distributions down by \$34,907 or 40%. In 2006, only the remaining half of calendar year 2005 personal income tax revenues were recognized resulting in lower overall revenues during fiscal year 2006.

- Business-type activities net assets increased by \$1,226 or 27% in fiscal year 2006. The increase is primarily recorded in the net assets of the Behavioral Health Managed Care fund. This increase is a direct result of the State's redesign of the population served by the Oregon Health Plan. During 2006 children's intensive mental health services which were previously administered by the State were transferred to the County's Verity member plan, a mental health organization, recorded in the Behavioral Health Managed Care fund. This change in the Verity population increased the per-member premium resulting in increased revenues and related expenses in the Behavioral Health Managed Care fund.
- Business-type activities total assets increased by \$3,617 or 56% over the prior year and total liabilities increased by \$2,391 or 125% from fiscal year 2005. The increase is in the Behavioral Health Managed Care fund. The fund's incurred but not reported liability increased significantly over the prior year due to a change in the Verity plan members as discussed previously along with a change in the process to provide mental health services on a fee for service basis rather than a capitated services model.
- Total assets of the County decreased by \$142,039 or approximately 12%. Most of this decrease is noted in capital assets, net of accumulated depreciation for governmental activities. In fiscal year 2006, capital assets net of accumulated depreciation for governmental activities reported \$534,008 which was a decrease of \$128,141 or 19% from prior year as a result of the transfer of approximately 50 miles of County roads to the City of Gresham.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$166,185, an increase of \$30,587 in comparison with the prior year's increase of \$49,507. The decrease in the net change in governmental fund balances is primarily due to the \$25,000 grant revenue recognized in fiscal year 2005 from the Oregon Transportation Investment Act to help revitalize the County's aging bridges. The County did not receive any additional capital grant contributions in fiscal year 2006 from the Oregon Transportation Investment Act.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$54,441, or approximately 14% of total General Fund expenditures.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, health and social services,

public safety and justice, community services, roads and bridges, and libraries. The business-type activities of the County include sanitary sewer and street lighting districts, and a behavioral health managed care operation.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also a legally separate sanitary sewer district and a legally separate street lighting district, for which the County is financially accountable. Financial information for these two *blended component units* is reported separately from the financial information presented for the County itself.

The government-wide financial statements can be found on pages 28-30 of this report.

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

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

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

The County maintains 27 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Federal State Program Fund, and the Willamette River Bridges Fund, all of which are considered to be major governmental funds. Data from the remaining governmental funds (non-major governmental funds) are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided for each fund to demonstrate compliance with this budget.

The basic governmental fund financial statements and respective reconciliations can be found on pages 31-34 of this report.

Proprietary funds. The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its sewer and lighting operations, and for behavioral health managed care services. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses *internal service funds* to account for its risk management activities, fleet operations, telephone and data processing systems, mail distribution, facilities management operations, and business services operations. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise fund financial statements provide aggregate information for the sewer and lighting districts and the behavioral health fund. The internal service funds are also combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the proprietary and internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 38-40 of this report.

Fiduciary funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support County programs. The accounting used for fiduciary funds is similar to that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 41-42 of this report. The combining balance sheet for agency funds and combining statement of changes in assets and liabilities for agency funds can be found on pages 131-132 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the financial data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 43 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the notes to the basic financial statements. Combining and individual fund statements and schedules can be found beginning on page 80 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the County's financial position. The County's assets exceeded liabilities by \$544,274 at the close of the most recent fiscal year.

Multnomah County's Net Assets

	Governmental Activities		Business- Type Activities		Total	
	2006	2005 (Restated)	2006	2005	2006	2005 (Restated)
Current and other assets	\$ 457,974	\$ 493,898	\$7,136	\$3,927	\$ 465,110	\$ 497,825
Capital assets	617,298	727,030	2,985	2,577	620,283	729,607
Total assets	1,075,272	1,220,928	10,121	6,504	1,085,393	1,227,432
Long-term liabilities outstanding	399,447	412,055	38	10	399,485	412,065
Other liabilities	137,366	166,199	4,268	1,905	141,634	168,104
Total liabilities	536,813	578,254	4,306	1,915	541,119	580,169
Net assets:						
Invested in capital assets, net of related debt	434,866	523,606	2,985	2,577	437,851	526,183
Restricted	71,388	100,156	-	-	71,388	100,156
Unrestricted	32,205	18,912	2,830	2,012	35,035	20,924
Total net assets	\$ 538,459	\$ 642,674	\$5,815	\$4,589	\$ 544,274	\$ 647,263

The largest portion of the County's net assets, approximately 81%, reflects investment in capital assets (land, work in progress, buildings, improvements, machinery and equipment, bridges and infrastructure), net of accumulated depreciation, and the outstanding debt used to acquire the assets in the amount of \$437,851 as compared to \$526,183 a year ago. The decrease in the investment in capital assets net of related debt is related

to the transfer of approximately 50 miles of County roads to the City of Gresham. During fiscal year 2006 the County paid approximately \$14,280 in debt related to capital assets. The County uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The County's restricted net assets in the amount of \$71,388 or approximately 13% are restricted for capital projects, debt service, various community support programs and bridge rehabilitation. Restricted net assets represent resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted net assets of \$35,035 or approximately 6%. At the end of the current year, the County is able to report positive balances in all categories of net assets for the government as a whole.

Total net assets decreased by \$102,989 during the current fiscal year. This decrease is primarily attributable to the transfer of approximately 50 miles of County roads to the City of Gresham, resulting in a loss of \$108,555 on disposal of capital noted as a special line item in Statement of Activities.

The following is a summary of the County's changes in net assets for fiscal years 2005 and 2006.

Multnomah County's Changes in Net Assets

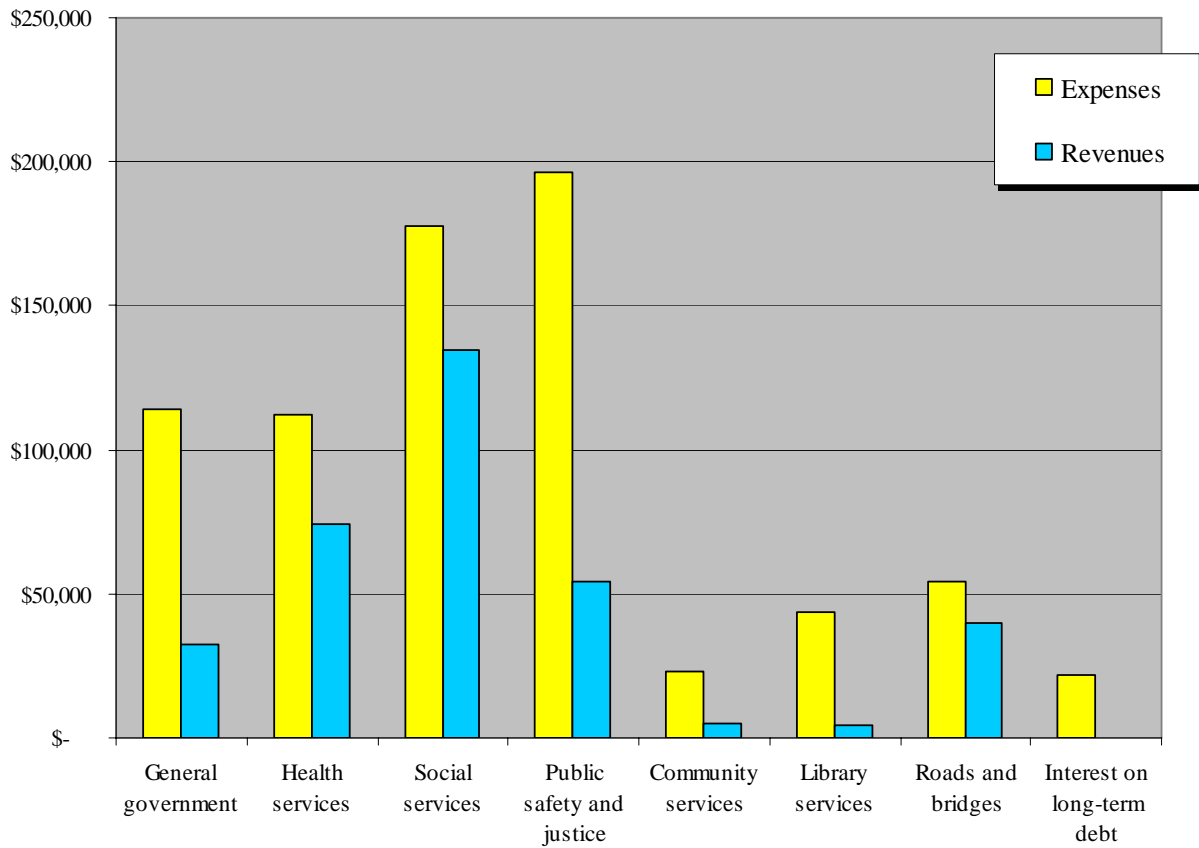
	Governmental Activities		Business-type Activities		Total	
	2006	2005 (Restated)	2006	2005	2006	2005 (Restated)
Revenues:						
Program revenues:						
Charges for services	\$ 91,180	\$ 85,955	\$35,268	\$30,184	\$126,448	\$116,139
Operating grants and contributions	247,933	256,489	-	-	247,933	256,489
Capital grants and contributions	5,272	34,149	82	238	5,354	34,387
General revenues:						
Taxes:						
Property taxes	229,227	216,871	-	-	229,227	216,871
Personal income taxes	59,764	124,577	-	-	59,764	124,577
Business income taxes	50,980	36,463	-	-	50,980	36,463
Other taxes	39,163	36,658	-	-	39,163	36,658
State government shared revenues	8,692	6,741	-	-	8,692	6,741
Grants and contributions not restricted to specific programs	2	1,150	-	-	2	1,150
Interest and investment earnings	10,094	4,943	251	121	10,345	5,064
Miscellaneous	4,007	2,233	-	113	4,007	2,346
Gain on sale of capital assets	1,607	166	-	-	1,607	166
Total revenues	747,921	806,395	35,601	30,656	783,522	837,051
Expenses:						
General government	114,378	128,871	-	-	114,378	128,871
Health services	112,201	106,551	-	-	112,201	106,551
Social services	177,891	181,194	-	-	177,891	181,194
Public safety and justice	196,167	192,005	-	-	196,167	192,005
Community services	23,336	21,795	-	-	23,336	21,795
Library services	43,530	41,357	-	-	43,530	41,357
Roads and bridges	54,256	56,781	-	-	54,256	56,781
Interest on long-term debt	21,822	18,058	-	-	21,822	18,058
Dunthorpe-Riverdale Service District Number 1	-	-	407	487	407	487
Mid County Service District Number 14	-	-	328	495	328	495
Behavioral Health Managed Care	-	-	33,640	29,480	33,640	29,480
Total expenses	743,581	746,612	34,375	30,462	777,956	777,074
Special items:						
Loss on transfer of County roads	(108,555)	-	-	-	(108,555)	-
Increase (decrease) in net assets	(104,215)	59,783	1,226	194	(102,989)	59,977
Cumulative effect of change in accounting principle	-	21,091	-	-	-	21,091
Beginning net assets	642,674	561,800	4,589	4,395	647,263	566,195
Ending net assets	<u>\$538,459</u>	<u>\$642,674</u>	<u>\$ 5,815</u>	<u>\$ 4,589</u>	<u>\$544,274</u>	<u>\$647,263</u>

Governmental activities. Governmental activities decreased the County's net assets by \$104,215; key elements of this decrease are highlighted below:

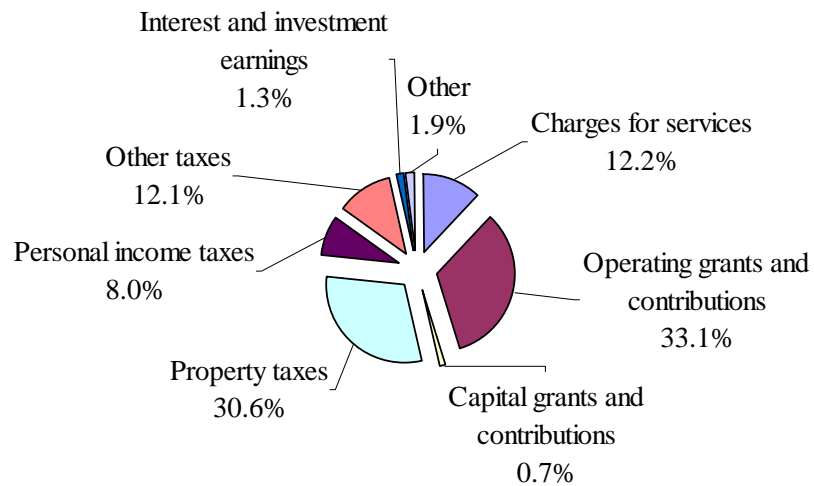
- Included in special items is the loss on disposal of capital assets of \$108,555 as a result of transferring ownership of County roads within to the City of Gresham. In January 2006, the County transferred approximately 50 miles of County roads to the City of Gresham. A feasibility study determined that due to flat revenues, binding intergovernmental agreements and rising costs of maintenance, the County Road fund was no longer in a position to continue providing financial resources or a specific service level to roads transferred to another jurisdiction without compromising service levels to other County transportation responsibilities. Therefore, the partners agreed that it was in the best interest of the County and the City of Gresham to transfer jurisdiction of County roads within the City of Gresham to the City.
- General government expenses decreased by \$14,493 or approximately 11%, due to a decrease in the County's distributions for personal income tax collections. Total distributions were down by \$34,907 in 2006 compared to 2005. Personal income tax distributions also parallel personal income tax revenues. The decrease from 2005 in personal income taxes is due to the sunset of the temporary tax, with calendar year 2005 being the final year of the tax. Half of the income tax revenues for calendar year 2005 were recorded in fiscal year 2005, resulting in only the remaining half of the revenues recorded in fiscal year 2006. This resulted in a decrease of \$64,813 or 52% from the prior year.
- Also included in the general government activities line item is \$10,643 representing the current year effect to record the net other postemployment benefits obligation as a result of early implementing GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.
- Capital grants and contributions decreased by \$28,877 or 85% from 2005 due to the \$25,000 one-time capital grant award recorded in fiscal year 2005 from the Oregon Transportation Investment Act to help fund repair and replacement of deteriorating County bridges.
- General County revenues for business income taxes were higher by \$14,517 or 40% in 2006 compared to 2005 due to a significant commercial real estate transaction. In 2006 a building in the County sold for approximately \$123,000, resulting in a significant increase in business income tax due by the commercial real estate firm handling the transaction.

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

Expenses and Program Revenues - Governmental Activities



Revenues by Source, Governmental Activities



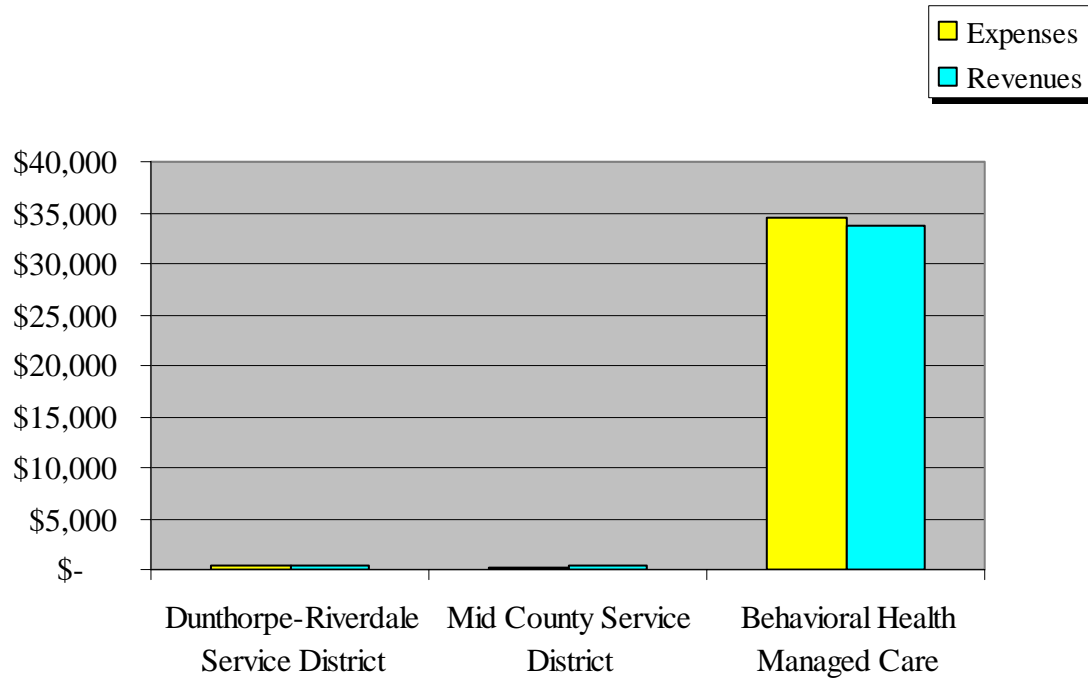
For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. Additionally, where expenses decreased from prior years, this can be directly attributed to the decrease in revenues in the governmental activities.

Business-type activities. Business-type activities increased the County's net assets by \$1,226, compared to an increase of \$194 in the prior year. The primary reasons for the current year's increase are:

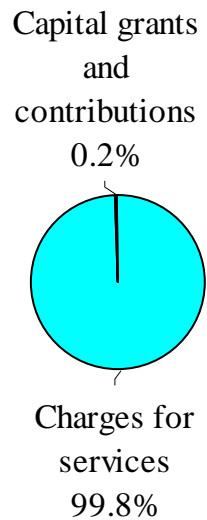
- Interest revenue increased by \$130, or approximately 107% from the prior year due to improved economic conditions and higher cash balances in 2006.
- The Mid County Service District's revenue source is primarily street lighting assessments collected through property taxes. During fiscal year 2006 the District collected \$294 in fines, fees and charges for services which is an increase over the prior year by \$5 or 2%.
- The Dunthorpe-Riverdale Service District's revenue source is primarily sewer assessments collected through property taxes. During fiscal year 2006 the District collected \$455 in fines, fees and charges for services which is an increase over the prior year by \$32 or 8%.
- The Behavioral Health Managed Care fund manages the insurance for Medicaid and Oregon Health plan enrolled members within Multnomah County. Revenues in the Behavioral Health Managed Care fund are up by \$5,047 or 17% from 2005 and expenses increased by \$4,160 or 14% over 2005 as a result the State's redesign of the population served by the Oregon Health Plan. During 2006 children's intensive mental health services which were previously administered by the State were transferred to the County's Verity member plan, a mental health organization. This change in the Verity population increased the per-member premium resulting in increased revenues and related expenses in the Behavioral Health Managed Care fund.

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

Expenses and Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$166,185, an increase of \$30,587 over the prior year. Approximately 67% or \$111,698 of this total amount constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for discretionary spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$6,049), 2) to pay debt service (\$37,172), or 3) to pay for ongoing capital projects (\$11,266).

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance was \$54,441 in the General Fund or approximately 99% of the total fund balance of \$54,964. This indicates a high degree of liquidity of the General Fund.

The fund balance of the County's General Fund increased by \$12,548 during the current fiscal year. The primary factors for this increase can be attributed to increased business income tax revenues combined with additional property tax revenues as a result of a stronger economy and additional urban growth.

The Federal and State Program Special Revenue Fund has a total fund balance of \$4,544, of which \$4,480 is reserved for prepaid items and inventories. The remaining \$64 is unreserved. The fund balance increased over the prior year by \$4,544 primarily due to the biennium settlement for the State Mental Health Grant for mental health services. Settlement funds from the State Mental Health Grant can be carried forward for use in future fiscal years.

The Willamette River Bridges Special Revenue Fund has a total fund balance of \$28,277, all of which is unreserved. The fund balance decreased from the prior year by \$2,441 as a result of planning and design construction costs for future County bridge rehabilitation and replacement.

Proprietary funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the proprietary funds at year end amounted to:

- Dunthorpe-Riverdale Service District Fund, \$65
- Mid County Service District Fund, \$357
- Behavioral Health Managed Care Fund, \$2,408

The total change in net assets for all proprietary funds was \$1,226. Other factors concerning the finances of these three funds have already been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

The significant differences between the original budget and the final amended General Fund budget related to business income tax and personal income tax revenues. Budget modifications to the original budget included adjustments to increase the budget for personal income tax revenues and business income tax revenues. The budget for business income tax revenue was increased to reflect the stronger economy and higher collections realized throughout fiscal year 2006. Personal income tax was increased as calendar year 2005 was the final

year for the temporary tax and fiscal year 2006 noted stronger collections in the final year of the tax. Also, budgeted expenditures in Nondepartmental agencies were increased to allow for distributions related to these increases in budgeted revenues. Additionally, the County aggressively managed expenditures during the year in all program areas.

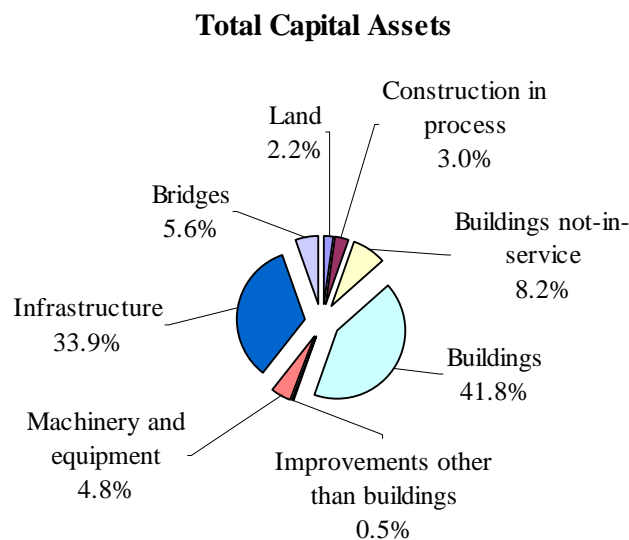
Capital Projects and Debt Administration

Capital assets. The County's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounts to \$620,283 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, roads and bridges, sewer and street lighting systems, and motor vehicles. The total overall change in the County's investment in capital assets for the current fiscal year was a decrease of \$109,324 or approximately 15%. The primary reason for the decrease in capital assets during the year is the transfer of approximately 50 miles of County roads to the City of Gresham. The road disposition removed \$108,555 of net book value in infrastructure from the County's capital assets.

Multnomah County's Capital Assets (net of depreciation, where applicable)

	Governmental Activities		Business- Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 13,787	\$ 13,717	\$ -	\$ -	\$ 13,787	\$ 13,717
Construction in process	18,339	-	-	-	18,339	-
Buildings not-in-service	51,164	51,164	-	-	51,164	51,164
Buildings	259,051	264,045	-	-	259,051	264,045
Improvements other than buildings	206	215	2,985	2,577	3,191	2,792
Machinery and equipment	29,708	27,859	-	-	29,708	27,859
Bridges	34,466	36,062	-	-	34,466	36,062
Infrastructure	210,577	333,968	-	-	210,577	333,968
Total capital assets	<u>\$ 617,298</u>	<u>\$ 727,030</u>	<u>\$ 2,985</u>	<u>\$ 2,577</u>	<u>\$ 620,283</u>	<u>\$ 729,607</u>

The following chart indicates the County's capital assets as of June, 30, 2006. Additional information on the County's capital assets can be found in note 4.C on pages 60-61 of this report.



Long-term debt. At the end of the current fiscal year, the County had total debt outstanding of \$359,568. Of this amount, \$75,340 comprises debt backed by the general obligation bonds; \$257,915 represents debt backed by the full faith and credit bonds; \$449 comprises long term lease obligations; and the remainder of the County's debt represents bonds secured solely by specified sources (e.g., revenue bonds, capitalized leases). Both general obligation bonds and full faith and credit bonds are direct obligations pledging the full faith and credit of the County.

Multnomah County's Outstanding Debt

	Governmental Activities		Business- Type Activities		Total	
	2006	2005	2006	2005	2006	2005
General obligation bonds	\$ 75,340	\$ 81,025	\$ -	\$ -	\$ 75,340	\$ 81,025
Revenue bonds	6,420	6,935	-	-	6,420	6,935
Full faith and credit bonds	257,915	267,225	-	-	257,915	267,225
Capital leases	19,444	27,971	-	-	19,444	27,971
Loans	449	542	-	-	449	542
Total outstanding debt	<u>\$ 359,568</u>	<u>\$ 383,698</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 359,568</u>	<u>\$ 383,698</u>

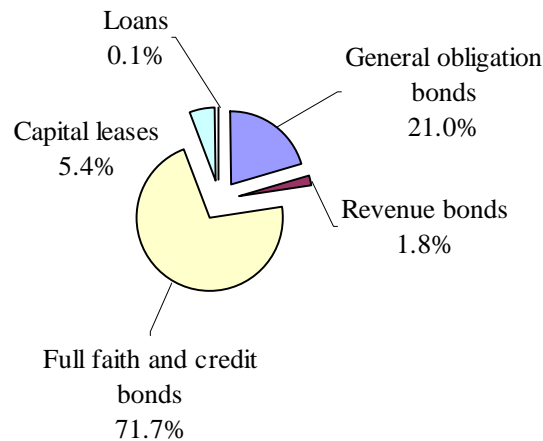
The County's total debt decreased by \$24,130 or approximately 6% during the current fiscal year. Significant changes to the County's long-term debt during 2006 include recording a capital lease in the amount of \$1,093 and reclassifying a capital lease in the amount of \$6,890 to an operating lease.

The County maintains an "Aa1" rating from Moody's for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to two percent of the real market value of all taxable property within the government's boundaries. The current debt limitation for the County for general obligation debt is \$1,561,961, which is significantly in excess of the County's outstanding general obligation debt. State statutes also limit the amount of full faith and credit obligations to one percent of the real market value of all taxable property within the government's boundaries. The current debt limitation for the County for full faith and credit obligations is \$780,980, which is in excess of the County's outstanding full faith and credit debt.

The following chart indicates the County's long-term liabilities as of June 30, 2006. Additional information on the County's long-term liabilities can be found in note 4.G on pages 63-71 of this report.

Total Outstanding Long-Term Debt



Key Economic Factors and Budget Information for Next Year

- The unemployment rate for the Portland-Vancouver-Beaverton PMSA (Primary Metropolitan Statistical Area) at the close of the fiscal year was approximately 5.3% which is an improvement over the unemployment rate of 6.2% a year ago. The rate is not expected to change significantly before the end of the next fiscal year.
- In 2003 Multnomah County voters approved a three year temporary income tax of 1.25%. The tax generated \$100,114, \$130,187 and \$120,919 in fiscal years 2004, 2005, and 2006, respectively. As the temporary income tax effectively ended in calendar year 2005, future collections will be significantly lower and efforts will be concentrated on non-filers.
- It is anticipated that business income tax revenues will be approximately \$8,000 or 15% higher in the coming year than the 2007 budgeted amount due to continuously improving economic conditions in the region.
- Property tax revenues are not expected to be significantly different than the original budget estimates.

All of these factors were considered in preparing the County's budget for fiscal year 2006-2007.

During the current fiscal year, unreserved fund balance in the General Fund increased to \$54,441. This increase should also enable the County to maintain fully funded reserves at the levels recommended by bond rating agencies.

Requests for Information

This financial report is designed to provide a general overview of Multnomah County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for separately issued component unit reports should be directed to the following address:

Multnomah County
Department of County Management
501 SE Hawthorne Blvd. Suite 531
Portland, OR 97214