



MULTNOMAH COUNTY OREGON

COUNTY COMMISSIONERS	DEPARTMENT OF SUPPORT SERVICES FINANCE PROGRAM AREA
DIANE LINN, CHAIR MARIA ROJO DESTEFFEY, DISTRICT #1 SERENA CRUZ, DISTRICT #2 LISA NAITO, DISTRICT #3 LONNIE ROBERTS, DISTRICT #4	MULTNOMAH BUILDING 501 SE HAWTHORNE BLVD PO BOX 14700 PORTLAND, OR 97293-0700 PHONE (503) 988-3312 FAX (503) 988-3292 TDD (503) 988-5170

December 17, 2001

Honorable County Chair, Board of County Commissioners
and Citizens of Multnomah County, Oregon

INTRODUCTION

We are pleased to submit the Comprehensive Annual Financial Report of Multnomah County, Oregon, for the fiscal year ended June 30, 2001, together with the opinion thereon of our independent certified public accountants, Grant Thornton LLP.

This report, required by State law, Oregon Revised Statutes 297.425, is prepared by the Finance Division and is organized into three primary sections: Introductory, Financial and Statistical. The Introductory Section includes this letter of transmittal, the County's and Finance Division's organizational charts and a list of principal officers. This section is intended to inform the reader of the organization, services, scope and financial activities of the County. The Financial Section includes the General Purpose Financial Statements, the related notes and additional information. The additional information contains the combining and individual fund and account group statements and schedules, and other schedules. This section provides summary and more detailed financial statements and schedules of County activities. The Statistical Section contains historical financial and statistical information, generally presented on a multi-year basis. The Statistical Section provides broader financial data for a more comprehensive understanding of the County.

This report also includes Audit Comments and Disclosures required under the Minimum Standards for Audits of Oregon Municipal Corporations Section of the Oregon Administrative Rules.

In addition, the County is required to have a comprehensive single audit of its Federal Assistance Programs in accordance with the Single Audit Act of 1984, OMB Circular A-133 and the provisions of Government Auditing Standards promulgated by the U.S. Comptroller General as they pertain to financial and compliance audits. A report on the County's compliance with applicable Federal laws and regulations related to the Single Audit Act of 1984 has been issued under separate cover.

Multnomah County management is responsible for the information in this report and we believe that the information presented is accurate in all material respects and is organized in a manner to clearly present the financial position and results of the operations of the County's various funds and account groups. Further, all necessary disclosures have been included to enable the reader to gain maximum understanding of the financial affairs of the County.

The dollar amounts shown in this transmittal letter and the dollar amounts in the financial report, unless indicated otherwise, are expressed in thousands.

REPORTING ENTITY

This report includes all funds, account groups, agencies, boards, commissions and authorities that are controlled by or dependent on the County as defined by GASB. The financial statements include the Dunthorpe-Riverdale Service District No. 1 and Mid County Service District No. 14. The Board of County Commissioners is the governing board of these entities and Multnomah County is responsible for their financial activities. These districts provide sewer and lighting services, are reported as enterprise activities and are presented as blended component units in the financial statements.

ECONOMY AND FINANCIAL OUTLOOK

Economy: Multnomah County is located in northwestern Oregon at the confluence of the Columbia and Willamette rivers, approximately 110 river miles and 80 highway miles from the Pacific Ocean. The County covers 465 square miles, most of which lies in the Willamette Valley, between the Tualatin Mountains west of the Willamette River and the Cascade Mountains to the east. The elevation ranges from 77 feet above sea level in Portland to 322 feet in Gresham and 1,224 feet at Big Bend Mountain in the Cascade foothills.

Multnomah County is the most populous county in the state with a July 1, 2000, population of 662,400. The cities of Portland, with a population of 531,600, and Gresham, with a population of 90,835, are the largest incorporated cities located in the County.

The Portland metropolitan area is the financial, trade, transportation and service center for Oregon, southwest Washington state and the Columbia River basin. Its manufacturing base includes electronics, machinery, transportation equipment and fabricated metals.

The Portland-Vancouver, OR-WA PMSA's (Primary Metropolitan Statistical Area), which includes Multnomah, Clackamas, Washington, Columbia and Yamhill counties in Oregon and Clark County in Washington, economy declined during fiscal year 2001. Over the last 12 months the Portland PMSA's payrolls have added 5,400 jobs. The Portland PMSA's total nonfarm payroll employment rose from 963,400 employees at June 30, 2000, to 968,800 employees at June 30, 2001. However, the nonfarm payroll employment declined to 958,200 at July 31, 2001. The area's unemployment rate was 5.2% at June 30, 2001, compared to a rate of 4.2% at June 30, 2000. The Portland-Vancouver Consumer Price Index (CPI) (1982-84 = 100) was 179.5 at June 30, 2001, and represents a 2.9% increase from June 30, 2000.

Financial outlook: The financial outlook for the County's General Fund over the next five years is expected to decline.

The regional economy is not expected to grow and a recovery before 2002 is questionable. The State of Oregon's recent forecast also suggests downturn of business activity.

The sluggish economy is impacting the County's revenue stream. Local government revenues in Oregon have been constrained in the 1990's by two citizen initiated property tax limitation measures. Measure 5 passed in 1990, and Measure 47 passed in 1996 and was enacted into law under the provisions of Measure 50. Property tax revenues account for about 55% of total discretionary revenue and, under Measure 50, is generally limited to 3% annual growth. New construction can be added to the assessed values and will raise the property tax growth slightly over the 3% limitation. We expect our property taxes to grow at between 3.5% to 4%. We are expecting our Business

Income Tax to remain constant with little or no growth and Motor Vehicle Rental Tax to also remain flat. Overall revenue growth is forecast between 3% to 3.5% over the next few years. Even if inflation remains at its current low levels, the level of revenue growth will not be sufficient to provide funding at current service levels. To address this shortfall the County will be making budgetary cuts of approximately \$11,000 during fiscal year 2002 to maintain priority programs and adequate reserves.

COUNTY STRUCTURE AND SERVICES PROVIDED

Multnomah County, Oregon, was incorporated in 1854 and is governed according to its Home Rule Charter, which became effective January 1967. The County's charter adopted in 1967 has had several subsequent amendments. The County is governed by a Board of County Commissioners consisting of four non-partisan members elected from designated districts within the County and the Chair of the Board, elected at large. The Board of County Commissioners conducts all legislative business of the County in one formal Board meeting per week. It also holds informal meetings during the week for the purpose of hearing informational briefings from staff, departments and outside agencies. The Board also holds other hearings as required by State law or County Charter. The County organization and the basic services provided are as follows:

Department of Community and Family Services: Services include:

- Alcohol and other drug screening, assessment, treatment and prevention services;
- Anti-poverty programs to provide advocacy, economic opportunities and self-sufficiency support to individuals along with weatherization assistance;
- Development of affordable housing and public works improvements;
- Services to individuals with developmental disabilities, including advocacy, service coordination, residential, vocational, respite, family support and emergency services;
- Mental health screening and evaluation, treatment, family support and crisis services; and
- A network of seven family centers located throughout the County provides a full spectrum of programs for youth and families.

Department of Health Services: Services include:

- Primary health care and dental services at primary health care centers, dental clinics, school based health centers and correctional facilities;
- Home visits to high risk families, offering child abuse prevention, parenting skills training, and health education;
- Prevention and treatment of communicable diseases, such as tuberculosis, sexually transmitted diseases, hepatitis, and HIV;
- Inspection and regulation of certain businesses and public services including ancillary health care services such as ambulance services and death investigation; and
- Advocacy for the improved health of the community, particularly the medically under served.

Department of Aging and Disability Services: Services to senior citizens include:

- Services through information and referral, gatekeepers and twenty-four hour access;
- Case management/needs assessment, eligibility, case plan development and service monitoring;
- Adult care home regulation and licensing;
- Public Guardian/Conservatorship; and
- Nutrition, transportation and in-home services.

Department of Juvenile and Adult Community Justice Services: Services include:

- Detention services for youth awaiting adjudication, receiving secure mental health intervention, or being held as a sanction for parole violations;

- Supervision to youth on probation including home visits, linking to treatment services, monitoring school attendance and intervention in gang behavior;
- Advice to the court on needs of children of families involved in alleged child abuse and neglect;
- Supervision services for adult pre- and post-sentenced offenders;
- Evaluation services addressing sentencing recommendations, substance abuse and mental health treatment services;
- Services to address substance abuse, mental health, housing, literacy, employment, child custody, marriage and reconciliation, and basic living skill needs; and
- Sanction programs that provide structured alternatives to prison.

Department of Library Services: Services include:

- Check out books and other library materials at the Central Library, fifteen branch libraries and through outreach services;
- Assist patrons in finding books and information;
- Select, acquire, organize and process a wide variety of books and other materials on numerous subjects expressing wide-ranging points of view for people of all ages;
- Provide age appropriate materials and services for children and young adults; and
- Provide materials and services to those county residents not able to come to county libraries or use conventional materials.

Department of Sustainable Community Development: Services include:

- Animal Control is responsible for the community's animal ownership ordinances that protect people and animals and operating an animal shelter for lost, stray and unwanted animals;
- Emergency Management coordinates the performance of essential and emergency services for the public's benefit prior to, during, and following an emergency situation;
- Facilities and Property Management is responsible for facilities operations and maintenance, property management, tax foreclosed property, and capital improvement projects;
- Fleet, Records, Electronics and Distribution is responsible for operational support services in the areas of county vehicles, records management, electronic equipment maintenance and interoffice and US mail processing; and
- Transportation and Land Use Planning is responsible for road, bridge and bikeway maintenance and capital projects, and to regulate planning activities in Multnomah County.

Sheriff's Office: Services include:

- Corrections programs such as work release and out-of-custody supervision for pre-trial and sentenced offenders in Multnomah County;
- In-jail alcohol and drug intervention services;
- Patrol services to rural areas of unincorporated Multnomah County;
- Narcotics education and intervention through the D.A.R.E. Program and narcotics enforcement through the Special Investigations Unit;
- Civil process service and civil court enforcement of "execution process";
- Water safety education and patrol of 97 miles of waterways within the boundaries of the County; and
- Secure incarceration of inmates and the transportation of inmates.

Department of Support Services: Services include:

- Finance Program Area is responsible for accounts payable, accounts receivable, contract administration, general ledger, materials management, payroll, purchasing, liability and property insurance, treasury functions; designing and coordinating the budget process, financial

forecasting, property tax collections, recording, property records management, property foreclosures, Board of Equalization and Tax Title Fund management;

- Business Service Program Area is responsible for property assessment, for performing all functions relating to the conduct of all elections for governmental jurisdictions in Multnomah County;
- Human Resources is responsible for personnel, for the negotiations of collective bargaining agreements, employee benefits, workers' compensation, loss control and for assuring that the County conforms to regulatory requirements for monitoring, reporting, planning and implementing programs and strategies as they relate to equal opportunity laws; and
- Information Services is responsible for data processing and telecommunications;
- Countywide Office of Organizational Learning supports training, diversity learning systems, support of financial and human resource integrated resource planning system and change management;

District Attorney's Office: Services include:

- Felony prosecution;
- Targeted crimes prosecution (Regional Organized Crime Narcotics "ROCN" Task Force);
- Misdemeanor and violation prosecutions (DUII, traffic crimes);
- Multidisciplinary child abuse teams;
- Juvenile prosecutions (delinquency and dependency cases);
- Child Support enforcement; and
- Victims assistance.

Nondepartmental: Functions which are outside the scope of the aforementioned include:

- Office of the County Chair;
- The Board of County Commissioners;
- The County Auditor;
- County Attorney;
- The Tax Supervising and Conservation Commission;
- Multnomah Commission on Children and Families; and
- Citizen Involvement Committee.

Employees: At June 30, 2001, the County had 4,827 employees not including temporary employees. There are nine bargaining units representing 4,033 employees as listed below. In addition, there are 794 management and exempt employees.

<u>Bargaining Unit</u>	<u>Employees</u>
General Employees (Local 88)	2,969
Electricians (Local 48)	22
Operating Engineers (Local 701)	14
Paint Makers (Local 1094)	3
Corrections (Teamsters 223)	516
Deputy Sheriffs Association	93
Oregon Nurses Association	261
Juvenile Group Workers (Local 86)	70
Prosecuting Attorneys Association	85
Total	<u>4,033</u>

MAJOR INITIATIVES

In fiscal year 2001. The County continued the RESULTS campaign. RESULTS stands for Reaching Excellent Service Using Leadership and Team Strategies and is Multnomah County's program for redesigning government. The goals of RESULTS are to build our capacity to meet our community and county benchmarks, to make sure we use tax dollars efficiently and to ensure quality services.

Enterprise Resource Planning System (ERP). During the year, the County began using an ERP system named "MERLIN", that replaced the legacy financial, payroll, procurement and human resource systems. The integrated system was implemented during a ten month period at a cost of about \$10,000 and this financial report was prepared from this system.

Multnomah County Employee Benefits Board. During the year, the County established a Multnomah County Employee Benefits Board made up of labor and management employees to work together to reach agreement on the level of benefits and a governing structure of the Benefits Board. This Board was established to help control the County's escalating costs of medical and dental benefits. All bargaining groups and management representatives have a member on the board and the agreements reached will be the basis of defining our benefit plans for the various bargaining and management groups. The level of benefits and charter were agreed to during fiscal year 2001.

Multnomah County Mental Health System. Community members, providers and County staff have been working together since 1999 to design an improved Mental Health system for people in Multnomah County. In September 2000, the Board of County Commissioners adopted values and principles for a "Consumer and Family Centered Mental Health System." And in November of 2000 County staff started to plan and implement the changes needed to achieve these goals in three phases:

- Phase I creates a County-run 24 hour Call Center, providing easy access to services, crisis care coordination, and member services. This phase puts services in place to replace the functions of the Crisis Triage Center, including new Walk-In Centers and Mobile Crisis Teams.
- Phase II implements Clinical Accountability for Providers, including new alternatives to Acute Care. It will complete planning for the next stage of redesign.
- Phase III, beginning July 2002, will focus on full implementation of a seamless service system for all people, including children, who need Mental Health or Addiction services. This will include coordination with related State, County and community services.

The Redesign Plan is based on developmental and recovery models. The central goal is to assist each adult or child receiving services to achieve his or her full potential. Individuals and families will empower themselves to become less in need of support from the Mental Health or Addiction systems, and more successful in their lives, through functional interdependence with natural support systems.

Elected Official changes. In February 2001, Beverly Stein resigned as Chair of the Board of County Commissioners to run for the office of the Governor. In addition, Diane Linn, County Commissioner of District #1 also resigned to run for the Office of County Chair. County charter requires that an elected official must resign from office if they elect to run for another elected office. Also in accordance with the County charter, Bill Farver, Executive to Chair Beverly Stein became acting County Chair. In May of 2001, Diane Linn was elected County Chair and Maria Rojo de Steffey was elected as County Commissioner of District #1.

Bond Issues. On November 1, 2000, the County issued Revenue Bonds Series 2000 A, in the amount of \$2,000, and B, in the amount of \$3,500 to finance the costs construction, renovation, improvements of certain County owned properties. The 2000A issue is for the Port City Development project and the 2000B issue is for the Oregon Food Bank Inc. The County has pledged its Motor Vehicle Rental Tax as a source of repayment of the bonds. The total interest cost on the bonds is 5.12%. At June 30, 2001, \$5,500 was outstanding. The bonds are guaranteed by MBIA.

For the future. The County continues to use the three long-term benchmarks adopted September 16, 1996, as a factor in developing the fiscal year 2001 budget. During the budget process the County added a fourth long-term benchmark that charged County agencies to work with community experts, analyze research data and determine the most cost effective ways to deliver community related services. The Departments will also work to align programs and services around common strategies.

The County is also continuing to work with the Public Safety Council to develop programs for an alcohol and drug treatment relapse program, mental health treatment for dual diagnosis individuals and drug-free housing.

The mental health system redesign implementation will continue to be a high priority for the County.

The Library local option tax levy will be up for renewal and operating funds for the new Wapato jail and secure alcohol and drug treatment center will need to come from a local option levy.

FINANCIAL AND ACCOUNTING POLICIES

This report is prepared in conformance with the guidelines for financial reporting developed by the Government Finance Officers Association of the United States and Canada and the principles established by Governmental Accounting Standards Board (GASB), including all effective GASB pronouncements. It presents fairly the financial position of the various funds and account groups of the County at June 30, 2001, and the results of operations of such funds and the cash flows of the proprietary fund types for the year then ended in conformity with generally accepted accounting principles (GAAP).

The County budgets a total of forty-one funds, of which thirty-two are governmental fund types and nine are proprietary fund types. The County also maintains five fiduciary fund types, of which four are agency funds and one is a pension trust fund. The Governmental fund types and agency funds are maintained on a modified accrual basis, with revenues being recorded when measurable and available and expenditures being recorded when the goods or services are received. The proprietary funds and pension trust fund are maintained on the accrual basis of accounting.

INTERNAL ACCOUNTING CONTROLS AND BUDGETARY PROCESS

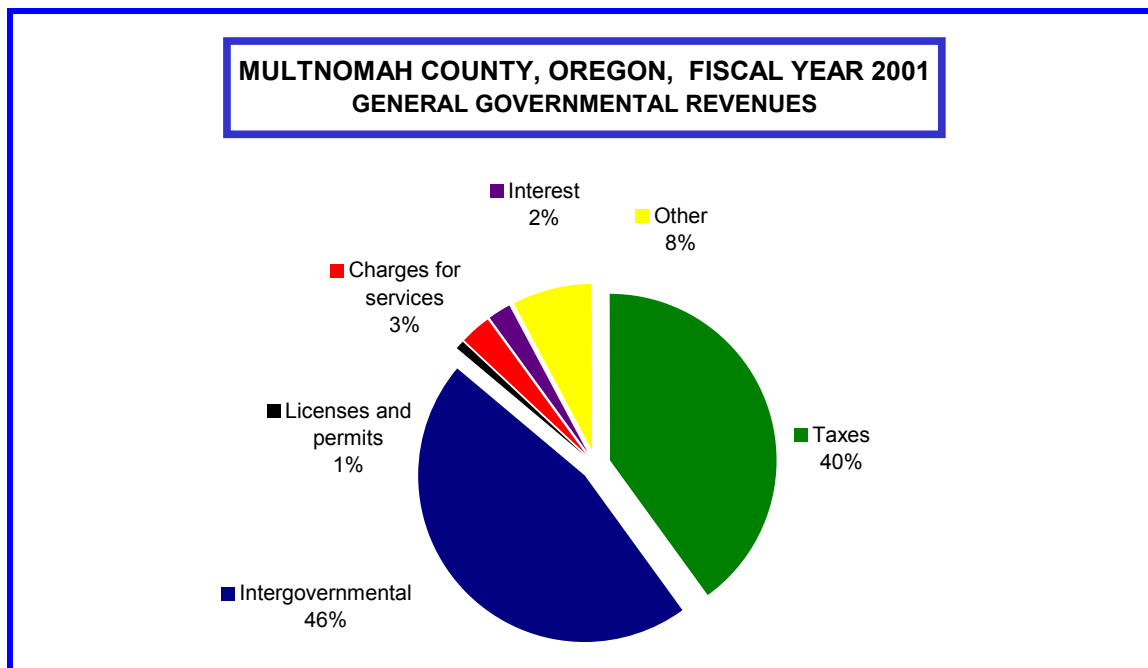
Multnomah County maintains, and management relies upon, a system of internal controls designed to provide reasonable assurance that assets are safeguarded, and that accounting transactions are executed and properly recorded so that financial statements can be prepared in accordance with GAAP and the County's budgetary requirements. The internal control structure also ensures that federal and state financial assistance funds are expended in compliance with applicable laws and regulations related to those programs. In establishing the internal control system, management considers the inherent limitations of various control procedures and weighs their cost against the benefit derived. To assure that reliable and timely information is prepared in the most efficient

manner possible, accounting policies, procedures and systems, together with related internal controls, are constantly monitored and revised, where necessary, to meet changing requirements.

The County's budget is prepared on the modified accrual basis of accounting. In accordance with State statutes, the County budgets all funds except trust and agency funds. The County budget is adopted by the Board of County Commissioners by department for each fund. The expenditure appropriations lapse at the end of the fiscal year. Additional resources and corresponding appropriations may be added to the budget during the fiscal year through a supplemental budget process. The original and supplemental budgets require budget hearings before the public, publications in newspapers and final adoption by the Board of County Commissioners. Original and supplemental budgets may be modified during the fiscal year by the use of appropriation transfers between categories. The appropriation transfers must be approved by the Board of County Commissioners in public meetings. During the fiscal year, one supplemental budgets was adopted.

FINANCIAL SUMMARY OF GENERAL GOVERNMENT FUNCTIONS

Governmental Fund Type Revenues: Revenues accounted for in the Governmental Fund Types totaled \$667,484 for the fiscal year 2001. The revenues, percent of total revenue by source and changes from the previous fiscal year are shown in the following chart and table:

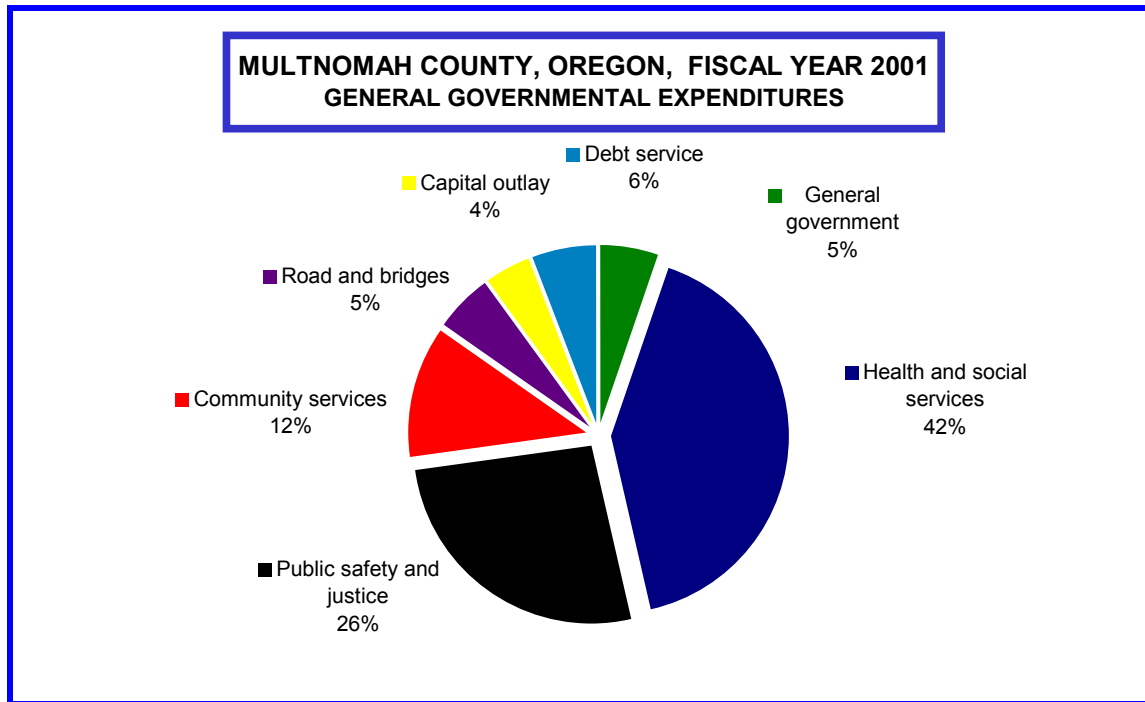


	2001 Amount	2000 Amount	Amount Increase (Decrease)	Percent Increase (Decrease)
Taxes	\$ 266,466	\$ 254,514	\$ 11,952	4.7%
Intergovernmental	308,993	242,966	66,027	27.2%
Licenses and permits	5,037	2,734	2,303	84.2%
Charges for services	20,234	15,008	5,226	34.8%
Interest	14,760	12,201	2,559	21.0%
Other	51,994	49,575	2,419	4.9%
Total	\$ 667,484	\$ 576,998	\$ 90,486	15.7%

The major increases are:

- The increase of taxes is due to an increase in property tax collections.
- The increase of intergovernmental revenues is due to an increase in federal and state funded programs.
- Increase in other is related to internal services charged to other departments.
- Increase in interest is due to higher yields on investments.

Governmental Fund Type Expenditures: Expenditures accounted for in the Governmental Fund Types totaled \$697,210 for fiscal year 2001. The expenditures, percent of total by function and changes from the previous fiscal year are shown in the following chart and table.



	2001 Amount	2000 Amount	Amount Increase (Decrease)	Percent Increase (Decrease)
General government	\$ 36,612	\$ 219,323	\$ (182,711)	-83.3%
Health and social services	285,999	237,566	48,433	20.4%
Public safety and justice	183,897	179,799	4,098	2.3%
Community services	85,143	72,429	12,714	17.6%
Road and bridges	35,110	35,969	(859)	-2.4%
Capital outlay	30,517	37,141	(6,624)	-17.8%
Debt service	39,932	28,552	11,380	39.9%
Total	<u>\$ 697,210</u>	<u>\$ 810,779</u>	<u>\$ (113,569)</u>	-14.0%

The major increases (decreases) are:

- General government decreased due to the pass through payments made to PERS in fiscal year 2000 to fund the County's unfunded liability.

- Health and social services and public safety and justice increased due to cost of living increases and an increase in state funded programs.
- Community services increased due to cost of living increases and an increase in state funded programs.
- Capital outlay decreased due to the completion of several capital projects in fiscal year 2000.
- Debt service increased due to the PERS bonds and other new debt issues.

PROPRIETARY OPERATIONS

Operating revenues accounted for in the Proprietary Funds, exclusive of the pension trust fund, for the fiscal year ended June 30, 2001, were \$117,871, an increase of \$6,915 from fiscal year 2000. Operating expenses totaled \$126,109 for the fiscal year ended June 30, 2001, an increase of \$19,125 from fiscal year 2000. The net loss for the year ended June 30, 2001, was \$5,610 compared to the net income of \$4,044 for fiscal year 2000.

FIDUCIARY OPERATIONS

Multnomah County manages and accounts for monies received from various sources in a fiduciary capacity. Such monies are reported in the Agency Funds within the Fiduciary Fund Types. Disbursements are made in accordance with the agreement or applicable legislative enactment for each fund.

The County also administers the Library Retirement Fund, a pension trust fund. This fund was created as a result of the Library Association of Portland and Multnomah County Transfer Agreement effective July 1, 1990. This pension plan was frozen as a result of the transfer agreement.

Substantially all other County employees participate in the statewide Oregon Public Employees Retirement System. More detailed information on the County's retirement systems and deferred compensation is disclosed in the Pension Plans and Deferred Compensation notes.

RISK MANAGEMENT

Risk Management's purpose is to protect the human, physical, and financial assets of the County and is responsible for identification of potential causes of loss.

The County is partially self-insured for employee medical, dental and vision benefits, unemployment, workers' compensation, property, tort and general liability claims. The Risk Management Fund, an Internal Service Fund, is governed by an ordinance adopted by the Board of County Commissioners. The ordinance requires that a financial status report be submitted to the Board of County Commissioners on an annual basis. Every two to three years an actuarial valuation is performed on the workers' compensation and liability programs to evaluate the County's incurred but not reported (IBNR) claims. The medical and dental IBNR claims are based on projected monthly claims costs, projected enrollment and the number of days it takes an average claim to clear the claims paying system. All IBNR claims are recorded as an expense in the year they are incurred and a corresponding liability is recorded in the Risk Management Fund. The most recent actuarial valuation was performed in the summer of 2001.

The Risk Management Fund allocates the cost of providing claims servicing and claims payment by charging a premium to the various County programs based on the actuarial estimates or actual insurance premiums paid.

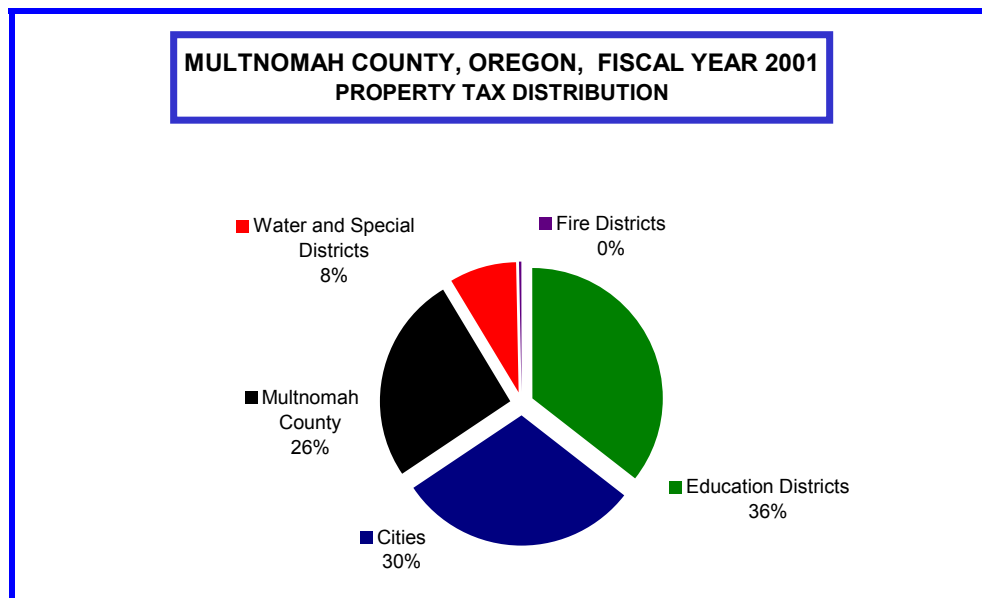
The County also funds post retirement benefits for a portion of medical insurance benefits for retirees between the ages of 58 to 65. Every three years an actuarial valuation is performed on the program to evaluate the unfunded liability and funding requirements. The most recent actuarial valuation was performed in the summer of 2001.

GENERAL FIXED ASSETS

The general fixed assets of the County are those fixed assets used in the performance of general governmental functions and exclude fixed assets of the Enterprise and Internal Service Funds. At June 30, 2001, the general fixed assets of the County amounted to \$380,277. This amount represents the original or estimated cost of the assets and is considerably less than the estimated replacement cost.

PROPERTY TAXES

Multnomah County serves as the property tax assessor and collector for all taxing bodies located in the County. The total levy for all entities within the County, as extended by the assessor, was \$800,299 for fiscal year 2001. The major levying entities, amounts, and changes from the previous fiscal year are displayed in the following chart and table:



	2001 Amount	2000 Amount	Amount Increase (Decrease)	Percent Increase (Decrease)
Education Districts	\$ 285,341	\$ 260,605	\$ 24,736	9.5%
Cities	239,905	224,449	15,456	6.9%
Multnomah County	205,468	193,076	12,392	6.4%
Water and Special Districts	66,860	59,701	7,159	12.0%
Fire Districts	2,725	2,657	68	2.6%
Total	<u>\$ 800,299</u>	<u>\$ 740,488</u>	<u>\$ 59,811</u>	8.1%

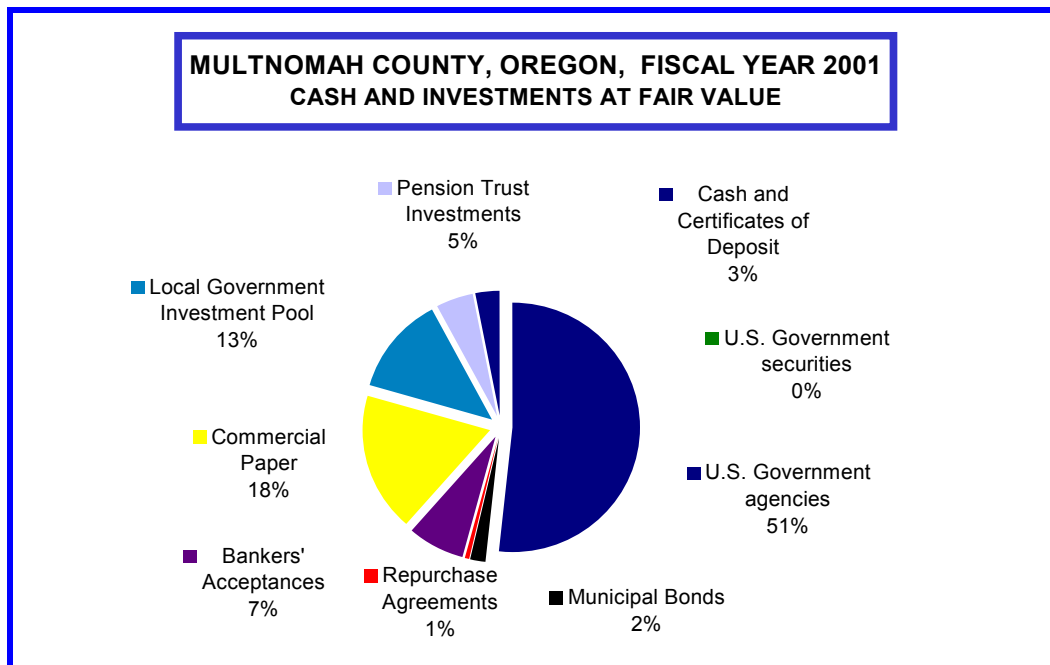
CASH AND INVESTMENTS

To obtain maximum return on investments, Multnomah County pools most funds for investment purposes. Multnomah County's investment transactions are governed by a written Investment Policy. The Investment Policy, which is reviewed and adopted annually by the Board of County

Commissioners, regulates the County's investment objectives, diversification, limitations and reporting requirements. The County also utilizes an independent Investment Advisory Board to review the County's investment plan and investment performance.

The average daily balance of investments for all funds, including trust funds, for fiscal year 2001 was \$281,210 and the average yield on these investments was 6.15%, as compared to the fiscal year 2000 average balance of \$264,552 and average yield of 5.66%. Investment interest earnings on all funds, excluding trust funds, for the fiscal year 2001 was \$16,606. The fair value of Cash and Investments at June 30, 2001, totaled \$235,850. The County recorded \$1,707 of unrealized gains as a result of marking its investments to fair value.

The investments are displayed in a note to the financial statements disclosing the fair values. The note also discloses the "level of credit risk" associated with the investment types. The following table and chart represents the various cash and investment types, at fair value, changes from the previous fiscal year and percent of total:



	2001 Amount	2000 Amount	Amount Increase (Decrease)
U.S. Government securities	\$ -	\$ 4,994	\$ (4,994)
U.S. Government agencies	121,579	170,741	(49,162)
Municipal Bonds	5,009	-	5,009
Repurchase Agreements	1,300	-	1,300
Bankers' Acceptances	16,967	3,974	12,993
Commercial Paper	42,681	49,192	(6,511)
Local Government Investment Pool	29,786	26,541	3,245
Pension Trust Investments	11,241	11,038	203
Cash and Certificates of Deposit	7,287	4,002	3,285
Total	\$ 235,850	\$ 270,482	\$ (34,632)

DEBT ADMINISTRATION

General Obligation Bonds: Under Oregon Revised Statutes 287.054 the County's total general obligation bonded debt issues are subject to a limitation of 2% of the real market value of taxable property. On June 30, 2001, this limit was \$1,126,305 and the County had \$106,260 outstanding. Multnomah County has an Aa1 rating from Moody's Investors Service, Inc. on all general obligation bonds issued.

On March 1, 1994, the County issued general obligation bonds in the amount of \$22,000 to renovate the Central Library and to build a new Midland Branch Library. The debt service is paid from the proceeds of a property tax levy. A portion of these bonds were advance refunded by the 1999 issue. The remaining bonds mature each October through October 2005. At June 30, 2001, \$5,120 was outstanding.

On October 1, 1994, the County issued general obligation bonds in the amount of \$9,000 to renovate the Central Library and to build a new Midland Branch Library. The debt service is paid from the proceeds of a property tax levy. A portion of these bonds were advance refunded by the 1999 issue. The remaining bonds mature each October through October 2004. At June 30, 2001, \$1,510 was outstanding.

On October 1, 1996, the County issued \$29,000 in General Obligation Library Bonds Series 1996A to finance the construction, acquisition and reconstruction of certain library facilities and equipment. A portion of these bonds were advance refunded by the 1999 issue. The debt service is paid from the proceeds of a property tax levy. The remaining bonds mature each October through October 2007. At June 30, 2001, \$7,340 was outstanding.

On October 1, 1996, the County issued \$79,700 in General Obligation Public Safety Bonds Series 1996B to finance the construction, acquisition and reconstruction of certain public safety facilities and equipment. The debt service is paid from the proceeds of a property tax levy. A portion of these bonds were advance refunded by the 1999 issue. The bonds mature each October through October 2008. At June 30, 2001, \$26,520 was outstanding.

On February 1, 1999, the County issued \$66,115 in General Obligation Bonds with a net interest cost of 5.12% to advance refund \$62,180 in outstanding general obligation bonds. The debt service is paid from the proceeds of a property tax levy. The bonds mature each October through October 2016. At June 30, 2001, \$65,770 was outstanding.

Revenue Bonds: On October 1, 1998, the County issued Revenue Bonds Series 1998 in the amount of \$3,155 to finance the costs of construction, renovation, improvement and equipping of certain facilities located on County-owned property known as the Regional Children's Campus, Inc. (RCC). The facility is to be operated as a children's service center. The County has pledged its Motor Vehicle Rental Tax revenues as the source of repayment of the bonds. The total interest cost on the bonds is 4.52%. At June 30, 2001, \$3,000 was outstanding. The bonds are rated A3 by Moody's Investors Service, Inc.

On November 1, 2000, the County issued Revenue Bonds Series 2000 A, in the amount of \$2,000, and B, in the amount of \$3,500 to finance the costs construction, renovation, improvements of certain County owned properties. The 2000A issue is for the Port City Development project and the 2000B issue is for the Oregon Food Bank Inc. The County has pledged its Motor Vehicle Rental Tax as a source of repayment of the bonds. The total interest cost on the bonds is 5.12%. At June 30, 2001, \$5,500 was outstanding. The bonds are guaranteed by MBIA.

Limited Tax Full Faith and Credit Bonds: Under Oregon Revised Statutes 287.053 the County's total limited tax bonded debt issues are subject to a limitation of 1% of the real market value of taxable property. On June 30, 2001, this limit was \$563,152 and the County had \$277,713 outstanding.

On April 1, 1999, the County issued Certificates of Participation in the amount of \$36,125 to finance the acquisition of an administrative building, renovating, constructing and improving certain other County facilities and structures. On April 1, 2000, under the terms of the Financing Agreement, these Certificates were converted to Full Faith and Credit Bonds. At June 30, 2001, \$34,960 was outstanding. The certificates mature each August through August 2019. The bonds are rated Aa2 by Moody's Investors Service, Inc.

On December 1, 1999, the County issued \$184,548 in taxable Revenue Pension Obligation Bonds to fund the County's Public Employees Retirement System (PERS) unfunded accrued actuarial liability (UAAL). The present value savings by issuing the debt to fund the UAAL instead of paying PERS, over a thirty year period, will be \$35,776. The total interest cost is 7.67%. At June 30, 2001, \$184,548 was outstanding. Payment of principal and interest, except for a term bond, will be guaranteed by MBIA. The term bond is rated Aa2 by Moody's Investor Service, Inc.

On April 1, 2000, the County issued \$61,215 in Full Faith and Credit Bonds to finance the the costs of acquiring and installing an integrated enterprise computer system, acquire land, acquire facilities and construct other County facilities and structures. The total interest cost is 5.23%. At June 30, 2001, \$58,205 was outstanding. \$57,944 is recorded in the General Long-Term Obligations Account Group and \$261 is recorded in the Internal Service Funds. The bonds are rated Aa2 by Moody's Investors Service, Inc.

Tax and Revenue Anticipation Notes: On July 1, 2000, the County issued \$20,000 in Tax and Revenue Anticipation Notes (TRANS). The notes had a stated interest rate of 5.25% and a yield of 4.37%. The TRANS were rated MIG1 by Moody's Investors Service, Inc. The notes matured on June 29, 2001.

Per Capita Debt Levels: Per capita debt levels for the County consist not only of debt issued by the County, but also include debt issued by overlapping jurisdictions. The following table shows the debt ratios for the County (general obligation and full faith and credit debt) and overlapping districts (Per Capita in dollars):

	Values	Per Capita	Percent of RMV
Population June 30, 2001	662,400		
2000-01 real market value (RMV)	\$56,315,243	\$85,017	
Gross direct bonded debt	\$443,971	\$670	.79%
Net direct debt and net overlapping debt	\$1,491,531	\$2,252	2.65%

INTERGOVERNMENTAL AGREEMENTS, LOANS AND CAPITAL LEASES

Multnomah County has entered into various lease/purchase, loan and intergovernmental agreements to acquire or improve facilities and to acquire equipment. These acquisitions have been capitalized in the Data Processing Fund, an Internal Service Fund, or in the General Fixed Assets Account Group. At June 30, 2001, the total amount payable in the General Long-Term Obligations Account Group is \$53,965 and \$3,740 in the Data Processing Fund. The following is a summary of the various types of transactions the County has entered into:

Intergovernmental Agreement: On January 22, 1981, the County entered into an intergovernmental agreement in the amount of \$3,475 with the City of Portland for the purchase of two floors in the Portland Building. This agreement will be paid in full in fiscal year 2008. At June 30, 2001, \$1,693 was outstanding.

Loans: On February 15, 1996, the County entered into an intergovernmental agreement in the amount of \$528 with the State of Oregon to obtain an energy loan to replace the Multnomah County Courthouse chillers. This agreement will be paid in full in fiscal year 2011. At June 30, 2001, \$408 was outstanding.

On July 5, 1996, the County entered into two intergovernmental agreements in the total amount of \$42 with the City of Gresham for sewer assessment loans. These agreements will be paid in full in fiscal year 2016. At June 30, 2001, \$36 was outstanding.

On October 1, 1996, the County entered into an intergovernmental agreement in the amount of \$86 with the State of Oregon to obtain an energy loan for conservation measures at the McCoy Building. This agreement will be paid in full in fiscal year 2007. At June 30, 2001, \$52 was outstanding.

On December 1, 1996, the County entered into an intergovernmental agreement in the amount of \$35 with the State of Oregon to obtain an energy loan for conservation measures at the Elections Building. This agreement will be paid in full in fiscal year 2007. At June 30, 2001, \$21 was outstanding.

On January 15, 1997, the County entered into an intergovernmental agreement in the amount of \$56 with the State of Oregon to obtain an energy loan for conservation measures at the Kelly Building. This agreement will be paid in full in fiscal year 2007. At June 30, 2001, \$36 was outstanding.

On February 8, 1999, the County entered into an intergovernmental agreement in the amount of \$155 with the State of Oregon to obtain an energy loan for conservation measures for various County facilities. This agreement will be paid in full in fiscal year 2009. At June 30, 2001, \$133 was outstanding.

On October 26, 1999, the County entered into an intergovernmental agreement in the amount of \$204 with the State of Oregon to obtain an energy loan for conservation measures for various County facilities. This agreement will be paid in full in fiscal year 2015. At June 30, 2001, \$185 was outstanding.

Lease/Purchase Contracts: On September 1, 1996, the County entered into a lease/purchase contract in the amount of \$299 with Xerox to purchase a laser printer. The contract was paid in full in fiscal year 2001.

On March 1, 1999, the County entered into a lease/purchase contract in the amount of \$1,656 with IBM to purchase data processing equipment. The contract will be paid in full in fiscal year 2002. At June 30, 2001, \$433 was outstanding.

Certificates of Participation: Certificates of Participation represent a long-term lease under an optional contract for purchase between Multnomah County and a bank's trust department. The County obtains the initial financing and then assigns the ownership of the assets to the trustee to whom the County makes lease payments. The County has maintained an Aa3 rating from Moody's Investors Service, Inc. on Certificates of Participation issues.

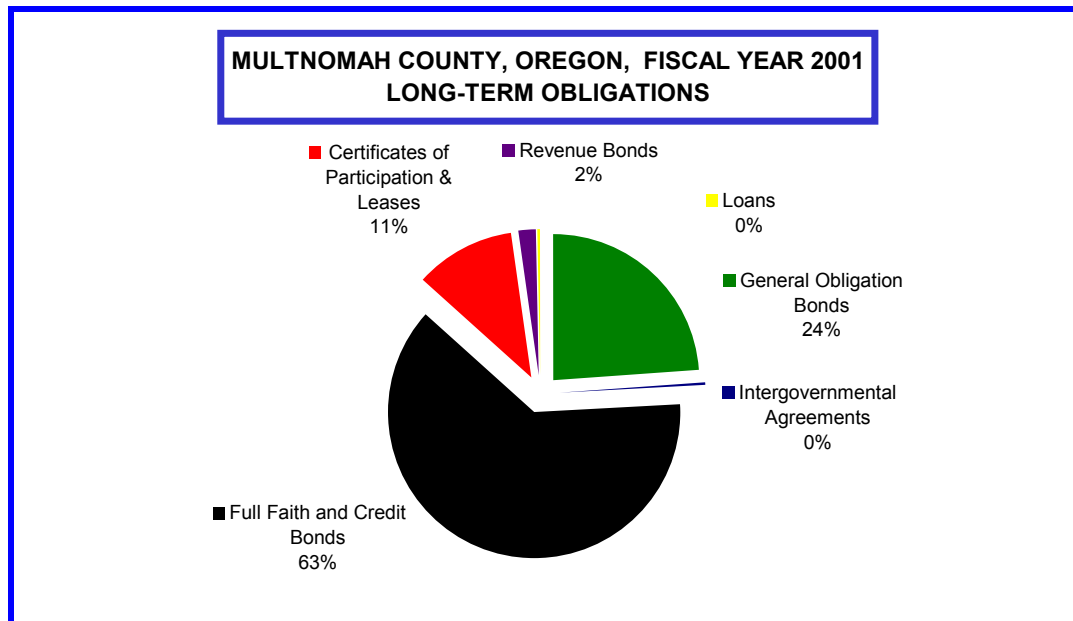
On July 1, 1990, the County acquired an office for the County's probation program by issuing \$455 in Certificates of Participation "Series 1990C". The certificates were paid in full in fiscal year 2001.

On May 1, 1993, the County advance refunded three Certificates of Participation issues and issued additional certificates for the purpose of financing the acquisition and improvements of certain other health care facilities. The certificates were issued in two series, "1993A and 1993B". The 1993A was issued in the amount of \$17,845 and the Series 1993B, a taxable issue, was issued in the amount of \$2,045, for a total of \$19,890. At June 30, 2001, \$12,520 was outstanding. These certificates mature each July through July 2013.

On June 1, 1996, the County issued Certificates of Participation in the amount of \$1,845 to purchase computer equipment. The certificates were paid in full in fiscal year 2001.

On February 1, 1998, the County issued Certificates of Participation in the amount of \$48,615 to advance refund the August 1, 1992, (Series 1992A) Certificate of Participation and to finance the acquisition of computer equipment and the construction and improvements of certain other County facilities and structures. At June 30, 2001, \$37,285 was outstanding.

The outstanding amount of general obligation bonds, certificates of participation, lease purchases, loans and intergovernmental agreements for 2001 and 2000, changes from the previous fiscal year and percent of total are shown in the following chart and table:



	2001 Amount	2000 Amount	Amount Increase (Decrease)
General Obligation Bonds	\$ 106,260	\$ 115,555	\$ (9,295)
Intergovernmental Agreements	1,693	1,865	(172)
Full Faith and Credit Bonds	277,713	281,888	(4,175)
Certificates of Participation & Leases	50,249	55,840	(5,591)
Revenue Bonds	8,500	3,155	5,345
Loans	870	939	(69)
Total	\$ 445,285	\$ 459,242	\$ (13,957)

SUBSEQUENT EVENTS

On July 2, 2001, the County issued \$20,000 in Tax and Revenue Anticipation Notes to meet anticipated cash flow requirements prior to the collection of property taxes in November and other revenues received after November. The stated interest rate is 3.50% with a yield of 2.60%. The notes mature on June 28, 2002, and are rated MIG1 by Moody's Investors Service, Inc.

INDEPENDENT AUDIT

Oregon State law requires that an annual audit of the financial records and transactions of all County functions be performed by an independent certified public accountant. This requirement has been complied with and the general purpose financial statements have been audited by Grant Thornton LLP, our independent auditors. See the Financial Section for the full text of our auditors' report.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to Multnomah County, Oregon, for its comprehensive annual financial report for the fiscal year ended June 30, 2000. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. Multnomah County has received a Certificate of Achievement award for seventeen consecutive years. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles 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 the Certificate of Achievement program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

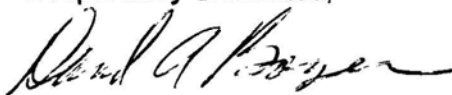
SUMMARY

Multnomah County's financial position continues to remain strong. As of June 30, 2001, the fund balances in the Governmental Fund Types was \$159,054 as compared to the June 30, 2000, balance of \$183,311. At June 30, 2001, \$18,127 of the fund balances is reserved for debt retirement, \$11,241 is reserved for employee retirement benefits, \$103,095 is reserved for capital projects, \$2,202 is reserved for inventories, and \$787 is reserved for prepaid items.

ACKNOWLEDGMENTS

We wish to express our sincere appreciation to the employees in the Finance Program Area who maintained the records and assisted in the preparation of this report. Special thanks is extended to the General Ledger Staff who were instrumental in preparing this report. Appreciation is also extended to the Chair of the Board, Board of County Commissioners, Department Managers, Budget & Quality Services and other County personnel for their assistance and support in planning and conducting the financial operations of the County in a prudent manner.

Respectfully Submitted,



David A. Boyer
Finance Director



Mindy Harris
Accounting Manager