

Financial Statements and Reports of
Independent Certified Public Accountants

**Hospital Facilities Authority of
Multnomah County, Oregon**

June 30, 2003

INTRODUCTORY SECTION

**HOSPITAL FACILITIES AUTHORITY of
Multnomah County, Oregon**

BOARD OF DIRECTORS* AS OF JUNE 30, 2003
501 SE Hawthorne, 6th floor
Portland, Oregon 97214

Term Expires

Diane Linn, Chair of the Authority	December 31, 2006
Serena Cruz, Director	December 31, 2006
Lisa Naito, Director	December 31, 2004
Lonnie Roberts, Secretary of the Authority	December 31, 2004
Maria Rojo de Steffey, Vice Chair of the Authority	December 31, 2004

REGISTERED AGENT

David A. Boyer

REGISTERED OFFICE

501 SE Hawthorne, 4th floor
PO Box 14700
Portland, Oregon 97293-0700

* Governing body of Hospital Facilities Authority reported on herein.

**HOSPITAL FACILITIES AUTHORITY of
Multnomah County, Oregon
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**HOSPITAL FACILITIES AUTHORITY OF
MULTNOMAH COUNTY, OREGON**

David A. Boyer, Chief Financial Officer
501 SE Hawthorne, Suite 400
Portland, Oregon 97214
(503) 988-3903 phone
(503) 988-3292 fax

March 30, 2004

Honorable Authority Chair, Board of Directors
and Citizens of Multnomah County, Oregon

We are pleased to submit the Basic Financial Statements for Hospital Facilities Authority of Multnomah County, Oregon (the Authority), for the fiscal year ended June 30, 2003. This report includes the opinion of our independent auditors, Grant Thornton LLP.

We prepared this report for the Secretary of the State of Oregon as required under ORS 297.425. The Authority's financial statements are not included in the Comprehensive Annual Financial Report of Multnomah County (the County) as a blended component unit.

The Authority has implemented the requirements of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* issued in June 1999.

Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Authority's MD&A can be found immediately following the independent auditors' report.

The Hospital Facilities Authority of Multnomah County, Oregon was organized under bylaws adopted December 3, 1998. The purpose of the Authority is to issue hospital revenue bonds for construction and improvement to health facilities in Multnomah County. Under the Loan Agreement, neither the revenue bonds nor the interest on the Revenue Bonds are an obligation of the Authority, Multnomah County, Oregon, or the State of Oregon, or the Authority Board of Directors, employees or agents of the Authority or Multnomah County.

The Authority is accounted for as a debt service fund. Debt Service funds account for the payment of principal and interest on revenue bonds. The principal source of revenue is loan payments from the health facility. The measurement focus is on a flow of economic resources and the accrual basis of accounting is used. Under the accrual basis of accounting, revenues are recorded at the time they are earned and expenses are recorded at the time the liabilities are incurred.

Operating revenues for the Authority consist primarily of loan payments from the health facility and have steadily increased over the past few years as improvements to the facility continue to be made. Following is a summary of some key financial data which is summarized from the current years' financial statements:

	Year ended June 30	
	2003	2002
Operating revenue	\$ 1,615,605	\$ 1,517,638
Other expenses	(7,263)	(5,585)
Interest and dividend	125,415	125,520
Interest expense	(1,647,750)	(1,667,250)
Net increase in fair value of investments	105,498	27,721
Change in net assets	191,505	(1,956)
Net working capital	2,629,181	2,437,676
Total assets	27,829,181	27,937,676
Total net assets	2,629,181	2,437,676

Interest and dividend revenue has remained steady over the past two years with an average interest rate of 5.75%. The net increase in the fair value of investments increased by \$77,777 from 2002 due to a greater diversified investment portfolio during 2003 with higher balances in corporate obligations and overall lower cash on hand balance in 2003 as compared to 2002.

I would like to acknowledge the help of the Finance Division staff who aided me in the preparation of this report. I appreciate their excellent work. I also want to thank the staff in the Department of Business and Community Services for their contributions during the year.

Respectfully submitted,

David A. Boyer
Chief Financial Officer, Multnomah County
Assistant Secretary, Hospital Authority

FINANCIAL SECTION

Report of Independent Certified Public Accountants

Board of Directors
Hospital Facilities Authority of Multnomah County, Oregon

We have audited the accompanying financial statements of the governmental activities and the major fund of Hospital Facilities Authority of Multnomah County, Oregon, as of June 30, 2003 and 2002 and for the year ended June 30, 2003, as listed in the table of contents. These financial statements are the responsibility of Hospital Facilities Authority of Multnomah County, Oregon's management. Our responsibility is to express an opinion on these financial statements based on our audits.

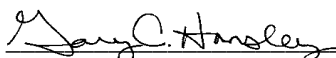
We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining, 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of Hospital Facilities Authority of Multnomah County, Oregon as of June 30, 2003 and 2002, and the changes in its financial position for the year ended June 30, 2003 in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2 through 4 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Hospital Facilities Authority of Multnomah County, Oregon's basic financial statements. The introductory section and supplementary information section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

GRANT THORNTON LLP

By:  _____

Portland, Oregon
March 23, 2004

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HOSPITAL FACILITIES AUTHORITY OF MULTNOMAH COUNTY, OREGON

David A. Boyer, Chief Financial Officer
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Portland, Oregon 97214
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MANAGEMENT DISCUSSION AND ANALYSIS

As management of Hospital Facilities Authority, we offer readers of the Authority's basic financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2003. 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 iii-iv of this report.

Financial Highlights

- Loan payments from the health facility were sufficient to cover debt service requirements during the fiscal year.
- The unrealized gain on investments increased from \$27,721 in 2002 to \$105,498 in 2003. In 2003, the Authority had less cash on hand balances in money market accounts and held more funds in corporate obligations, which resulted in a greater net increase in the fair value of investments than in 2002.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. They are: 1) entity-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.

Entity-wide financial statements. The *entity-wide financial statements* are designed to provide readers with a broad overview of the Authority's finances in a manner similar to a private-sector business. The *Statement of Net Assets* presents information on all the Authority's assets and liabilities, with the difference between the two reported as net assets. The *Statement of Activities* presents information showing how the Authority'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. The entity-wide financial statements for the Authority include long-term asset and liability transactions that are otherwise not reported in the fund financial statements due to the nature of the transaction.

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 Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Debt Service Funds. The Debt Service fund is used to account for a government's payment of principal and interest on revenue bonds. Hospital Facilities Authority is accounted for as a debt service fund. The fund financial statements can be found on pages 7 and 9 of this report.

The Authority's principal source of revenue is receipts from the health facility. It does not receive any funds from the state or any other government agency. The Authority's statute anticipates that it collects receipts necessary to prudently operate.

The basic financial statements can be found on pages 5-10 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 11-15 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information. Supplementary information can be found on pages 16-17 of this report.

Financial Analysis of the Authority

Net assets may serve over time as a useful indicator of a government's financial position. As noted earlier, Hospital Facilities Authority's total assets exceeded liabilities by \$2,629,181 at the close of the most recent fiscal year.

Hospital Facilities Authority's Net Assets

	June 30	
	2003	2002
Assets		
Cash and investments	\$ 2,629,181	\$ 2,437,676
Loan receivable	25,200,000	25,500,000
Total assets	27,829,181	27,937,676
Liabilities		
Bonds payable		
Due within one year	400,000	300,000
Due within more than one year	24,800,000	25,200,000
Total liabilities	25,200,000	25,500,000
Net Assets		
Restricted for Debt Service	2,629,181	2,437,676
Total Net Assets	\$ 2,629,181	\$ 2,437,676

At the end of both fiscal years reported above, the Authority is able to report a positive balance for net assets restricted for debt service.

Hospital Facilities Authority's Changes in Net Assets

	For the Year Ended June 30	
	2003	2002
Operating revenues	\$1,615,605	\$1,517,638
Other expenses	(7,263)	(5,585)
Interest and dividend revenue	125,415	125,520
Interest expense	(1,647,750)	(1,667,250)
Net increase in fair value of investments	105,498	27,721
Changes in net assets	191,505	(1,956)
Beginning net assets	2,437,676	2,439,632
Ending net assets	\$ 2,629,181	\$ 2,437,676

The Authority's net assets increased by \$191,505 during the current fiscal year. The primary reasons for the increase in net assets are:

- Greater diversified investment portfolio with lower cash balances in 2003 as compared to 2002 led to a greater increase in the fair value of investments in 2003.
- Interest payments on the revenue bonds were made timely and interest expense decreased by \$19,500 from 2002 following the amortization schedule on the revenue bonds.
- Loan payments increased by 6.46% or \$97,967 in order to provide for future debt service requirements on the revenue bonds.

Cash and investments. Investments are stated at fair value as determined by published market prices. Cash and investments are held by a bank trustee. At June 30, 2003 and 2002 the value of the Authority's cash and investments were \$2,629,181 and \$2,437,676, respectively.

Requests for Information

This financial report is designed to provide a general overview of Hospital Facilities Authority'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 directed to the following address:

Multnomah County Finance
PO Box 14700
Portland, OR 97293-0700

**HOSPITAL FACILITIES AUTHORITY of
Multnomah County, Oregon
Statements of Net Assets**

	June 30,	
	2003	2002
ASSETS		
Cash and investments	\$ 2,629,181	\$ 2,437,676
Loan receivable	25,200,000	25,500,000
Total assets	27,829,181	27,937,676
LIABILITIES		
Noncurrent liabilities:		
Due within one year:		
Bonds payable	400,000	300,000
Due in more than one year:		
Bonds payable	24,800,000	25,200,000
Total liabilities	25,200,000	25,500,000
NET ASSETS		
Restricted for Debt Service	2,629,181	2,437,676
Total net assets	\$ 2,629,181	\$ 2,437,676

The notes to the financial statements are an integral part of these statements.

**HOSPITAL FACILITIES AUTHORITY of
Multnomah County, Oregon
Statement of Activities
For the Year Ended June 30, 2003**

OPERATING REVENUES

Receipts from health care facility	\$ 1,615,605
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OPERATING EXPENSES

Other	7,263
Operating income	<u>1,608,342</u>

NONOPERATING REVENUES (EXPENSES)

Interest and dividend income from investments	125,415
Interest expense	(1,647,750)
Net increase in fair value of investments	<u>105,498</u>
Total nonoperating expenses	<u>(1,416,837)</u>

Change in net assets	191,505
Total net assets – beginning	<u>2,437,676</u>
Total net assets - ending	<u><u>\$ 2,629,181</u></u>

The notes to the financial statements are an integral part of this statement.

**HOSPITAL FACILITIES AUTHORITY of
Multnomah County, Oregon
Debt Service Fund
Balance Sheets**

	<u>June 30,</u>	
	<u>2003</u>	<u>2002</u>
ASSETS		
Cash and investments	<u>\$ 2,629,181</u>	<u>\$ 2,437,676</u>
 FUND BALANCE		
Reserved for Debt Service	<u>\$ 2,629,181</u>	<u>\$ 2,437,676</u>

The notes to the financial statements are an integral part of these statements.

**HOSPITAL FACILITIES AUTHORITY of
Multnomah County, Oregon
Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Fund – Debt Service Fund
As of June 30, 2003**

Fund Balance – Governmental Fund – Debt Service Fund	\$ 2,629,181
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Amounts reported for governmental activities in the statement of net assets are different because:

Other long-term assets, loan receivable	25,200,000
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Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental fund – debt service fund.

Bonds payable	<u>(25,200,000)</u>
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Net Assets of Governmental Activities	<u><u>\$ 2,629,181</u></u>
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The notes to the financial statements are an integral part of this statement.

**HOSPITAL FACILITIES AUTHORITY of
Multnomah County, Oregon
Debt Service Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2003**

REVENUES

Receipts from Health Facility	\$ 1,915,605
Interest and dividend revenue	125,415
Unrealized gain on investments	<u>105,498</u>
Total revenues	<u>\$ 2,146,518</u>

EXPENDITURES

Other	\$ 7,263
Debt Service:	
Principal	300,000
Interest	<u>1,647,750</u>
Total expenditures	<u>1,955,013</u>
Excess of revenues over expenditures	<u>191,505</u>
 Fund balance, beginning of year	 <u>2,437,676</u>
Fund balance, end of year	<u><u>\$ 2,629,181</u></u>

The notes to the financial statements are an integral part of this statement.

**HOSPITAL FACILITIES AUTHORITY of
Multnomah County, Oregon
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance to the Statement of Activities
Governmental Fund – Debt Service Fund
For the Year Ended June 30, 2003**

Net change in fund balance – Governmental Fund – Debt Service Fund	\$ 191,505
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Amounts reported for governmental activities in the statement of activities are different because:

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the government fund.

Collections on loan receivable	(300,000)
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Repayment of bond principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net assets.

Principal payments on bonds payable	<u>300,000</u>
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Change in Net Assets of Governmental Activities	<u>\$ 191,505</u>
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The notes to the financial statements are an integral part of this statement.

**HOSPITAL FACILITIES AUTHORITY of
Multnomah County, Oregon
Notes to Basic Financial Statements
June 30, 2003 and 2002**

Note A – Summary of Significant Accounting Policies

1. Nature of Business

The Hospital Facilities Authority of Multnomah County, Oregon operates under bylaws adopted December 3, 1998. The Board of Directors consists of five members elected for two four-year terms. The Authority issues hospital revenue bonds for construction and improvements to health facilities in Multnomah County. The health facilities are located in the City of Portland.

The Authority has determined that no other outside agency meets the criteria to be included as a component unit in the Authority's financial statements. The Authority is not a component unit of any other government.

Under the Loan Agreement, neither the revenue bonds nor the interest on the Revenue Bonds are an obligation of the Authority, Multnomah County, Oregon, or the State of Oregon, or the Authority Board of Directors, employees or agents of the Authority or Multnomah County.

2. Basis of Accounting

The entity-wide financial statements are prepared on the accrual basis of accounting. Under the *economic resources measurement focus* and the *accrual basis of accounting*, revenues are recorded at the time they are earned and expenses are recorded at the time the liabilities are incurred. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Assets.

The debt service fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Debt service expenditures are recorded only when payment is due.

The financial statements of the Authority have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**HOSPITAL FACILITIES AUTHORITY of
Multnomah County, Oregon
Notes to Basic Financial Statements
June 30, 2003 and 2002**

Note A – Summary of Significant Accounting Policies - continued

3. Fund Accounting

The accompanying basic financial statements have been prepared for purposes of Oregon statutory reporting requirements. The accompanying financial statements are structured into the fund type as described below.

4. Debt Service Fund

Debt Service Funds account for the payment of principal and interest on revenue bonds. The principal source of revenue is loan payments from the health facility.

5. Income Taxes

The Authority is a municipal corporation exempt from federal and state income taxes.

6. Cash and Investments

Investments are stated at market value. Cash and investments are held by a bank trustee. At June 30, 2003 and 2002 the value of these investments was \$2,629,181 and \$2,437,676, respectively.

The types of investments made by the Authority are summarized below. The investments that are represented by specific identifiable investment securities are classified by credit risk in three categories described below:

Category 1 – Insured or registered, or securities held by the Authority or it's agent in the Authority's name.

Category 2 – Uninsured or unregistered, with securities held by the counter party's trust department or agent in the Authority's name.

Category 3 – Uninsured or unregistered, with securities held by the counter party's trust department or agent but not in the Authority's name.

**HOSPITAL FACILITIES AUTHORITY of
Multnomah County, Oregon
Notes to Basic Financial Statements
June 30, 2003 and 2002**

Note A – Summary of Significant Accounting Policies - continued

At year-end, the Authority's investment balances were as follows:

	Category			Reported Amount / Fair Value
	1	2	3	
US Government Agencies	\$ -	\$ 983,147	\$ -	\$ 983,147
Corporate Obligations	\$ -	1,224,642	-	1,224,642
Total	\$ -	\$ 2,207,789	\$ -	\$ 2,207,789
Investments not subject to categorization:				
Cash and cash equivalents				421,392
Total Cash and investments				\$ 2,629,181

7. Loan Receivable

The Authority entered into a Loan Agreement with Terwilliger Plaza Care Center (Plaza) on March 1, 1999. The loan agreement provides for, among other things, the principal and interest payments on the revenue and refunding bonds, series 1999 and other related expenses the Authority may incur. The loan agreement states the Plaza is subject to various financial covenants and restrictions. The loan receivable is stated at estimated fair value. The fair value of the loan receivable is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. The fair value of the loan receivable equals the related liability at year-end. As of June 30, 2003 and 2002, the balance on the loan receivable from the Plaza was \$25,200,000 and \$25,500,000, respectively.

**HOSPITAL FACILITIES AUTHORITY of
Multnomah County, Oregon
Notes to Basic Financial Statements
June 30, 2003 and 2002**

8. Revenue Bonds Payable

Outstanding Bond Schedule

During 1999, the Authority issued \$26,000,000 to construct and improve facilities at the Plaza and to advance refund the Hospital Facility Authority of Clackamas County, Oregon Revenue Bonds, Series 1995. The Series 1999 Bonds are due in varying annual installments of \$400,000 in 2004 to \$1,900,000 in 2029 with an interest rate at 6.50%. Maturities of bond principal at June 30, 2003 consists of the following:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 400,000	\$ 1,625,000
2005	400,000	1,599,000
2006	400,000	1,573,000
2007	400,000	1,547,000
2008	500,000	1,517,750
2009-2013	2,800,000	7,072,000
2014-2018	3,900,000	5,996,250
2019-2023	5,300,000	4,514,250
2024-2028	7,400,000	2,457,000
2029-2030	3,700,000	243,750
Total	<u>\$ 25,200,000</u>	<u>\$ 28,145,000</u>

Changes to bonds payable consisted of the following:

<u>Debt Service Fund</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue Bonds	<u>\$25,500,000</u>	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$25,200,000</u>	<u>\$ 400,000</u>

9. Debt Defeasance

In prior years, the Authority defeased the Clackamas County, Oregon Revenue Bonds, Series 1995. This defeased bond issue is placed in irrevocable trust funds until the debt is called or matured. Accordingly, the trust account assets and related liability for the defeased bonds are not included in the Authority's financial statement. At June 30, 2003 the balance on the defeased debt was \$3,855,000.

**HOSPITAL FACILITIES AUTHORITY of
Multnomah County, Oregon
Notes to Basic Financial Statements
June 30, 2003 and 2002**

10. Transactions with Multnomah County

The County Department of Business and Community Services provides operating management and planning for the Authority. General administrative functions are performed by other units of the County.

11. Use of Estimates

In preparing the basic financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note B – Subsequent event

In December of 2003, the Authority issued \$17,500,000 in revenue and refunding bonds to refund the Series 1993 revenue bonds of Clackamas County Holladay Park Plaza and also to provide for various capital improvements to its facility.

SUPPLEMENTARY INFORMATION

**HOSPITAL FACILITIES AUTHORITY of
Multnomah County, Oregon
Schedule of Future Debt Service Requirements
June 30, 2003**

Following are the future debt payments on the revenue and refunding bonds, Series 1999, required until maturity:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 400,000	\$ 1,625,000
2005	400,000	1,599,000
2006	400,000	1,573,000
2007	400,000	1,547,000
2008	500,000	1,517,750
2009	500,000	1,485,250
2010	500,000	1,452,750
2011	600,000	1,417,000
2012	600,000	1,378,000
2013	600,000	1,339,000
2014	700,000	1,296,750
2015	700,000	1,251,250
2016	800,000	1,202,500
2017	800,000	1,150,500
2018	900,000	1,095,250
2019	900,000	1,036,750
2020	1,000,000	975,000
2021	1,100,000	906,750
2022	1,100,000	835,250
2023	1,200,000	760,500
2024	1,300,000	679,250
2025	1,400,000	591,500
2026	1,500,000	497,250
2027	1,600,000	396,500
2028	1,600,000	292,500
2029	1,800,000	182,000
2030	1,900,000	61,750
Total	<u>\$ 25,200,000</u>	<u>\$ 28,145,000</u>

**HOSPITAL FACILITIES AUTHORITY of
Multnomah County, Oregon
Schedule of Revenue Bond Transactions
For the Year Ended June 30, 2003**

	Amount of Original Issue	Bond Principal			
		Outstanding June 30, 2002	Bonds Issued	Matured and Paid	Outstanding June 30, 2003
Series 1999 Revenue and Refunding Bonds, Terwilliger Park Plaza	\$ 26,000,000	<u>\$ 25,500,000</u>	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ 25,200,000</u>

	Bond Interest			
	Outstanding June 30, 2002	Matured During Year	Paid During Year	Outstanding June 30, 2003
Series 1999 Revenue and Refunding Bonds, Terwilliger Park Plaza	<u>\$ -</u>	<u>\$ 1,647,750</u>	<u>\$ 1,647,750</u>	<u>\$ -</u>

**REPORTS OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
REQUIRED BY STATUTES**

Report of Independent Certified Public Accountants on the Authority's
Compliance and Certain Items Based on an Audit of Basic
Financial Statements Performed in Accordance
with Oregon Auditing Standards

Board of Directors
Hospital Facilities Authority of Multnomah County, Oregon

We have audited the basic financial statements of Hospital Facilities Authority of Multnomah County, Oregon as of June 30, 2003 and 2002 and for the year ended June 30, 2003, and have issued our report thereon dated March 23, 2004. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to Hospital Facilities Authority of Multnomah County, Oregon is the responsibility of the Authority's management. As part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of the Authority's compliance with certain provisions of laws, regulations, contracts and grants. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion. Certain areas covered, as required by Oregon Administrative Rules 162-10-230 through 162-10-320, included but were not limited to the following:

Accounting and Internal Control Structure - Our report on the accounting and internal control structure is presented separately under this cover.

Programs Funded from Outside Sources – Pertaining to programs funded with state and federal revenues, if any.

Financial Reporting Requirements - Whether financial reports and related data filed with other governmental agencies in conjunction with programs funded wholly or partially by such agencies were in agreement with or supported by the accounting records.

Compliance with Legal or Other Requirements

Accounting Records – Pertaining to the condition and adequacy of accounting records.

Indebtedness – Relating to debt and the limitation on the debt amount, liquidation of debt within the prescribed period of time, and compliance with provisions of indentures or agreements, including restrictions on the use of monies available to retire indebtedness.

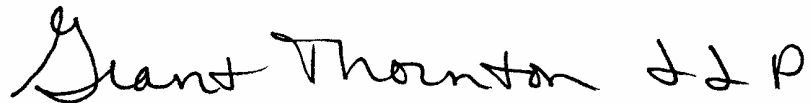
Insurance - Relating to insurance and fidelity bond coverage.

Investments - Pertaining to the investment of public funds (see ORS Chapter 294.035 to 294.046).

Public Contracts and Purchasing - Pertaining to (as contained in ORS Chapter 279) the awarding of public contracts and the construction of public improvements.

The results of our tests indicate that, with respect to the items tested, Hospital Facilities Authority of Multnomah County, Oregon complied, in all material respects, with the provisions referred to above except the Authority does not have procedures in place to monitor the types of investments acquired to ensure that they are in accordance with Oregon Statutes. It appears the Authority holds investments that do not meet the requirements of ORS 294.035. With respect to items not tested, nothing came to our attention that caused us to believe that the Authority had not complied, in all material respects, with those provisions.

This report is intended solely for the use of management, the Board of Directors and the Secretary of State, Division of Audits, of the State of Oregon and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Grant Thornton LLP". The signature is written in a cursive, flowing style.

Portland, Oregon
March 23, 2004

Report of Independent Certified Public Accountants
on the Authority's Internal Control Structure Based on
an Audit of Basic Financial Statements

Board of Directors
Hospital Facilities Authority of Multnomah County, Oregon

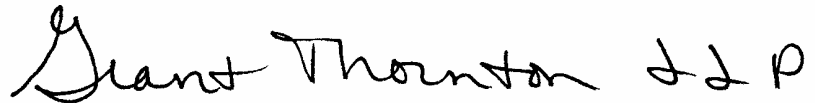
We have audited the basic financial statements of the Hospital Facilities Authority of Multnomah County, Oregon as of June 30, 2003 and 2002 and for the year ended June 30, 2003 and have issued our report thereon dated March 23, 2004. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

The management of the Hospital Facilities Authority of Multnomah County, Oregon is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of basic financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the basic financial statements of Hospital Facilities Authority of Multnomah County, Oregon, for the year ended June 30, 2003, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. Those standards define a material weakness as a condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the basic 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 noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended solely for the use of management, the Board of Directors and the Secretary of State, Division of Audits, of the State of Oregon and is not intended to be and should not be used by anyone other than these specified parties.

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Portland, Oregon
March 23, 2004