OFFICIAL STATEMENT DATED JUNE 21, 2007

$29,850,000

Multnomah County, Oregon

Tax and Revenue Anticipation Notes, Series 2007

DATED: Date of Delivery (July 2, 2007) **DUE: June 30, 2008**

MOODY'S RATING—MIG 1 (see "Rating" herein).

NOT BANK QUALIFIED

BOOK-ENTRY ONLY SYSTEM— Multnomah County, Oregon (the "County") will issue its Tax and Revenue Anticipation Notes (the "Notes") in fully registered form under a book-entry only system and will be registered in the name of Cede & Co., as Note owner and nominee for The Depository Trust Company ("DTC"). DTC will act as initial securities depository for the Notes. Individual purchases of the Notes will be made in book-entry form, in the denomination of $5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in the Notes purchased.

PRINCIPAL AND INTEREST PAYMENTS—Principal and interest on the Notes will be paid on June 30, 2008 to the persons in whose names such Notes are registered (the "Beneficial Owner"), at the address appearing upon the registration books on the 15th day of the month preceding a payment date. The principal of and interest on the Notes will be payable by the County's Paying Agent, currently U.S. Bank National Association, to DTC which, in turn, will remit such principal and interest to the DTC participants for subsequent disbursement to the Beneficial Owners of the Notes.

PURPOSE—The Notes are being issued to meet current expenses of the County to be incurred during fiscal year ending June 30, 2008 and in the anticipation of *ad valorem* taxes levied in 2007 for collection in 2008 and other budgeted revenues.

MATURITY SCHEDULE—

Interest Rate	Yield	CUSIP No.
4.25%	3.73%	625506 LN8

REDEMPTION—The Notes are not subject to redemption prior to maturity.

SECURITY—The full faith and credit of the County are pledged for the punctual payment of the principal of and interest on the Notes. The County has covenanted and is obligated by law to levy annually *ad valorem* taxes without limitation as to rate or amount on all taxable property in the County sufficient to pay the principal of and interest on the Notes, subject to the limitations of Article XI, Sections 11 and 11b of the Oregon Constitution. The Notes do not constitute a debt or indebtedness of the State of Oregon, or any political subdivision thereof other than the County.

TAX MATTERS— *In the opinion of Kirkpatrick & Lockhart Preston Gates Ellis LLP, Note Counsel to the County("Note Counsel"), assuming compliance with certain covenants of the County, interest on the Notes is excludable from the gross income for federal income tax purposes under existing law. Interest on the Notes is not an item of tax preference for purposes of either individual or corporate alternative minimum tax. Interest on the Notes may be indirectly subject to corporate alternative minimum tax and certain other taxes imposed on certain corporations. See "Tax Matters" herein for a discussion of the opinion of Note Counsel. In the opinion of Note Counsel, interest on the Notes is exempt from Oregon personal income tax under existing law.*

COMPETITIVE SALE—The Notes were sold to Wachovia Bank, National Association pursuant to a competitive sale held at 9:00 a.m. (prevailing Pacific Time) on June 21, 2007, as further described in the Notice of Sale attached hereto.

DELIVERY—The Notes are offered for sale to the original purchaser subject to the final approving legal opinion of Note Counsel. It is expected that the Notes will be available for delivery to the Paying Agent for Fast Automated Securities Transfer on behalf of DTC, on July 2, 2007 (the "Date of Delivery").

This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Multltnomah County

501 S.E. Hawthorne Blvd., Suite 531
Portland, Oregon 97214
(503) 988-3312

Board of Commissioners

Ted Wheeler	Chair
Maria Rojo de Steffey	District 1
Jeff Cogen	District 2
Lisa Naito	District 3
Lonnie Roberts	District 4

Administrative Staff

Mindy Harris	Chief Financial Officer
Harry S. Morton, CCM	Treasury Manager

Note Counsel

Kirkpatrick & Lockhart Preston Gates Ellis LLP
Portland, Oregon
(503) 228-3200

Financial Advisor

Seattle-Northwest Securities Corporation
Portland, Oregon
(503) 275-8300

Paying Agent

U.S. Bank National Association
Portland, Oregon
(503) 275-5713

This Official Statement does not constitute an offer to sell the Notes in any jurisdiction in which or to a person to whom it is unlawful to make such an offer. No dealer, salesperson or other person has been authorized by the County or Seattle-Northwest Securities Corporation (the "Financial Advisor") to give any information or to make any representations, other than those contained herein, in connection with the offering of the Notes and, if given or made, such information or representations must not be relied upon. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create an implication that there has been no change in the affairs of the County since the date hereof.

The CUSIP numbers are included in the Maturity Schedule on the cover page for convenience of the holders and potential holders of the Notes. No assurance can be given that the CUSIP numbers for the Notes will remain the same after the date of issuance and delivery of the Notes.

Certain statements contained in this Official Statement do not reflect historical facts, but are forecasts and "forward-looking statements." No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, words such as "estimated," "projected," "anticipate," "expect," "intend," "plan," "believe" and similar expressions are intended to identify forward-looking statements. All projections, assumptions and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement.

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Appendices:

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OFFICIAL STATEMENT

Multnomah County, Oregon

$29,850,000
Tax and Revenue Anticipation Notes, Series 2007

Multnomah County, Oregon (the "County"), a municipal corporation duly organized and existing under and by virtue of the laws of the State of Oregon (the "State") furnishes this Official Statement in connection with the offering of $29,850,000 aggregate principal amount of Tax and Revenue Anticipation Notes, Series 2007 (the "Notes"), dated the Date of Delivery. This Official Statement, which includes the cover page, Notice of Sale and appendices, provides information concerning the County and the Notes.

The information set forth herein has been obtained from the County and other sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, warranty or guarantee by the Financial Advisor. The Financial Advisor has relied on the County with respect to the accuracy and sufficiency of such information. So far as any statement herein includes matters of opinion, or estimates of future expenses and income, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

Description of the Notes

Principal Amount, Date, Interest Rates and Maturities

The Notes will be issued in the aggregate principal amount posted on the cover of this Official Statement and will be dated and bear interest from the Date of Delivery. Principal and interest will be payable at maturity of the Notes as set forth on the cover of this Official Statement. Interest on the Notes will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Redemption Provisions

The Notes are not subject to optional redemption prior to maturity.

Paying Agent and Registration Features

Book-Entry System. The Notes will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co. as Note Owner and as nominee for DTC. DTC will act as securities depository for the Notes. Individual purchases and sales of the Notes may be made in book-entry form only in minimum denominations of $5,000 within a single maturity and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Notes. See Appendix C attached hereto for additional information.

Paying Agent. The principal of and interest on the Notes will be payable by the Paying Agent to DTC, which, in turn, is obligated to remit such principal and interest to its participants ("DTC Participants") for subsequent disbursement to the persons in whose names such Notes are registered (the "Beneficial Owners") of the Notes, as further described in Appendix C attached hereto. Interest on the Notes shall be credited to the Beneficial Owners by the DTC participants.

Procedure in the Event of Revisions of Book-Entry Transfer System. If DTC resigns as the securities depository and the County is unable to retain a qualified successor to DTC, or the County has determined that it is in the best interest of the County not to continue the book-entry system of transfer or that interests of the Beneficial Owners of the Notes might be adversely affected if the book-entry system of transfer is continued, the County will cause the Paying Agent to authenticate and deliver to the Beneficial Owners of the Notes or their nominees, replacement Notes in fully registered form, in the denomination of $5,000 or any integral multiple thereof within a maturity. Thereafter, the principal of the Notes will be payable upon due presentment and surrender thereof at the principal office of the Note Registrar; interest on the Notes will be delivered to the persons in whose names such Notes are registered, at the address appearing upon the registration books on the 15th day of the month preceding an interest payment date, and the Notes will be transferable as provided in the Resolution (defined herein).

Authorization for Issuance

Under and in accordance with State laws and provisions, specifically Oregon Revised Statutes ("ORS") Section 288.165, this Note is issued pursuant to Resolution No. 07-093 (the "Resolution"), adopted by the County's Board of Commissioners (the "Board") on May 10, 2007, which authorizes the County to borrow funds not to exceed $30,000,000.00 to meet current expenses for the fiscal year ending June 30, 2008 (the County's "Fiscal Year" is June 30 of the twelve contiguous months commencing July 1 through the following June 30) pending the collection of the annual property taxes and other budgeted and unpledged revenues for such Fiscal Year. In addition, ORS 288.165(3) requires that obligations issued in anticipation of taxes or other revenues shall not be issued in an amount greater than 80 percent of the amount budgeted to be received in the Fiscal Year in which the obligations are issued. Note Counsel has determined that issuance of the Notes complies with this 80 percent limitation.

The Notes may be issued without a vote of the people.

Purpose and Use of Proceeds

Purpose

The proceeds of the Notes will be used to meet current expenditures pending the collection of the County's annual *ad valorem* tax levy and other lawfully available revenues for the 2008 Fiscal Year.

Sources and Uses of Funds

The proceeds of the Notes are estimated to be applied as follows:

Estimated Sources and Uses of Funds

Sources of Funds	
Par Amount of Notes	$ 29,850,000
Original Issue Premium	148,653
Total Sources of Funds	$ 29,998,653
Uses of Funds	
Cash Flow Requirements	$ 29,973,212
Underwriting and Costs of Issuance	25,441
Total Uses of Funds	$ 29,998,653

Security for the Notes

General

In accordance with Oregon law, the Notes are unconditional full faith and credit obligations of the County. The Notes are payable out of *ad valorem* property taxes, subject to the limitations of Article XI, Sections 11 and 11b of the Oregon Constitution, and all other revenues and cash receipts of the County which are legally available for payment thereof.

The Notes do not constitute a debt or indebtedness of the State of Oregon or any political subdivision thereof other than the County.

The County will create a separate account (the "Special Account") for the payment of the Notes. The County will, for the benefit of the owners of the Notes, deposit *ad valorem* property taxes and any other legally available revenues on or prior to December 31, 2007 into the Special Account until the Special Account holds an amount sufficient to pay principal of and interest on the Notes at maturity. Investment earnings, after full funding of principal and interest in the Special Account, may be transferred to the County's General Fund. Pursuant to the Resolution, monies in the Special Account may not be invested in instruments that mature after the maturity date of the Notes. Monies in the Special Account are required to be used solely to pay principal of and interest on the Notes. Additional Notes cannot be issued having any claim upon the monies in the Special Account. The Special Account must be fully funded prior to establishing and financing any other special account which is fundable from the Fiscal Year 2008 *ad valorem* property tax levy.

Appendix E to this Official Statement contains historical and projected monthly cash flows.

Rating

As noted on the cover page of this Official Statement, the County has received a rating for the Notes from Moody's Investors Service of "MIG 1." The rating reflects only the views of such rating agency and an explanation of the significance of the rating may be obtained from the rating agency. There is no assurance that the rating will be retained for any given period of time or that the ratings will not be revised downward or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the rating will be likely to have an adverse effect on the market price of the Notes.

Bonded Indebtedness

Short-Term Borrowing

ORS 288.165(3) requires that obligations issued in anticipation of taxes or other revenues shall not be issued in an amount greater than 80 percent of the amount budgeted to be received in the Fiscal Year in which the obligations are issued. The Notes represent 12.24 percent of the County's Fiscal Year 2008 budgeted revenues as shown below:

Budgeted Fiscal Year 2008 General Fund Revenues	$	367,273,085
The Notes	$	29,850,000
Notes as a Percent of Revenues		8.13%

For the last three Fiscal Years the County has issued $20 million of tax and revenue anticipation notes. Funds to repay such notes have been placed in a special account which is reserved solely for payment of principal and interest. Listed below are the amounts borrowed and dates retired or to be retired.

Tax and Revenue Anticipation Notes

Fiscal Year	Principal	Interest Rate	Maturity Date
2007	$20,000,000	4.50%	June 29, 2007
2006	20,000,000	4.00	June 30, 2006
2005	20,000,000	3.00	June 30, 2005

Long-Term Debt

General Obligation Bonds. ORS 287.054 establishes a limit on bonded indebtedness for counties. Counties may not have outstanding an aggregate principal amount of general obligation debt in excess of 2.0 percent of all the Real Market Value of all taxable properties within the County as reflected in the last certified assessment roll per ORS 308.207.

Limited-Tax Bonded Pension Bonds. The Pension Bonding Act provides that the issuance of limited tax pension bonds is not subject to any debt limitations imposed under State or local law. However, the Pension Bonding Act restricts the amount of limited tax pension bonds issued by counties to an amount that does not exceed 5 percent of the Real Market Value of all taxable property in the County. The Notes are not subject to this limitation.

Limited Tax Bonded Indebtedness. Oregon counties may pledge their full faith and credit for "limited tax bonded indebtedness." The County may not have limited tax bonded indebtedness outstanding in an amount that exceeds one percent of the Real Market Value of all taxable property in the County. The Notes are not subject to this limitation.

The following table shows the current debt capacity of the County. The Real Market Value for the 2007 Fiscal Year for the County is $87,057,725,859.

Debt Capacity

Debt Capacity	General Obligation Bonds[1]	Limited Tax Pension Obligations	Limited Tax Bonds
General Obligation: 2.0% of RMV	$ 1,741,154,517		
Limited Tax Pension Obligations: 5.0% of RMV		$ 4,352,886,293	
Limited Tax Bonds: 1.0% of RMV			$ 870,577,259
Less: Outstanding Debt subject to limit	$ (69,380,000) (1)	$ (170,908,160) (2)	$ (90,745,000) (3)
Remaining Legal Debt Capacity	$ 1,671,774,517	$ 4,181,978,133	$ 779,832,259

(1) Represents voter-approved, unlimited-tax general obligations of the County.
(2) Represents the County's pension bonds.
(3) Represents the County's limited-tax obligations, such as certificates of participation and full faith and credit obligations, excluding limited-tax pension bonds.

Source of Real Market Value: Multnomah County Assessment and Taxation Division.

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Outstanding Long-Term Debt
Governmental Activities and Business-type Activities
(As of the Date of Delivery)

Governmental Activities	Date of Issue	Date of Maturity	Amount Issued	Amount Outstanding
General Obligation Bonds:				
Series 1996A (Libraries)	10/01/96	10/01/07	$ 29,000,000	$ 655,000
Series 1996B (Jail)	10/01/96	10/01/08	79,700,000	7,175,000
Series 1999 Advance Refunding	02/01/99	10/01/16	66,115,000	61,550,000
Total General Obligation Bonds				$ 69,380,000
Certificate of Participation/Full Faith and Credit Obligations:				
COP Series 1998 (new money and refunding)	02/01/98	08/01/12	$ 48,615,000	$ 15,240,000
COP Series 1999 (Multnomah Building)	04/01/99	08/01/09	36,125,000	4,850,000
FFCO Series 2000	04/01/00	04/01/10	61,215,000	9,430,000
FFCO Series 2003 Refunding	05/15/03	07/01/13	9,615,000	6,990,000
FFCO Series 2004 Advance Refunding	10/01/04	08/01/19	54,235,000	54,235,000
Total COPs/Full Faith and Credit Obligations				$ 90,745,000
Pension Bonds:				
Series 1999	12/01/99	06/01/30	184,548,160	$ 170,908,160
Total Governmental Activities Obligations				$ 331,033,160
Business-type Activities				
Revenue Bonds:				
Series 1998 (Regional Children's Campus)	10/01/98	10/01/14	$ 3,155,000	$ 1,915,000
Series 2000 (Vocational Training Center)	11/01/00	11/01/15	2,000,000	1,440,000
Series 2000 (Oregon Food Bank)	11/01/00	11/01/15	3,500,000	2,525,000
Total Revenue Bonds				$ 5,880,000
Total Long-Term Debt				**$ 336,913,160**

Source: Audited Financial Report for the Year Ended June 30, 2006.

Scheduled Debt Service Requirements
($000 Omitted)

General Obligation Bonds

Fiscal	Series 1996A		Series 1996B		Series 1999		Total
Year	Principal	Interest	Principal	Interest	Principal	Interest	Debt Service
2008	$ 655	$ 16	$ 3,495	$ 271	$ 2,105	$ 2,685	$ 9,227
2009	0	0	3,680	92	2,875	2,585	9,232
2010	0	0	0	0	6,860	2,387	9,247
2011	0	0	0	0	7,160	2,093	9,253
2012	0	0	0	0	7,470	1,780	9,250
2013	0	0	0	0	7,490	1,451	8,941
2014	0	0	0	0	7,835	1,106	8,941
2015	0	0	0	0	6,780	773	7,553
2016	0	0	0	0	6,330	466	6,796
2017	0	0	0	0	6,645	158	6,803
	$ 655	$ 16	$ 7,175	$ 363	$ 61,550	$ 15,484	$ 85,243

Source: Audited Financial Report for the Year Ended June 30, 2006.

Scheduled Debt Service Requirements
($000 Omitted)

Full Faith and Credit Obligations

Fiscal	Series 1998		Series 1999A		Series 2000A		Series 2003		Series 2004		Total FFCO
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Debt Service
2008	$ 2,690	$ 658	$ 1,550	$ 171	$ 3,935	$ 495	$ 915	$ 178	$ 0	$ 2,620	$ 9,864
2009	2,825	636	1,615	106	2,675	288	940	160	0	2,620	8,404
2010	2,265	617	1,685	36	2,820	141	960	138	565	2,611	8,956
2011	2,370	480	0	0	0	0	990	113	5,410	2,468	8,981
2012	2,485	333	0	0	0	0	1,025	84	5,705	2,190	9,004
2013	2,605	175	0	0	0	0	1,060	52	6,010	1,897	9,019
2014	0	0	0	0	0	0	1,100	19	5,965	1,597	8,681
2015	0	0	0	0	0	0	0	0	6,185	1,294	7,479
2016	0	0	0	0	0	0	0	0	4,600	1,027	5,627
2017	0	0	0	0	0	0	0	0	4,810	794	5,604
2018	0	0	0	0	0	0	0	0	5,055	560	5,615
2019	0	0	0	0	0	0	0	0	4,845	338	5,183
2020	0	0	0	0	0	0	0	0	5,085	114	5,199
	$ 15,240	$ 2,899	$ 4,850	$ 313	$ 9,430	$ 924	$ 6,990	$ 744	$ 54,235	$ 20,130	$ 97,616

Pension Bonds

Fiscal	Series 1999		Total POB
Year	Principal	Interest	Debt Serivice
2008	$ 5,325	$ 7,450	$ 12,775
2009	6,470	7,072	13,542
2010	7,740	6,609	14,349
2011	9,150	6,052	15,202
2012	10,710	5,388	16,098
2013	4,479	12,563	17,042
2014	4,472	13,565	18,037
2015	4,469	14,618	19,087
2016	6,845	13,341	20,186
2017	16,985	4,358	21,343
2018	19,470	3,096	22,566
2019	22,200	1,649	23,849
2020	5,319	19,876	25,195
2021	5,208	21,407	26,615
2022	5,098	23,012	28,110
2023	4,989	24,686	29,675
2024	4,881	26,444	31,325
2025	4,775	28,285	33,060
2026	4,670	30,215	34,885
2027	4,566	32,234	36,800
2028	4,463	34,347	38,810
2029	4,362	36,563	40,925
2030	4,262	38,887	43,149
	$ 170,908	$ 411,717	$ 582,625

Source: Audited Financial Report for the Year Ended June 30, 2006.

Debt Payment Record

The County has promptly met principal and interest payments on outstanding bonds and other indebtedness when due. Additionally, no refunding bonds have been issued for the purpose of preventing an impending default.

Future Financings

County staff is reviewing three capital projects, one for an East County justice facility, a second for assessment and taxation-related projects, and a third for a courthouse. In aggregate, the projects total approximately $229 million. If approved, the projects would span the next four years.

Revenue Sources

County Funding

The County derives revenue from three primary sources: grants and contributions, *ad valorem* property taxes, and charges for services. The following section summarizes certain of the major revenue sources of the County.

Grants and Contributions

Operating grants and contributions represented approximately one-third of the County's total governmental activities revenues in Fiscal Year 2006. Grants and contributions are generally dedicated to specific purposes. For example, the County received grant funds for mental health and community corrections programs. All grants are approved by the Board.

Property Taxes

Most local governments, school districts, education service districts and community college districts ("local governments") have permanent authority to levy property taxes for operations in the future at a maximum rate (the "operating tax rate limit"). Local governments that have never levied property taxes may request that the voters approve a new operating tax limit.

Local governments with operating tax rates may not increase the amount provided on a permanent basis; rather they may only request that voters approve limited term levies for operations or capital expenditures ("local option levies") and general obligation bond levies. All property tax levies that exceed the operating tax rate limit require voter approval at a general election in an even numbered year, or at another election at which a majority of registered voters cast ballots.

The County has a local option levy for the Multnomah County Library. The County imposed $31,088,796 in tax year 2006-07 (a tax year is the same as the County's Fiscal Year). County voters approved a new 5-year library levy for operating expenses in November 2006 to take effect in July 2007. The levy rate is set at $0.89 per $1,000 of assessed value.

Local option levies that fund operating expenses are limited to five years, and local option levies that are dedicated to capital expenditures are limited to ten years. Levies to pay general obligation bonds are limited by the principal amount of the bonds which is stated in the ballot that approves the bonds. A local government's ability to issue general obligation bonds are subject to State debt capacity limits. See "Bonded Indebtedness – General Obligation Debt Capacity" herein.

Local governments impose property taxes by certifying their levies to the county assessor of the county in which the local government is located. Property taxes ordinarily can only be levied once each Fiscal Year, which is July 1 through June 30. The local government ordinarily must notify the county assessor of its levies by July 15.

Valuation of Property – Assessment. Property taxes are imposed on the assessed value of property. The assessed value of each parcel cannot exceed its fair market value, and ordinarily is less than its fair market value. The assessed value of property was initially established as a result of the enactment of a constitutional amendment. That amendment (now Article XI, Section 11 of the Oregon Constitution and often called "Measure 50") assigned each property a value that was in most cases less than its fair market value in Fiscal Year 1998, and limited increases in that assessed value to three percent per year, unless the property is improved, rezoned, subdivided, or ceases to qualify for exemption. When property is newly constructed or reassessed because it is improved, rezoned, subdivided, or ceases to qualify for exemption, it is assigned an assessed value that is comparable to the assessed value of similar property.

Property subject to taxation includes all privately owned real property (land, buildings and improvements) and personal property (machinery, office furniture and equipment) for non-residential taxpayers. There is no property tax on household furnishings (exempt since 1913), personal belongings, automobiles (exempt since 1920), crops, orchards, business inventories or intangible property such as stocks, bonds or bank accounts, except for centrally assessed utilities, for which intangible personal property is subject to taxation. Forestland is subject to special assessment that provides a reduction in property tax that would be paid if based on the real market value. Property used for charitable, religious, fraternal and governmental purposes is exempt and reductions in assessments may be granted (upon application) for veterans' homesteads, farm and forest land, open space and historic buildings. The assessment roll, a listing of all taxable property, is prepared as of January 1 of each year.

The Oregon Department of Revenue ("ODR") appraises and establishes values for utility property, forestland and most large industrial property for county tax rolls. It collects taxes on harvested timber for distribution to schools, county taxing districts, and State programs related to timber. Certain properties, such as utilities, are valued on the unitary valuation approach. Under the unitary valuation approach, the taxpaying entity's operating system is defined and a value is assigned for the operating unit using the market value approach (cost, market value and income appraisals). Values are then allocated to the entities' operations in Oregon, and then to each county the entity operates in and finally to site locations.

Generally speaking, industrial properties are valued using an income approach, but ODR may apply additions or retirements to the property value through a cost of materials approach. Under the income and cost of materials approaches, property values fluctuate from year-to-year.

Tax Rate Limitation – Real Market Value. Article XI, Section 11b of the Oregon Constitution separates property taxes into two categories: one to fund the public school system (kindergarten through grade twelve school districts, education service districts and community college districts) and one to fund government operations other than the public school system. Public school system taxes are limited to $5 per $1,000 of the taxable Real Market Value of property. Other government operations taxes are limited to $10 per $1,000 of the Real Market Value of property. In Fiscal Year 2007, there was $4,627,769 of compression in the County due to the tax rate limitation and another $5,592,246 of compression on the County Library's local option levy. "Real Market Value" is the minimum amount in cash which could reasonably be expected by an informed seller acting without compulsion, from an informed buyer acting without compulsion, in an "arms-length" transaction during the period for which the property is taxed. Taxes imposed to pay the principal and interest on the following bonded indebtedness are not subject to the foregoing limitations: (1) bonded indebtedness authorized by a specific provision of the Oregon Constitution; and (2) general obligation bonded indebtedness incurred for capital construction or improvements approved by the electors of the issuer and bonds issued to refund such bonds. **Property taxes imposed to pay the principal of and interest on the Notes are subject to the limitations of Article XI, Sections 11 and 11b of the Oregon Constitution.**

The Oregon Supreme Court recently determined that taxes levied by general purpose governments (such as cities and counties) may be subject to the $5 per $1,000 limit if those taxes are used for educational services provided by public schools.

Property Tax Collections. Each county assessor is required to deliver the tax roll to the county tax collector in sufficient time to mail tax statements on or before October 25 each year. All tax levy revenues collected by a county for all taxing units within the county are required to be placed in an unsegregated pool, and each taxing unit shares in the pool in the same proportion as its levy bears to the total of all taxes levied by all taxing units within the county. As a result, the tax collection record of each taxing unit is a *pro-rata* share of the total tax collection record of all taxing units within the county combined.

Under the partial payment schedule, taxes are payable in three equal installments on the 15th of November, February and May of the same Fiscal Year. The method of giving notice of taxes due, the county treasurer's account for the money collected, the division of the taxes among the various taxing districts, notices of delinquency, and collection procedures are all specified by detailed statutes. The lien for property taxes is prior to all other liens or encumbrances of any kind on real or personal property subject to taxation. By law, a county may not commence foreclosure of a tax lien on real property until three years have passed since the first delinquency.

A Senior Citizen Property Tax Deferral Program (1963) allows certain homeowners to defer taxes until death or sale of the home. A similar program is offered for Disability Tax Deferral (2001), which does not have an age limitation.

The following tables represent historic tax information for the County.

Taxable Property Values

Fiscal Year	M5 Real Market Value (1)	Annual RMV Change	Total Assessed Value	Urban Renewal Excess	AV to Compute the Rate (2)	Annual AV Change
2007	$ 87,057,725,859	11.38%	$ 51,433,028,145	$ 3,206,806,710	$ 48,226,221,435	4.05%
2006	78,162,114,142	10.63%	49,212,969,369	2,836,380,132	46,349,776,337	3.20%
2005	70,650,649,996	6.26%	47,314,670,129	2,403,448,376	44,911,221,753	3.46%
2004	66,486,304,371	4.79%	45,542,697,593	2,133,949,246	43,408,748,347	2.50%
2003	63,447,447,683	3.58%	44,338,862,566	1,989,743,942	42,349,118,624	1.46% (3)
2002	61,251,673,413	----	43,542,595,636	1,803,455,079	41,739,140,557	----

(1) Value represents the Real Market Value of taxable properties, including special assessed properties such as farms. This value is also commonly referred to as the "Measure 5 value" by county assessors.
(2) Assessed Value of property in the County on which the permanent tax rate limit is applied to derive *ad valorem* property taxes, excluding urban renewal and any other offsets.
(3) Assessed Value growth in Fiscal Year 2003 was limited, primarily, by the impact of the 2001 recession on certain businesses. Although residential and commercial/industrial property showed appreciation, certain property types, representing roughly 15 percent of the total assessed value of the County, experienced declines. Those included telecommunications, electricity and natural gas distribution/sales, airlines, and manufacturing plants with large capital investments.

Source: Multnomah County Assessment and Taxation Division.

The following table presents the Fiscal Year 2007 tax rates for the County and other taxing jurisdictions that overlap the County. The County's operating tax rate limit is $4.3434 per $1,000 of assessed property value. The operating tax rate limit was calculated in conjunction with the implementation of Measure 50 by dividing the tax levy by the assessed value (see "Valuation of Property – Assessment" herein). After the Oregon Supreme Court ruling in *Shilo Inn v. Multnomah County* the county assessor began to report billing rates. The billing rates shown in the following table are the rates that are actually applied to the taxable assessed value of the taxing district. The billing rates may be different from the operating tax rate limit of the taxing district due to a variety of factors, including the existence of an urban renewal area and resulting compression under Article XI, Section 11b of the Oregon Constitution or the decision by the taxing district to levy less than its operating tax rate limit.

Fiscal Year 2007 Representative Levy Rate
(Rates Per $1,000 of Assessed Value)

General Government	Billing Rate	Bond Levy Rate	Local Option Rate(1)	Consolidated Rate	Urban Renewal Portion of the Consolidated Rate(2)
Multnomah County	$ 4.3434	$ 0.1965	$ 0.7550	$ 5.2949	$ 0.3918
Port of Portland	0.0701	0.0000	0.0000	0.0701	0.0048
City of Portland	4.5770	2.4432	0.7926	7.8128	0.5779
East Multnomah Soil/Water Conservation	0.0326	0.0000	0.0000	0.0326	0.0014
Metro Service District	0.0966	0.1816	0.0000	0.2782	0.0196
Tri-Met	0.0000	0.0973	0.0000	0.0973	0.0068
Urban renewal special levy	0.3588	0.0000	0.0000	0.3588	0.0000
Total General Government	9.4785	2.9186	1.5476	13.9447	1.0023
Education					
Multnomah County ESD	0.4576	0.0000	0.0000	0.4576	0.0338
Portland Community College	0.2828	0.2061	0.0000	0.4889	0.0394
Portland School District	5.2781	0.0000	0.0000	5.2781	0.4351
Total Education	6.0185	0.2061	0.0000	6.2246	0.5083
Total Tax Rate	$ 15.4970	$ 3.1247	$ 1.5476	$ 20.1693	$ 1.5106

NOTE: County assessors report levy rates by tax code. Levy rates apply to taxable "assessed" property value. Tax rate limitations are based on "real market" value and are only reported in total dollar amount of compression, if any, for each taxing jurisdiction (see "Tax Rate limitation – Real Market Value" herein).

(1) Local option levies are voter-approved serial levies. They are limited by ORS 280.060 to five years for operations or ten years for capital construction. Local option rates compress to zero before there is any compression of district billing rates (see "*Tax Rate Limitation – Real Market Value*" herein).
(2) A portion of a taxing district's consolidated rate is contributed to the Portland Development Commission through tax increment financing.

Source: Multnomah County Assessment and Taxation Division, Tax Codes 201, 601, 602, 703,707,710,713,731,883, and 884 in the City of Portland. Note that there are 128 tax codes in Multnomah County and Tax Code 201 has the highest property value of these tax codes. Total tax levies in the County range from $ 7.2790 to $21.8561 per $1,000 of assessed property value.

Multnomah County
Tax Collection Record(1)

Fiscal Year	Percent Collected as of Levy Year(2)	Percent Collected as of 6/30/2006(3)
2006	97.20%	97.20%
2005	97.11%	99.05%
2004	96.92%	99.47%
2003	96.57%	99.77.%
2002	96.46%	99.94%

(1) Percentage of total tax levy collection in Multnomah County. Pre-payment discounts are considered to be collected when outstanding taxes are calculated. The tax rates are before offsets.
(2) The percentage of taxes collected in the "year of the levy" represents taxes collected in a single levy year, beginning July 1 and ending June 30.
(3) The percentage of taxes shown in the column represents taxes collected cumulatively from July 1 of a given levy year through June 30, 2006.

Source: Multnomah County Assessment and Taxation Division.

Major Taxpayers
(As of Fiscal Year 2007)

Taxpayer	Business/Service	Tax	Assessed Value (1)	Percent of Value
Port of Portland	Airport, marine, property management	$ 6,249,043	$ 308,375,490	0.60%
Portland General Electric	Utilities/Power	5,575,254	347,235,230	0.68%
Qwest Corporation	Telecommunications	4,792,680	298,636,090	0.58%
Pacificorp (PP&L)	Utilities/Power	3,837,028	240,248,000	0.47%
Oregon Steel Mills Inc.	Steel	3,207,207	163,510,960	0.32%
LC Portland LLC	Real Estate	2,901,081	143,836,450	0.28%
Boeing Co.	Airplane parts	2,837,428	174,306,830	0.34%
Northwest Natural Gas Co.	Utility	2,496,320	153,344,610	0.30%
One Eleven Tower LLC		2,261,413	112,303,060	0.22%
United Airlines Inc	Airline operator	2,239,274	132,002,500	0.26%
Subtotal - ten of County's largest taxpayers			2,073,799,220	4.03%
All other County's taxpayers			49,359,228,925	95.97%
Total County			$ 51,433,028,145	100.00%

(1) Assessed value does not exclude offsets such as urban renewal and farm tax credits.

Source: Multnomah County Assessment & Taxation Division.

Strategic Investments Program

The Strategic Investments Program ("SIP") was authorized by the Legislative Assembly in 1993 to provide tax incentives for capital intensive investments by firms in Oregon's key industries, particularly in the high technology and metals industries. SIP recipients receive a tax break on the assessed value of new construction over $100 million for 15 years. The $100 million cap on assessed value increases by six percent per year. SIP recipients pay an annual Community Service Fee which is equal to one-fourth of the value of the tax break and which is allocated to local governments. Allocation is determined by negotiation of the local governments. The Community Service Fee is not considered a property tax and thus is outside of the Constitutional property tax rate limitations. Microchip Technology and LSI Logic are both SIP recipients for properties within the County.

The County

General Description

The County, incorporated in 1854, 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 and serves an estimated population of 701,545. The cities of Portland and Gresham are the largest incorporated cities in the County.

The County provides a full range of services, including public safety protection; corrections and probation; construction and maintenance of roads, highways, bridges and other infrastructure; health and social services; library and community enhancement; and internal business support.

Component Units

Certain sanitary and lighting services are provided as legally separate Service District Authorities, which function, in essence, as departments of the County and are included in the County's financial statements as component units. The County also maintains a Hospital Facilities Authority whose primary purpose is to issue conduit debt for health care facilities. The Hospital Facilities Authority is also considered a component unit, but is not included in the County's financial statements.

Form of Government

The County is governed according to its Home Rule Charter, which became effective January 1967 and as subsequently amended. The County is governed by a Board of County Commissioners consisting of four nonpartisan members elected from designated districts within the County and the Chair of the Board, elected at large. The Board conducts all legislative business of the County. The current members of the Board follow:

Board of Commissioners

Name	Position	Service Began	Term Expires
Ted Wheeler	Chair	January 2007	December 31, 2010
Maria Rojo de Steffey	Commissioner	January 2001	December 31, 2008
Jeff Cogen	Commissioner	January 2007	December 31, 2010
Lisa Naito	Commissioner	June 1998	December 31, 2008
Lonnie Roberts	Commissioner	January 2001	December 31, 2008

Key Administrative Officials

An executive committee of top managers meets regularly to provide coordinated management of all County priorities. The executive committee includes the Chief Operating Officer and Department Directors. Brief biographies of the Chief Financial Officer and Treasury Manager follow:

Mindy Harris, Chief Financial Officer. Mindy Harris, CFO, has been with the County since 1979. She has been in the Finance area for approximately 18 years, and is currently responsible for all aspects of the County's financial management. Ms. Harris received a degree in Business Administration from Portland State University, with concentration in Management and Accounting. She is a member of the Government Finance Officers Association (GFOA) and its Oregon affiliate, as well as the National Association of Government Defined Contribution Administrators where she currently serves on the Executive Board as Vice President.

Harry Morton, Treasury Manager. Harry Morton, Treasury Manager, has 20 years of experience in local government finance that includes investing, cash management, and debt management. Prior to working at Multnomah County, Mr. Morton worked as a Management Analyst in the Treasurer's Office of San Mateo County, CA. He received an MBA from Santa Clara University and was a member of the Oregon Short Term Fund Board for 8 years. He has earned the Certified Cash Manager designation and is a member of the Government Finance Officers Association, the Oregon Municipal Finance Officers Association, and is a Past-President of the Oregon Association of County Treasurers and Finance Officers.

Staff

As of April 30, 2007, the County had 4,057 full-time employees and 381 part-time employees.

Bargaining Units

Bargaining Unit	Current Contract Term	Major Duties	Number of Employees
IUOE Local 701	7/1/04-6/30/07	Facilities maintenance and repair	12
IUPAT Local 1094	7/1/04-6/30/07	Sign painters	2
MCPAA	7/1/05-6/30/09	Prosecuting attorneys	84
AFSCME Local 88 JCSS	7/1/05-6/30/07	Juvenile custody workers	60
AFSCME Local 88	7/1/04-6/30/07	General employees	2,685
MCCDA	7/1/04-6/30/10	Correctional officers	439
ONA	7/1/05-6/30/07	Nurses	244
FOPPO	7/1/04-6/30/07	Probation and Parole Officers	131
MCDSA	7/1/04-6/30/10	Deputy sheriffs	92
IBEW Local 48	7/1/04-6/30/07	Electrical Workers	18

As of April 30, 2007, negotiations were underway with the seven bargaining units whose contracts were due to expire on June 30, 2007 with the expectation that new contracts would be successfully negotiated timely.

Financial Factors

Financial Reporting and Accounting Policies

The County's basic financial statements were prepared in conformity with GAAP as prescribed by the Governmental Accounting Standards Board ("GASB").

GASB 34. The County has implemented a new financial reporting model required by GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments in Fiscal Year 2002. The County now follows the "governmental activities" (i.e., functions that are principally supported by taxes and intergovernmental revenues) and "business-type activities" (functions that are intended to recover all or a significant portion of their costs through user fees and charges) reporting requirements of GASB-34 that provides a comprehensive two-column look at the County's financial activities. In addition, the County provides financial statements by funds, divided into two categories: governmental funds and proprietary funds, which reflects the accounting method used by the County prior to Fiscal Year 2002. The General Fund is a governmental fund.

Additional information on the County's accounting methods is available in the County's audited financial statements. A copy of the County's audited financial report for Fiscal Year 2006 is attached hereto as Appendix B.

Auditing

Each Oregon municipal corporation must obtain an audit and examination of its funds and account groups at least once each year pursuant to the Oregon Municipal Audit Law, ORS 297.405-297.555. Municipalities having annual expenditures of less than $500,000, with the exception of counties and school districts, are exempt from this requirement. All Oregon counties and school districts, regardless of amount of annual expenditures, must obtain an audit annually. The required audit may be performed by the State Division of Audits or by independent public accountants certified by the State as capable of auditing municipal corporations.

The County audit for Fiscal Year 2006 was performed by Moss-Adams LLP, CPAs, Eugene, Oregon (the "Auditor"); audits for prior years were performed by Grant Thornton LLP, CPAs, Portland, Oregon. The audit report for Fiscal Year 2006 indicates the financial statements, in all material respects, fairly present the County's financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information and the respective changes in financial position and the cash flows, where applicable, in conformance with accounting principles generally accepted in the United States of America. The County's Auditor was not requested to review this Official Statement and has not completed any additional auditing review procedures subsequent to the issuance of their report on the 2006 Fiscal Year.

The audited financial statements of the County as of June 30, 2006 are attached to this Official Statement as Appendix B. Future financial statements may be ordered by contacting the individual nationally recognized municipal securities information repositories ("NRMSIR") at the addresses below, or by accessing the NRMSIR website, located at: http://www.sec.gov/info/municipal/nrmsir.htm:

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, NJ 08558
Phone: 609-279-3225
FAX: 609-279-5962
E-Mail: Munis@Bloomberg.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: 201-346-0701
FAX: 201-947-0107
E-Mail: nrmsir@dpcdata.com

Interactive Data Pricing and Reference Data, Inc.
Attn.: NRMSIR
100 William Street, 15th Floor
New York, NY 10038
Phone: 212-771-6999; 800-689-8466
FAX: 212-771-7391
E-Mail: NRMSIR@interactivedata.com

Standard & Poor's Securities Evaluations, Inc.
55 Water Street
45th Floor
New York, NY 10041
Phone: 212-438-4595
FAX: 212-438-3975
E-Mail: nrmsir_repository@sandp.com

Summaries of the County's Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets for the County's governmental activities are provided on the following pages. The governmental activities of the County include general government, health and social services, public safety and justice, community services, roads and bridges, and libraries.

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Governmental Activities – Statement of Net Assets
(Fiscal Years; $ in Thousands)

Assets	**2006**	**2005**	**2004**	**2003**	**2002**
Current assets:					
Cash and investments	$ 200,423	$ 168,270	$ 125,235	$ 131,058	$ 146,881
Receivables (net of uncollectibles):					
Taxes	27,363	94,002	92,801	15,928	17,813
Accounts	66,660	61,431	57,418	52,222	53,594
Loans	800	843	875	943	1,206
Interest	836	821	547	793	2,015
Special assessments	10	10	10	10	11
Contracts	7,308	10,364	13,346	13,718	15,232
Due from other funds	0	0	0	0	960
Inventories	3,201	2,670	2,729	2,857	2,844
Prepaid items	5,188	1,540	1,341	1,169	2,118
Restricted cash and investments	1,709	3,287	0	0	0
Non-current assets:					
Capital assets:					
Land and construction in progress	32,126	13,717	13,766	51,973	31,085
Buildings-not in service, ot depreciating	51,164	0	0	0	0
Other capital assets (net of depreciation)	534,008	713,313	709,711	659,562	677,669
Unamortized pension asset	0	0	156,353	162,505	0
Other assets, net of amortization	144,476	150,660	0	0	0
Total Assets	1,075,272	1,220,928	1,174,132	1,092,738	951,428
Liabilities					
Current Liabilities:					
Accounts payable	73,024	118,164	116,806	64,465	70,463
Claims and judgments payable	10,627	0	0	0	0
Accrued salaries and benefits	6,994	7,002	6,737	6,321	6,364
Accrued interest payable	3,328	0	0	0	0
Unearned revenue	16,975	16,372	0	0	0
Due to other funds	0	0	0	0	960
Deferred revenues	0	0	23,049	19,966	24,347
Due within one year:					
Compensated absences	6,086	5,565	5,174	5,090	7,791
Note payable	400	300	0	0	0
Bonds payable	17,000	15,510	14,285	12,190	11,055
Capital leases payable	2,845	3,191	2,554	12,905	5,112
Loans payable	87	95	92	85	79
Noncurrent liabilities:					
Due in more than one year:					
Compensated absences	13,518	13,054	12,073	10,965	8,370
Bonds payable	322,675	339,675	349,788	364,073	366,648
Capital leases payable	16,599	24,780	26,042	28,596	41,501
Loans payable	362	447	542	633	0
Deferred lease obligation	1,551	0	0	0	718
Net other postemployment benefits obligation	44,742	55,190	55,190	55,190	0
Total Liabilities	536,813	599,345	612,332	580,479	543,408
Net Assets					
Invested in capital assets, net of related debt	434,866	523,606	511,277	475,949	472,133
Restricted for:					
Bridge rehabilitation	4,244	0	0	0	0
Capital projects	8,797	8,701	18,040	37,048	60,776
Community support programs	7,293	0	0	0	0
Debt service	51,054	67,911	44,914	25,487	14,197
Unrestricted	32,205	21,365	(12,431)	(26,225)	(139,086)
Total Net Assets	**$ 538,459**	**$ 621,583**	**$ 561,800**	**$ 512,259**	**$ 408,020**

NOTE: The Net Assets presents information on all the County's assets and liabilities with the difference between the two reported as net assets.

Source: Audited Financial Statements.

Governmental Activities
Statement of Revenues, Expenses and Changes in Net Assets
(Fiscal Years; $ in Thousands)

Revenues:	2006	2005 (Restated)	2004 (Restated)	2003	2002 (Restated)
Program revenues:					
Charges for services	$ 91,180	$ 85,955	$ 82,032	$ 84,639	$ 43,902
Operating grants and contributions	247,933	256,489	249,079	256,659	277,418
Capital grants and contributions	5,272	34,149	9,809	4,461	86
General revenues:					
Taxes:					
Property taxes, levied for general purposes[1]	219,854	209,056	201,278	193,912	195,130
Property taxes, levied for debt service[1]	9,373	7,815	7,326	9,699	11,114
Personal income taxes[2]	59,764	124,577	175,325	0	0
Business income taxes[3]	50,980	36,463	30,286	26,491	26,935
Other taxes[4]	39,163	36,658	34,588	36,098	34,609
State government shared unrestricted revenues	8,692	6,741	7,584	6,206	0
Grants and contributions not restricted to specific programs	2	1,150	166	70	60
Interest and investment earnings	10,094	4,943	2,441	4,226	7,982
Miscellaneous	4,007	2,233	1,879	2,917	4,496
Gains on sale of capital assets	1,607	166	200	1,711	0
Total general revenues and special items	747,921	806,395	801,993	627,089	601,732
Expenses					
General government	114,378	128,871	154,646	36,374	23,825
Health services	112,201	106,551	110,968	110,322	92,109
Social services	177,891	181,194	167,746	169,218	188,043
Public safety and justice	196,167	192,005	182,941	180,503	184,213
Community services	23,336	21,795	18,391	17,925	23,877
Library	43,530	41,357	40,843	43,934	39,529
Roads and bridges	54,256	56,781	57,374	58,354	57,478
Interest on long-term debt	21,822	18,058	19,543	20,127	21,139
Total governmental activities	743,581	746,612	752,452	636,757	630,213
Special items:					
Loss on transfer of County roads	(108,555)	0	0	0	0
Increase (decrease) in net assets	(104,215)	59,783	49,541	(9,668)	(28,481)
Transers in (out)	0	0	0	440	(3)
Cumulative effect of change in accounting principle	0	21,091	0	0	0
Net assets -- beginning, restated	642,674	561,800	512,259	521,487	549,971
Net assets -- ending	**$ 538,459**	**$ 642,674**	**$ 561,800**	**$ 512,259**	**$ 521,487**

NOTE: The Statement of Revenues, Expenses and Changes in Net Assets presents information showing how the County's net assets changed during a given 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 the related cash flows. Revenues and expenses are reported in this statement for some items that will result in cash flows in future periods, such as uncollected taxes and earned, but unused, vacation leave.

(1) The County has two property tax levies. The permanent rate levy of $4.3434 per $1,000 of assessed value is used to fund County operations and limited-tax obligations. The second levy is for principal and interest on voter-approved general obligation bonds.

(2) At the May 20, 2003 special election, voters in the County approved a ballot for a three-year, 1.25 percent income tax (the "ITAX") to support County schools, health and senior care and public safety. The ITAX sunset in Fiscal Year 2006.

(3) The Business Income Tax rate is 1.45 percent applied to the net income from sale of goods and services in the County.

(4) Includes the Transient Lodging Tax (11.5 percent on hotel/motel room rentals to support the Oregon Convention Center and regional recreation, tourism, arts and cultural programs), and the Motor Vehicle Rental Tax (12.5 percent, 2.5 percent of which supports the Oregon Convention Center and tourism and the remaining 10 percent is available for the General Fund).

Source: Audited Financial Statements.

A five-year summary of the County's General Fund Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance follows:

General Fund
Balance Sheet
(Fiscal Years, $ in Thousands)

Assets	**2006**	**2005**	**2004**	**2003**	**2002**
Cash and investments	$ 47,875	$ 35,472	$ 25,829	$ 14,190	$ 7,832
Receivables					
Taxes	23,529	90,343	89,384	12,963	13,866
Accounts	8,606	6,707	10,882	5,935	4,693
Interest	836	821	547	793	2,015
Special assessments	10	10	10	10	11
Contracts	1,690	1,843	1,997	2,151	2,304
Due from other funds	15,680	17,742	0	0	0
Inventory	309	292	962	864	715
Prepaids	214	50	42	97	183
Total Assets and Other Debits	$ 98,749	$ 153,280	$ 129,653	$ 37,003	$ 31,619
Liabilities, Equity and Other Credits					
Liabilities:					
Accounts payable	$ 22,570	$ 28,577	$ 20,180	$ 17,465	$ 8,787
Payroll payable	3,154	2,874	3,019	2,777	1,986
Deferred revenue	17,661	79,113	86,962	10,975	11,702
Short-term note payable	400	300	0	0	0
Total Liabilities:	43,785	110,864	110,161	31,217	22,475
Equity and Other Credits:					
Fund balance:					
Reserved for inventory	309	292	962	864	0
Reserved for prepaid	214	50	42	97	0
Unreserved	54,441	42,074	18,488	4,825	9,144
Total Fund Equity	54,964	42,416	19,492	5,786	9,144
Total Liabilities and Fund Equity	$ 98,749	$ 153,280	$ 129,653	$ 37,003	$ 31,619

Source: Audited Financial Statements.

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
(Fiscal Years, $in Thousands)

Revenues	**2006**	**2005**	**2004**	**2003**	**2002**
Taxes[1]	$ 377,220	$ 363,466	$ 320,748	$ 213,681	$ 213,153
Intergovernmental	16,899	13,123	19,168	14,027	18,454
Licenses and permits	10,154	10,623	10,383	10,333	4,183
Charges for services	8,747	10,643	10,730	18,631	8,697
Interest	3,930	1,717	805	225	1,603
Other	10,473	12,521	13,248	7,322	23,490
Total Revenues	427,423	412,093	375,082	264,219	269,580
Expenditures					
Current:					
General government[2]	131,113	138,225	119,341	45,453	34,714
Health and social servicse	91,191	89,745	88,707	72,454	17,835
Public safety and justice	155,175	142,325	135,984	136,750	107,136
Capital outlay	558	513	167	193	148
Debt Service					
Interest	894	628	698	499	692
Total Expenditures	378,931	371,436	344,897	255,349	160,525
Excess (deficiency) of revenues over expenditures	48,492	40,657	30,185	8,870	109,055
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	0	5	1	0	0
Operating transfers in	1,352	1,553	1,625	6,518	975
Operating transfers out	(37,296)	(19,291)	(18,105)	(18,746)	(116,645)
Total Other Financing Sources (Uses)	(35,944)	(17,738)	(16,479)	(12,228)	(115,670)
Excess (deficiency) of revenues over expenditures and other fincancing sources (uses)	12,548	22,924	13,706	(3,358)	(6,615)
Fund balance at beginning of year	42,416	19,492	5,786	9,144	15,759
Ending fund balance	$ 54,964	$ 42,416	$ 19,492	$ 5,786	$ 9,144

(1) The ITAX, which sunset in Fiscal Year 2006, is included in Fiscal Years 2004 through 2006. ITAX revenues in Fiscal Years 2004, 2005 and 2006 were $104 million, $130 million and $121 million, respectively.

(2) ITAX revenues that were passed through to schools were included as general government expenditures in Fiscal Years 2004 through 2006. Such pass through amounts in Fiscal Years 2004, 2005 and 2006 were $104 million, $128 million and $119 million, respectively.

Source: Audited Financial Statements.

Budgetary Process

The County's budget is prepared in accordance with provisions of the Oregon Local Budget Law which provides standard procedures for preparing, presenting and administering the operating budget for all local governments. The law mandates public involvement in budget preparation and public exposure of its proposed programs. The law also requires that the budget be balanced.

Prior to adoption, the proposed budget must be approved by a budget committee consisting of the County's Board members. In an advertised public meeting, the budget committee reviews the budget and the "budget message," which explains the budget preparation philosophy and significant changes from the prior year.

Following budget approval by the budget committee, a public hearing is held by the Tax Supervising and Conservation Commission of Multnomah County, Oregon. A budget summary and notice of hearing are published prior to the hearing. Publication is governed by strict requirements as to time and mode.

After the budget hearings, the governing body considers citizens' testimony and, if necessary, alters the budget subject to statutory limitations upon increasing taxes or fund allocations without further publication and hearing.

The County levies a tax each year for general operations under its permanent rate limit and under any authorized local option levies. Taxes levied for repayment of general obligation debt are not limited.

After the budget hearing, the governing body prepares a formal resolution which adopts the budget, authorizes taxes to be levied and set out a schedule of appropriations. This resolution must be adopted not later than June 30. Two copies of the budget are submitted to the County Assessor's Office before July 15 so that the taxes may be levied.

Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. Supplemental budgets less than 10 percent of the fund's original budget may be adopted by the Board at a regular Board meeting. A supplemental budget greater than 10 percent of the fund's original budget requires hearings before the public, publication in newspapers and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers within a fund or from the General Fund to any other fund. Such transfers require authorization by an official resolution or ordinance of the Board.

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General Fund Adopted Budget
(Fiscal Years)

Resources	2007	2006
Beginning Working Capital	$ 47,200,000	$ 26,786,566
Taxes	266,533,515	355,247,372
Intergovernmental	15,553,550	21,304,497
Licenses and Permits	9,131,176	8,101,593
Service Charges	8,850,368	1,816,823
Interest	2,200,000	1,469,500
Other Sources	1,353,824	1,181,856
Service Reimbursement	12,894,395	9,059,975
Cash Transfers	1,682,332	1,672,554
Total Resources	**$ 365,399,160**	**$ 426,640,736**
Expenditures		
Non-departmental	$ 33,101,298	$ 104,872,950
District Attorney	18,634,288	17,938,735
School and Community	15,477,825	15,684,133
Human Services	31,416,123	29,918,779
Health	49,151,336	44,950,500
Community Justice	48,426,665	51,089,685
Sheriff	91,884,636	84,639,312
County Management	29,194,410	0
Community Services	10,431,012	0
Business and Community Services	0	32,850,828
Cash Transfers	16,556,307	18,046,571
Contingency	7,625,260	13,649,243
Unappropriated Balance	13,500,000	13,000,000
Total Expenditures	**$ 365,399,160**	**$ 426,640,736**

Source: Multnomah County, 2006 and 2007 Adopted Budgets.

Investments

ORS 294.035 authorizes Oregon municipalities to invest in obligations, ranging from U.S. Treasury obligations and Agency securities to municipal obligations, bankers' acceptances, commercial paper, certificates of deposit, corporate debt and guaranteed investment contracts, all subject to certain size and maturity limitations. No municipality may have investments with maturities in excess of 18 months without adopting a written investment policy which has been reviewed by the Oregon Short Term Fund Board. ORS 294.052 authorizes Oregon municipalities to invest proceeds of bonds or certificates of participation and amounts held in a fund or account for such bonds or certificate of participations under investment agreements if the agreements: (i) produce a guaranteed rate of return; (ii) are fully collateralized by direct obligations of, or obligations guaranteed by, the United States; and (iii) require that the collateral be held by the municipality, an agent of the municipality or a third-party safekeeping agent.

On May 3, 2007, the County's Board approved an investment policy that is in conformance with ORS 294.035 and 294.135. The investment policy is reviewed and adopted annually. Copies of the policy are available at the County's web site.

Municipalities are also authorized to invest approximately $39.8 million (adjusted for inflation) in the Local Government Investment Pool of the Oregon Short-Term Fund, which is managed by the State Treasurer's office. Such investments are managed in accordance with the "prudent person rule" and administrative regulations of the State Treasurer which may change from time to time. Eligible investments presently include all of those listed above, as well as repurchase agreements and reverse repurchase agreements. Currently, the State's investment portfolios are not leveraged.

Pension Systems

Pension Benefits. Substantially all County employees after six months of employment are participants in one of three retirement pension benefit programs under the State of Oregon Public Employees Retirement System ("PERS" or the "System") — the Tier 1 and Tier 2 pension programs (the "T1/T2 Pension Programs") or the Oregon Public Service Retirement Plan ("OPSRP").

The T1/T2 Pension Programs are defined benefit pension plans that provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries. Different benefit structures apply to participants depending on their date of hire.

Public employees hired on or after August 29, 2003, become part of OPSRP, unless membership was previously established in the T1/T2 Pension Program. OPSRP is a hybrid (defined contribution/defined benefit) pension plan with two components. Employer contributions fund the defined benefit program and employee contributions fund individual retirement accounts under the separate defined contribution program.

Oregon statutes require an actuarial valuation of the System by a competent actuary at least once every two years, and based on the actuarial review, every two years the Public Employees Retirement Board ("PERB") establishes the contribution rates that employers will pay to fund the obligations of T1/T2 Pension Programs, OPSRP and the PERS-sponsored Retirement Health Insurance Account Plan ("RHIA"). (See "Other Post-Employment Retirement Benefits" below.) The rates are based upon the current and projected cost of benefits and the anticipated level of funding available from the Oregon Public Employee's Retirement Fund, including known and anticipated investment performance of the fund. T1/T2 Pension Program employees and OPSRP employees are required by state statute to contribute 6 percent of their annual salary to the respective programs. Employers are allowed to pay any or all of the employees' contribution in addition to the required employers' contribution. The County has elected to make the employee contribution.

Employer Asset Valuation and Liabilities. An employer's unfunded actuarial liability ("UAL") is the excess of the actuarially determined present value of the employer's benefit obligations to employees over the existing actuarially determined assets available to pay those benefits. For the T1/T2 Pension Programs, the County is pooled with the State and Oregon local government and community college public employers (the "State and Local Government Rate Pool" or "SLGRP"). The County's portion of PERS' assets and liabilities is based on the County's proportionate share of the SLGRP's pooled payroll. The County's proportionate liability may increase if other pool participants fail to pay their full employer contributions. In 1999 the County issued pension bonds to make a lump-sum payment to PERS; the payment was deposited in an account for the County (the "UAL Side Account") and used to finance a portion of the projected allocation of its estimated UAL in the SLGRP. Such payment reduced the County's contribution rate for the T1/T2 Pension Programs, although debt service payments are also due on the pension bonds. According to the 2005 Valuation, the SLGRP has a net UAL surplus of $17,426,534 as of December 31, 2005 and had a net UAL liability of $78,701,578 as of December 31, 2004.

OPSRP's assets and liabilities are pooled on a program-wide basis. These assets and liabilities are not tracked or calculated on an employer basis or allocated to individual employers. The PERS actuary recently released its first valuation of OPSRP for the year ended December 31, 2005. As of December 31, 2005, OPSRP's actuarial asset value was $55 million and the actuarial accrued liability was $53.8 million, resulting in a funded ratio or 102.2 percent.

Employer Contribution Rates. The contribution rates through June 30, 2007 for the County include 11.18 percent for Tier 1 and Tier 2 members, 6.52 percent for general service OPSRP members, and 10.13 percent for police and fire OPSRP members (if any). Effective July 1, 2007, the County's contribution rates change to 9.85 percent for Tier 1 and Tier 2 members, 10.65 percent for general service OPSRP members, and 13.92 percent for police and fire OPSRP members (if any). Included in these rates are contribution rates for the PERS Retirement

Health Insurance Account program for T1/T2 participants described herein. The County's employer contribution rate is subject to future adjustment based on factors such as the results of subsequent actuarial valuations and changes in benefits resulting from legislative modifications. According to the 2005 County Valuation, the combined valuation payroll for T1/T2 members was $212,086,383 and for OPSRP general service members and OPSRP police and fire members was $17,190,694 for a combined valuation payroll as of December 31, 2005 of $229,277,077. For Fiscal Years 2006, 2005 and 2004, the County's annual pension costs of $41,616,000, $22,935,000 and $27,388,000, respectively, were equal to the County's required and actual contributions.

The County created a PERS Bond Reserve to accumulate funds to smooth rates charged against payroll in future years. As of June 30, 2006, the PERS Bond Reserve had a balance of $16.1 million.

Legal Challenges Related to PERS. The 2003 Oregon Legislative Assembly enacted significant changes to PERS (the "2003 PERS Legislation") that were intended to reduce costs for participating employers, including the County. Several Oregon employees filed lawsuits challenging various aspects of the 2003 PERS Legislation. The 2003 PERS Legislation, among other things, affected the earnings calculation on the accounts of Tier 1 Pension Program members); created the OPSRP retirement program; blocked further contributions to variable rate accounts, and required updated actuarial tables. The initial challenges to the 2003 PERS Legislation were consolidated and decided by the Oregon Supreme Court in 2005, although several additional lawsuits remain pending in the Oregon state courts. The United States Court of Appeals for the Ninth Circuit decided the initial federal court challenges to the PERS legislation in October 2006, including one case challenging the updated actuarial tables. In that case, the Ninth Circuit affirmed in part, reversed in part and remanded back to the lower court for further proceedings related to the procedural posture of the case.

The 2003 PERS Legislation also provided a statutory remedy to a prior case filed by the *City of Eugene* and other public employers. In that case, the trial court ruled, among other things, that the PERS Board credited too much in 1999 earnings to certain member accounts. The decision was appealed by PERS members who intervened in the case. The original parties in the case entered into a settlement agreement in which the PERS Board agreed, among other things, to reduce the 1999 earnings credited to certain member regular accounts. In 2005, the Oregon Supreme Court dismissed the appeal of the case as moot and in July 2006, the court vacated the underlying trial court judgment.

The Supreme Court's decision in the *City of Eugene* appeal will affect certain pending cases that challenge PERS Board's actions taken to address the 1999 over-crediting addressed in the litigation, the City of Eugene settlement, and the 2003 PERS Legislation. This decision will most directly affect a class action suit filed by certain retirees which challenges the PERS Board's recovery of funds from the 1999 earnings over-crediting. The amount at issue is approximately $800 million. If the court finds in favor of the retirees, PERS may be required to devise an alternative method to recover the funds.

The recently released valuations as of December 31, 2005 take into account the court decisions in existence when the valuations were completed. The outcome of the pending federal and state cases challenging the Legislature's and the PERS Board's actions may affect the System's and the County's UAL in the future.

Other Postemployment Benefits

GASB 45. GASB 45 requires the County to determine the extent of its liabilities for other post employment benefits ("OPEBs") and record the liability in its financial statements on an actuarial basis. This includes the requirement under ORS 243.303 of offering the same healthcare benefits for current County employees to all retirees and their dependents until such time as the retirees are eligible for Medicare. GASB 45 refers to this as an "implicit subsidy" and requires that the corresponding liability be determined and reported. The County opted to implement this pronouncement for the Fiscal Year ended June 30, 2006.

Retirement Health Insurance Account. PERS retirees who receive benefits through the Tier 1 and Tier 2 plans and are enrolled in certain PERS administered health insurance programs, may receive a subsidy towards the payment of health insurance premiums. Under ORS 238.420, retirees may receive a subsidy for Medicare supplemental health insurance of up to $60 per month towards the cost of their health insurance premium under a Retirement Health Insurance Account ("RHIA") plan. As of the December 31, 2005 valuation, this program had a UAL of approximately $314.9 million. RHIA's assets and liabilities are pooled on a system-wide basis. These assets and liabilities are not tracked or calculated on an employer basis or allocated to individual employers and the County is not currently able to determine its share of RHIA's UAL.

The County's total contribution rate to fund RHIA benefits for T1/T2 employees is 0.11 percent of PERS-covered salaries based on the December 31, 2005 actuarial valuation.

County Process. The County contracted with Mercer Human Resources Consulting to complete a valuation of the County's OPEBs. The County pays 50 percent of the premiums of health care coverage for retirees from age 58 to 65. As of June 30, 2006, the County had 528 retirees. In Fiscal Year 2006, the County booked a net OPEB obligation of $44.7 million, a $10.6 million increase over Fiscal Year 2005. The County's OPEB UAL is being amortized over 30 years beginning June 30, 2006.

OPEB Schedule of Funding Progress
($ in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	AAL-Unit Credit (b)	UAAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll [(b-a)/c)]
1/1/2002	$ 0	$ 61,290	$ 61,290	0%	$ 212,833	29%
1/1/2005	0	109,895	109,895	0%	228,597	48%

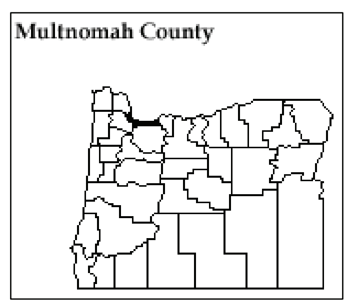
Source: Mercer Human Resources Consulting.

Risk Management

The County is exposed to various risks of loss. A description of the risks is provided in the County's audited financial statements. The audited financial statement for Fiscal Year 2006 is attached hereto as Appendix B.

Demographic Information

General



The County is located in the northwestern part of the State and is included in the Portland-Vancouver Primary Metropolitan Statistical Area. The City of Portland is the County seat and the largest city in Oregon.

Portland, with a population of 562,690, is the center of commerce, industry, transportation, finance and service for an immediate metropolitan area with a population of approximately 1,569,170.

The Portland-Vancouver Primary Metropolitan Statistical Area (hereinafter, the "Portland PMSA") includes Multnomah, Washington, Clackamas, Columbia and Yamhill counties in Oregon, and Clark and Skamania County in Washington.

Historical data have been collected from generally accepted standard sources, usually from public bodies. This section will focus on the County and the Portland PMSA.

Population

The Portland metro area is Oregon's largest population center. The County is Oregon's most populous county with an estimated 701,545 residents in 2006. The following table shows the historical population for the County the State and the Cities of Portland and Gresham:

Population
State of Oregon and Multnomah County

July 1	State of Oregon	Multnomah County	City of Portland	City of Gresham
2006	3,690,505	701,545	562,690	97,745
2005	3,631,440	692,825	555,650	95,900
2004	3,582,600	685,950	550,560	94,250
2003	3,541,500	677,850	545,140	93,660
2002	3,504,700	670,250	538,180	92,620
2001	3,471,700	666,350	536,240	91,420
April 1(1)				
2000	3,421,399	660,486	529,121	90,205
1990	2,842,321	583,887	438,802	68,249

(1) U.S. Census Count on April 1.

Source: Center for Population Research and Census, Portland State University.

Economic Overview

Portland PMSA. The economy of the Portland metropolitan area is broad and widely diversified. The Portland PMSA includes the State's largest employers, including Intel, Providence Health System, Safeway, Oregon Health & Sciences University, Fred Meyer, Kaiser Foundation Health Plan, Legacy Health System, and Nike.

Currently, manufacturing accounts for 12.5 percent of the total non-farm employment in the Portland PMSA, while trade, transportation and utilities accounts for 20.0 percent, government jobs 13.7 percent, professional and business services 13.2 percent, education and health services 12.2 percent, and leisure and hospitality 9.2 percent.

Major agricultural products produced in the County include nursery and greenhouse crops, lettuce and Christmas trees.

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The number of acres harvested and gross farm sales in the County are as follows:

Multnomah County
Harvested Acreage and Gross Farm Sales

		Gross Farm Sales ($ in thousands)		
Year	Harvested Acreage	Crop Sales	Animal Products Sales	Total Gross Farm Sales
2006	10,017	$76,623	$2,654	$79,277
2005	10,574	75,125	2,619	77,744
2004	10,870	73,408	2,464	75,872
2003	11,426	68,828	2,443	71,271
2002	13,093	66,778	2,240	69,018

Top Commodities in
Multnomah County (2006)

Rank	Commodity	Sales
1	Nursery Crops	$39,000,000
2	Greenhouse Crops	10,474,000
3	Misc. Vegatable Crops	3,840,000
4	Farm Forest Products	3,038,000
5	Misc. Specialty Crops	2,990,000

Source: Oregon State University Extension Service's Oregon Agriculture Information Network, Harvested Acreage Summary Report, Gross Farm Sales Reports, Commodity Report; April 19, 2007.

Income. Historic personal income and per capita income levels for the County and the State are shown below:

Multnomah County and State of Oregon
Total Personal and Per Capita Income

	Multnomah County				State of Oregon			
Year	Personal Income ($000 Omitted)	Dividends, Interest, Rent ($000 Omitted)	Per Capita Income	Per Capita Dividends, Interest, Rent	Personal Income ($000 Omitted)	Dividends, Interest, Rent ($000 Omitted)	Per Capita Income	Per Capita Dividends, Interest, Rent
2006	N/A	N/A	N/A	N/A	$ 124,588,750	$ 22,623,500	N/A	N/A
2005	$ 25,436,032	$ 4,558,806	$ 37,798	$ 6,774	117,148,817	21,413,596	32,174	5,881
2004	24,214,231	4,385,485	36,078	6,534	110,694,823	20,950,714	30,823	5,834
2003	23,388,512	4,442,331	34,516	6,556	104,660,326	19,799,945	29,377	5,558
2002	23,078,170	4,367,495	34,166	6,466	101,881,884	19,502,101	28,924	5,537
2001	22,589,707	4,211,317	33,771	6,296	99,020,013	19,999,247	28,507	5,758

Source: U.S. Department of Commerce, Bureau of Economic Analysis, April 27, 2007.

Employment. Non-farm employment within the County is described in the following tables:

Portland-Vancouver PMSA
Labor Force Summary (1)
(by place of residence)

	2006	2005	2004	2003	2002	2006 Change from 2005	2004	2003	2002
Civilian Labor Force	1,117,841	1,100,261	1,090,557	1,089,672	1,091,037	17,580	27,284	28,169	26,804
Unemployment	57,244	64,312	77,118	90,420	85,327	-7,068	-19,874	-33,176	-28,083
Percent of Labor Force	5.1%	5.8%	7.1%	8.3%	7.8%	xx	xx	xx	xx
Total Employment	1,060,598	1,035,949	1,013,439	999,252	1,005,710	24,649	47,159	61,346	54,888

Non-Agricultural Wage & Salary Employment (2)

	2006	2005	2004	2003	2002	2006 Change from 2005	2004	2003	2002
TOTAL NONFARM PAYROLL EMPLOYMENT	1,015,200	983,600	954,100	934,300	944,100	31,600	61,100	80,900	71,100
TOTAL PRIVATE	876,100	846,000	817,900	800,800	810,300	30,100	58,200	75,300	65,800
Natural resources and mining	1,700	1,800	1,700	1,700	1,700	-100	0	0	0
Construction	63,400	58,500	53,900	50,100	51,600	4,900	9,500	13,300	11,800
Manufacturing	126,900	123,400	120,100	118,100	123,800	3,500	6,800	8,800	3,100
Trade, transportation, and utilities	203,100	198,000	193,400	190,900	192,400	5,100	9,700	12,200	10,700
Information	23,800	23,100	22,500	22,500	23,800	700	1,300	1,300	0
Financial activities	70,300	68,200	66,100	66,400	65,600	2,100	4,200	3,900	4,700
Professional and business services	134,100	128,500	122,100	117,900	121,700	5,600	12,000	16,200	12,400
Educational and health services	123,600	119,800	115,700	113,600	111,000	3,800	7,900	10,000	12,600
Leisure and hospitality	93,700	90,100	87,700	85,600	84,800	3,600	6,000	8,100	8,900
Other services	35,600	34,500	34,700	34,000	33,900	1,100	900	1,600	1,700
GOVERNMENT	139,100	137,600	136,200	133,500	133,900	1,500	2,900	5,600	5,200

(1) Civilian labor force includes employed and unemployed individuals 16 years and older by place of residence. Employed includes nonfarm payroll employment, self-employed, unpaid family workers, domestics, agriculture and labor disputants. Data are adjusted for multiple job-holding and commuting.
(2) Nonfarm payroll data are based on the 1987 Standard Industrial Classification manual. The data are by place of work. Persons working multiple jobs are counted more than once. The data excludes the self-employed, volunteers, unpaid family workers, and domestics.
Source: State of Oregon Employment Department, January 30, 2007.

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Major Employers in the County
(2006-07)

Company	Service	No. Employees
Providence Health System	Health care services	13,496
Oregon Health & Science University	Education and health care	11,300
Fred Meyer Stores	Grocery/retail	10,500
Kaiser Foundation Health Plan of the NW	Health Care	8,747
Legacy Health System	Health Care	7,900
City of Portland	Government	5,498
Portland Public Schools	Education	5,047
Wells Fargo Bank	Finance	5,000
Multnomah County	Government	4,438
U.S. Bank	Finance	4,138
Freightliner Corporation	Heavy duty trucks	4,000
Portland State University	Education	4,000
United Parcel Service	Parcel delivery service	3,900
Beaverton School District	Education	3,886
Portland Community College	Education	3,400
Portland General Electric	Utility	2,652
Farmers Insurance Corporation	Insurance	2,500
Standard Insurance	Insurance	2,500
Volt Service Group	Employment Services	2,500
Tri-Met	Mass Transit	2,495
Regence BlueCross BlueShield of Oregon	Insurance carrier/medical services	2,475
Albertsons Food Centers	Grocery	2,351
Veterans Affairs Medical Center	Health care services	2,174

Source: Portland Business Alliance Portland Metro Area Largest Employers 2005-06, Published September 2006; Oregon Employment Department.

Building Permits. Residential building permits are an indicator of growth within a region. The number and valuation of new single-family and multi-family residential building permits in the County are listed below:

Multnomah County
Residential Building Permits

	New Single Family		New Multi Family			Total
Year	Number	Construction Cost	Number	Units	Construction Cost	Construction Cost
2007 (1)	646	$130,028,688	91	1,907	$209,251,945	$339,280,633
2006	1,719	339,296,031	173	2,375	251,238,219	590,534,250
2005	1,659	300,859,914	237	2,914	262,841,466	563,701,380
2004	1,567	260,745,825	188	2,275	179,303,612	440,049,437
2003	1,582	261,056,693	266	3,289	253,115,806	514,172,499
2002	1,718	270,244,352	135	1,564	118,882,337	389,126,689

(1) As of May 1, 2007.
Source: U.S. Census Bureau, June 15, 2007.

Transportation. The Portland area is a major transportation hub of the Pacific Northwest. Located at the confluence of the Columbia and Willamette rivers, Portland is approximately 110 river miles from the Pacific Ocean at Astoria. Major north-south (I-5) and east-west (I-84) highways connect the area with other major metropolitan areas of the western states. BNSF Railway Company (Burlington Northern Santa Fe) and Union Pacific railroads provide rail freight service to the area and Amtrak provides rail passenger service. Interstate bus transportation is available through Greyhound and local bus service is provided by the Tri-County Metropolitan Transportation District (Tri-Met).

Commercial air transportation is available at Portland International Airport ("PDX"). PDX, operated by the Port of Portland (the "Port"), is served by 17 scheduled passenger air carriers and three charter services. Fourteen cargo carriers service PDX. The Port also operates three general aviation airports in Troutdale, Hillsboro and Mulino. The Hillsboro Airport, 29 miles west of the County, is the State's second busiest general aviation site and maintains the largest corporate jet fleet in the state.

Higher Education. Institutions of higher learning in the area include independent institutions such as Reed College, Lewis and Clark College, Pacific University, and church-affiliated institutions such as the University of Portland, Warner Pacific College, and Columbia Pacific College. Portland State University, which is part of the Oregon University System of Higher Education, and the Oregon Health and Science University are also located in Multnomah County. Portland Community College, Mt. Hood Community College, and Clackamas Community College are part of the State's community college system.

Superfund. Superfund sites are listed on the National Priories List ("NPL") upon completion of hazard ranking system screening, public solicitation of comments about the proposed site, and after all comments have been addressed. The identification of a site for the NPL is intended primarily to guide the U.S. Environmental Protection Agency (EPA) in determining which sites warrant further investigation, identifying remedial actions, notifying the public, and serving notice to potentially responsible parties. Inclusion of a site on the NPL does not in itself reflect a judgment of the activities of its owner or operator. There are two superfund sites inside the County; however, the County has no legal or financial responsibility for the superfund sites.

Additional information pertaining to the superfund sites is available at local libraries, the Oregon Department of Environmental Quality or the EPA Region 10 Superfund Records Center.

Legislative Referrals

Referrals are proposed laws that originate from the Legislative Assembly to be voted on by the people. In Oregon, both houses of the Legislative Assembly must vote to refer a statute or constitutional amendment for a popular vote. Such referrals cannot be vetoed by the governor.

The Initiative Process

The Oregon Constitution, Article IV, Section 1, reserves to the people of the state the initiative and referendum power pursuant to which measures designed to amend the Oregon Constitution or enact legislation, can be placed on the statewide general election ballot for consideration by the voters. "Referendum" generally means measures that have been passed by the Legislative Assembly and then referred to the electors by a legislative body, such as the State Legislative Assembly or the governing body of a district, county or other political subdivision, or by petition prior to its effective date. "Initiative" generally means a new measure placed before the voters as a result of a petition circulated by one or more private citizens.

Any person may file a proposed initiative with the Oregon Secretary of State's office. The Oregon Attorney General is required by law to draft a proposed ballot title for the initiative. Public comment on the draft ballot title is then solicited by the Secretary of State. After considering any public comments submitted, the Attorney General will either certify the draft ballot title or revise the draft ballot title. Any elector that submitted written comments who is dissatisfied with the ballot title certified by the Attorney General may petition the Oregon Supreme Court seeking a revision of the certified ballot title.

Once the ballot title has been certified and the Secretary of State has authorized the petitioners, the proponents of the initiative may start gathering the initiative petition signatures necessary to place the proposed initiative on the ballot. To be placed on a general election ballot, the proponents of a proposed initiative must submit to the Secretary of State initiative petitions signed by the number of qualified voters equal to a specified percentage of the total number of votes cast for all candidates for governor at the gubernatorial election at which a Governor was elected for a term of four years next preceding the filing of the petition with the Secretary of State. For the November 2008 election, the requirements are eight percent (110,358 signatures) for a constitutional measure and six percent (82,769 signatures) for a statutory initiative. Any elector may sign an initiative petition for any measure on which the elector is entitled to vote.

The initiative petition must be filed with the Secretary of State not less than four months prior to the general election at which the proposed measure is to be voted upon. As a practical matter, proponents of an initiative have approximately two years in which to gather the necessary number of signatures. State law permits persons circulating initiative petitions to pay money to persons obtaining signatures for the petition. If the person obtaining signatures is being paid, the signature sheet must contain a notice of such payment.

Historical Initiative Petitions

Over the past decade Oregon has witnessed increasing activity in the number of initiative petitions that have qualified for the statewide general election. According to the Elections Division of the Oregon Secretary of State, the number of initiative petitions that have qualified for the ballot and the number that have been approved in the general elections since 1988 are as follows:

Historic Initiative Petitions

Number of Year of General Election	Number of Initiatives that Qualified	Initiatives that were Approved
2006	10	3(1)
2004	6	2
2002	7	3
2000	18	4
1998	10	6
1996	16	4
1994	16	8
1992	7	1
1990	8	3
1988	5	3

(1) One of the three initiatives approved by voters on November 7, 2006 prohibits public bodies from condemning private real property if the intent is to convey the real property to a private party (see "Measure 39" herein). The other two initiatives were for a prescription drug program and a revision to campaign finance laws.

NOTE: The Secretary of State posts a listing of initiatives on its web site: www.sos.state.or.us.

Source: Elections Division, Oregon Secretary of State, Initiative, Referendum and Referral Log, Elections Division.

Measure 37

Measure 37 was approved by voters at the statewide, November 2, 2004 Oregon General Election. Measure 37 added several new statutory provisions to Oregon law (ORS 197.352). The Measure entitles certain landowners either (a) to compensation for the decline in the market value of their property as the result of certain land use regulations (the "Restrictions") that are enacted or enforced against the property; or, (b) to have their land released from the Restrictions. Legal challenges against Measure 37 were not successful.

"Restrictions" do not include regulations of nuisances, regulations that protect public health, regulations that are required by federal law; and regulations that were enacted before the current property owner (or a member of that owner's family) acquired the property; Measure 37 does not require governments to pay claims for those regulations.

Measure 37 states that property owners making claims based on land use regulations enacted before December 2, 2004 were required to file their claims on or before December 4, 2006, with exceptions. In addition, Measure 37 may not require a government to pay claims that arise under Measure 37 unless the government affirmatively acts to fund those claims; if claims are not paid within two years after they accrue, Measure 37 releases the land from the Restrictions and it is not clear whether the governments imposing the Restrictions have any residual liability. Claims for Restrictions that were enacted before the effective date of Measure 37 must be submitted within two years.

The Measure does not change the Oregon Constitution, and the Oregon Legislative Assembly has authority to amend Measure 37.

On April 26, 2007, two bills were passed out of the 2007 Legislative Assembly's Joint Committee on Land Use Fairness that will amend and refer Measure 37: House Bill 3546 ("HB 3546") and House Bill 3540 ("HB 3540"). HB 3546 grants an additional 360 days to act on Measure 37 claims filed between November 1 and December 5, 2006, grants an extension for claims filed after November 1, 2006 with no cut off, and contains an emergency clause, meaning the bill takes effect upon passage.

HB 3540 refers for voter approval changes to the implementation of Measure 37 to voters at a special November 1, 2007 election. Provisions in HB 3540 would create an expedited process for claims for up to three homes and a conditional process for claims for four to ten homes subject to certain requirements. HB 3540 would restrict claims under Measure 37 to regulations affecting residential properties and farm or forest practices, and provide guidance for urban growth boundaries and property valuations, among others.

HB 3540 and HB 3546 now move to the Joint Ways and Means Committee for consideration. The County cannot predict whether one or both of the bills will be approved by the Legislative Assembly and, if so, whether the Governor will sign one or both of them.

As of the date of this Official Statement, approximately 100 claims have been filed in the County, two of which have gone to trial. One claim resulted in judgment for the County and the other resulted in a judgment for the claimant for $1,150,000. Following judgment, the Board elected to waive regulations on the property subject to the Measure 37 claim. Two other lawsuits are pending and further claims may be filed. In order to file a Measure 37 claim after December 2, 2006, a property owner must first have a land use application denied before the claim can be processed.

Measure 37 presents no financial threat to the County since payment of compensation is entirely within the County's discretion.

Measure 39

Measure 39 was approved by voters at the Statewide, November 7, 2006 Oregon General Election. Measure 39 modifies statutory provisions to Oregon law by prohibiting government entities from condemning private residences, business establishments, farms or forest operations if the government entity intends to convey all or part of the property to another private party. Measure 39 excludes property condemned as dangerous to health or safety, or for transportation or utility services and allows government entities to lease condemned property for accessory retail uses.

The County does not believe that Measure 39 will have a negative financial impact on its operations. The County has not previously condemned property to transfer to a private entity.

Legal Matters and Litigation

Legal Matters

Legal matters incident to the authorization, issuance and sale of Notes by the County are subject to the approving legal opinion of Note Counsel, substantially in the form attached hereto as Appendix A. Note Counsel has reviewed this document only to confirm that the portions of it describing the Notes and the authority to issue them conform to the Notes and the applicable laws under which they are issued.

Litigation

There is no litigation pending questioning the validity of the Notes nor the power and authority of the County to issue the Notes. There is no litigation pending which would materially affect the finances of the County or affect the County's ability to meet debt service requirements on the Notes.

Challenge to Tort Claims Act Limits. On July 5, 2006, the Oregon Court of Appeals decided a case, *Clarke v. Oregon Health Sciences University* ("OHSU"), challenging the constitutionality of parts of the Oregon Tort Claims Act ("OTCA"). Under the OTCA, the State's common law sovereign immunity from suit is lifted and claims may be brought against a public body in Oregon, including the County. The liability of public bodies, however, is capped at $200,000 for individual personal injury claims. In addition, the public body has to be substituted as a defendant in lieu of individual employees of the public body, thereby limiting recovery for claims against individual employees to the limits applicable to public bodies. In *Clarke,* the plaintiff was severely disabled as a result of the negligence of health professionals employed at OHSU, which is a public body. The damages alleged amounted to approximately $12 million.

Article I, Section 10 of the Oregon Constitution provides the right to a remedy to persons who are injured in their person, property or reputation. The *Clarke* court concluded that the $200,000 cap on the amount of potential recovery, did not provide a substantial remedy to plaintiff in lieu of what plaintiff would have been able to claim at common law from individual government employees who were admittedly negligent. Therefore, the substitution of OHSU for the individual plaintiffs, under the facts at issue in *Clarke*, violated Article I, Section 10 of the Oregon Constitution.

The impact of the court's holding in this case on other public bodies, such as the County, is uncertain. OHSU appealed the Oregon Court of Appeal's decision to the Oregon Supreme Court. The Oregon Supreme Court has the case under review. Under the OTCA, the County currently indemnifies its employees for liability that they incur due to negligence within the scope of their work. Accordingly, if the decision is upheld by the Oregon Supreme Court it may mean that the County must pay higher amounts to indemnify its employees who would not be protected by the damage cap.

Presently, it is too early to determine a specific course of action the County may take if the Oregon Supreme Court upholds the decision in *Clarke*.

Tax Matters

In the opinion of Note Counsel, interest on the Notes is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Notes is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

Federal income tax law contains a number of requirements that apply to the Notes, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the use of proceeds of the Notes and the facilities financed with proceeds of the Notes and certain other matters. The County has covenanted to comply with all applicable requirements.

Note Counsel's opinion is subject to the condition that the County comply with the above-referenced covenants and, in addition, will rely on representations by the County and its advisors with respect to matters solely within the knowledge of the County and its advisors, respectively, which Note Counsel has not independently verified. If the County fails to comply with such covenants or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Notes could be included in gross income for federal income tax purposes retroactively to the date of issuance of the Notes, regardless of the date on which the event causing taxability occurs.

Except as expressly stated in this Tax Matters section, Note Counsel expresses no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the Notes. Owners of the Notes should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Notes, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

Prospective purchasers of the Notes should be aware that ownership of the Notes may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Notes. Note Counsel expresses no opinion regarding any collateral tax consequences. Prospective purchasers of the Notes should consult their tax advisors regarding collateral federal income tax consequences.

Payments of interest on tax-exempt obligations such as the Notes, are in many cases required to be reported to the Internal Revenue Service (the "IRS"). Additionally, backup withholding may apply to any such payments made to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Note Counsel's opinion is not a guarantee of result and is not binding on the IRS; rather, the opinion represents Note Counsel's legal judgment based on its review of existing law and in reliance on the representations made to Note Counsel and the County's compliance with its covenants. The IRS has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includable in gross income for federal income tax purposes. Note Counsel cannot predict whether the IRS will commence an audit of the Notes. Owners of the Notes are advised that, if the IRS does audit the Notes, under current IRS procedures, at least during the early stages of an audit, the IRS will treat the County as the taxpayer, and the owners of the Notes may have limited rights to participate in the audit. The commencement of an audit could adversely affect the market value and liquidity of the Notes until the audit is concluded, regardless of the ultimate outcome.

Qualified Tax-Exempt Obligation

The County has **not** designated the Notes as a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3)(B) of the Code.

State of Oregon Tax Exemption

In the opinion of Note Counsel, interest on the Notes is exempt from Oregon personal income tax under existing law.

Continuing Disclosure

The Notes mature on June 30, 2008 and have a stated maturity of 18 months or less. The Securities and Exchange Commission has published amendments to Rule 15c2-12 (the "Rule") that require timely disclosure of certain events if material to the Notes. Pursuant to the Rule, the County has agreed to provide to the Municipal Securities Rulemaking Board and to any State information repository, notice of certain events, pursuant to the requirements of Section (b)(5)(i) of the Rule.

The County has not failed to comply in the past five years with any prior undertaking under the Rule. A copy of the County's Continuing Disclosure Certificate is attached hereto as Appendix D.

Financial Advisor

In connection with the authorization and issuance of the Notes, the County has retained Seattle-Northwest Securities Corporation, Portland, Oregon, as its financial advisor (the "Financial Advisor"). The Financial Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for, the accuracy, completeness, or fairness of the information contained in this Official Statement.

Certificate with Respect to Official Statement

At the time of the original delivery of and payment for the Notes, the County will deliver a certificate of its authorized representative addressed to the Underwriter to the effect that he or she has examined this Official Statement and the financial and other data concerning the County contained herein and that to the best of his knowledge and belief, (i) the Official Statement, both as of its date and as of the date of delivery of the Notes, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and (ii) between the date of the Official Statement and the date of delivery of the Notes there has been no material adverse change in the affairs (financial or other), financial condition or results of operations of the County except as set forth in or contemplated by the Official Statement.

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Appendix A

Form of Note Counsel Opinion

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(FORM OF LEGAL OPINION OF NOTE COUNSEL)

July 2, 2007

Multnomah County
501 SE Hawthorne Boulevard
Suite 531
Portland, Oregon 97214

Re: Multnomah County, Oregon
$29,850,000 Tax and Revenue Anticipation Notes, Series 2007

Ladies and Gentlemen:

We have acted as note counsel in connection with the authorization, issuance, sale and delivery by Multnomah County, Oregon (the "County") of its Tax and Revenue Anticipation Notes, Series 2007, (the "Notes"), in the aggregate principal amount of Twenty-Nine Million Eight Hundred Fifty Thousand Dollars ($29,850,000), which are dated July 2, 2007. The Notes are issued pursuant to Resolution No. 07-093 adopted by the Board of County Commissioners of the County on May 10, 2007 (the "Note Resolution"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Note Resolution.

We have examined the applicable law, a duly certified transcript of proceedings of the County, prepared in part by us, and other documents which we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied on the representations of the County contained in the Note Resolution and other certified proceedings and certifications of officials of the County and others furnished to us, without undertaking to verify such representations and certifications by independent investigation. We have also relied on the covenants of the County to comply with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), with respect to the investment and use of proceeds of the Notes.

On the basis of the foregoing examination, and in reliance thereon, and on the basis of our examination of such other matters of fact and questions of law as we deem relevant under the circumstances, and subject to the limitations expressed herein, we are of the opinion, under existing law, as follows:

A. The Notes have been legally authorized and issued under and pursuant to the Constitution and statutes of the State of Oregon, and are valid and legally binding obligations of the County enforceable against the County in accordance with their terms, subject to: (i) bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting creditors' rights generally (whether now or hereafter in existence); (ii) the application of equitable principles and to the exercise of judicial discretion in appropriate cases; (iii) common law and statutes affecting the enforceability of contractual obligations generally; and (iv) principles of public policy concerning, affecting, or limiting the enforcement of rights or remedies against governmental entities such as the County.

B. The County has pledged its ad valorem property taxes, subject to the limits of Article XI, Sections 11 and 11b of the Oregon Constitution, and the full faith and credit of the County, including all unobligated revenues in the County's general fund, to the punctual payment of principal of and interest on the Notes.

C. Interest on the Notes is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Notes is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the County comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Notes in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The County has covenanted to comply with all applicable requirements. Failure to comply with certain of such covenants may cause interest on the Notes to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Notes.

D. The interest on the Notes is exempt from present personal income taxation by the State of Oregon.

The County has **not** designated the Notes as a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3)(B) of the Code.

Except as expressly stated above, we express no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the Notes. Owners of the Notes should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Notes, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

This opinion is given as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

This opinion is provided to you as a legal opinion only, and not as a guaranty or warranty of the matters discussed herein. No opinions may be inferred or implied beyond the matters expressly stated herein. No qualification, limitation or exception contained herein shall be construed in any way to limit the scope of the other qualifications, limitations and exceptions. For purposes of this opinion, the terms "law" and "laws" do not include unpublished judicial decisions, and we disclaim the effect of any such decision on the opinions expressed.

We have acted solely as note counsel to the County regarding the sale and issuance of the Notes and have not represented any other party in connection with the Notes. Therefore, no attorney-client relationship shall arise by our addressing this opinion to persons other than the County.

The opinions expressed herein are solely for your benefit in connection with the above referenced note financing and may not be relied on in any manner or for any purpose by any person or entity other than the addressees listed above and the owners of the Notes, nor may copies be furnished to any other person or entity, without the prior written consent of Kirkpatrick & Lockhart Preston Gates Ellis LLP.

Respectfully submitted,

Kirkpatrick & Lockhart Preston Gates Ellis LLP

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Appendix B

Financial Statements

The County's Auditor has not performed any further review of the County's general purpose financial statements since the date of the audit contained herein.

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Multnomah County, Oregon

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Multnomah County, Oregon as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Multnomah County, Oregon's management. Our responsibility is to express opinions on these financial statements based on our audit. The financial statements of Multnomah County, Oregon as of June 30, 2005, were audited by other auditors whose report dated November 4, 2005, expressed an unqualified opinion on those statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Multnomah County, Oregon, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2006, on our consideration of Multnomah County, Oregon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, budgetary comparison, and OPERS information on pages 14 through 27, 35 through 37, and 79 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures to the management's discussion and analysis on pages 14 through 27 which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The schedules of revenues, expenditures, and changes in fund balance – budget and actual, on pages 35 through 37 and the schedule of OPERS funding progress on page 79, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Multnomah County, Oregon's, basic financial statements. The introductory section, combining and individual fund statements and schedules, other schedules, statistical information, and schedule of expenditures of federal awards which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules, other schedules, and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

James C. Lanzarotta

For Moss Adams LLP
Eugene, Oregon
December 8, 2006

Department of County Managment
MULTNOMAH COUNTY OREGON
501 SE Hawthorne, Suite 531
Portland, Oregon 97214
(503) 988-3903 phone
(503) 988-3292 fax

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 S*tatement 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 S*tatement 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.

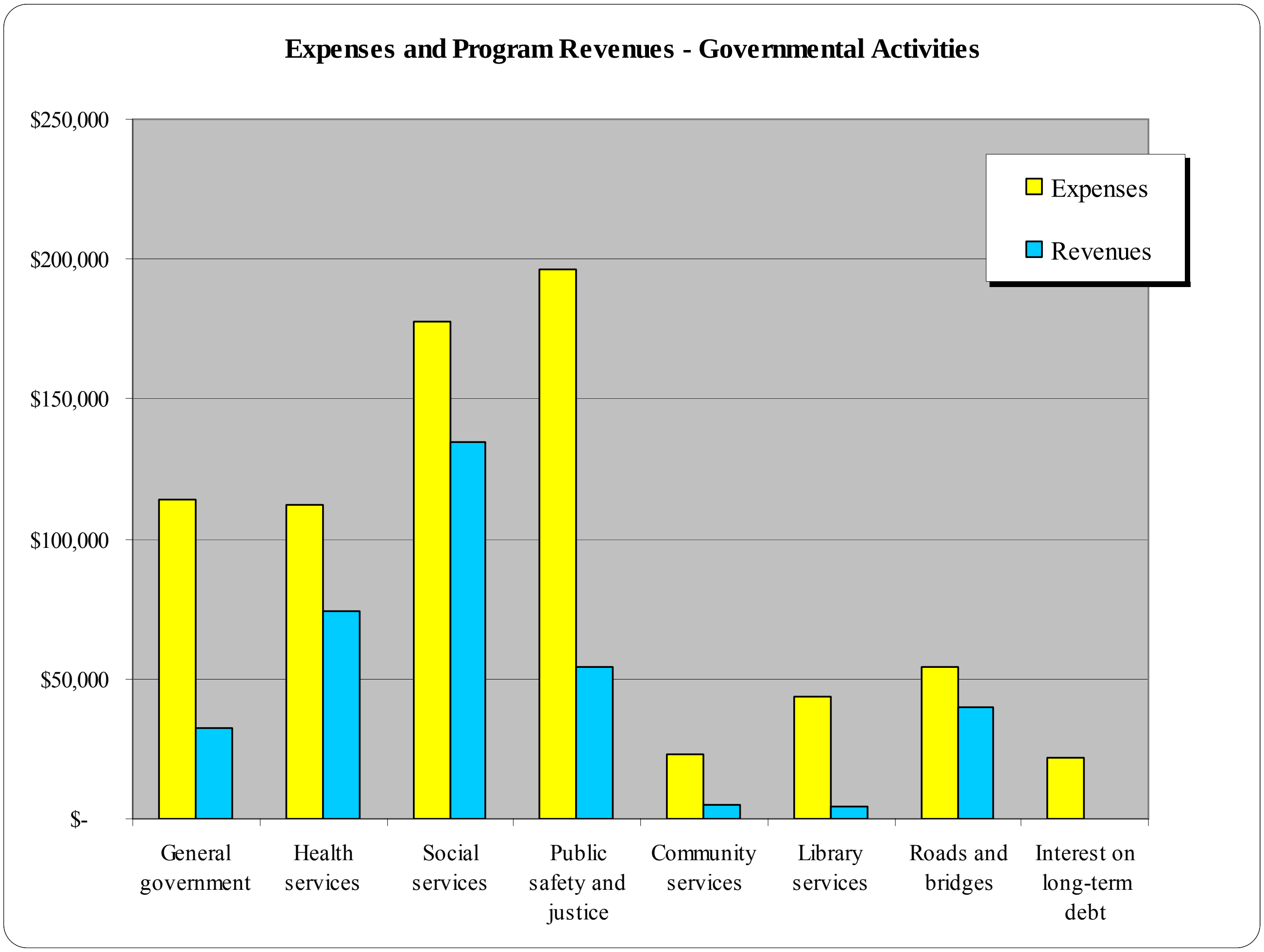
Multnomah County's Changes in Net Assets

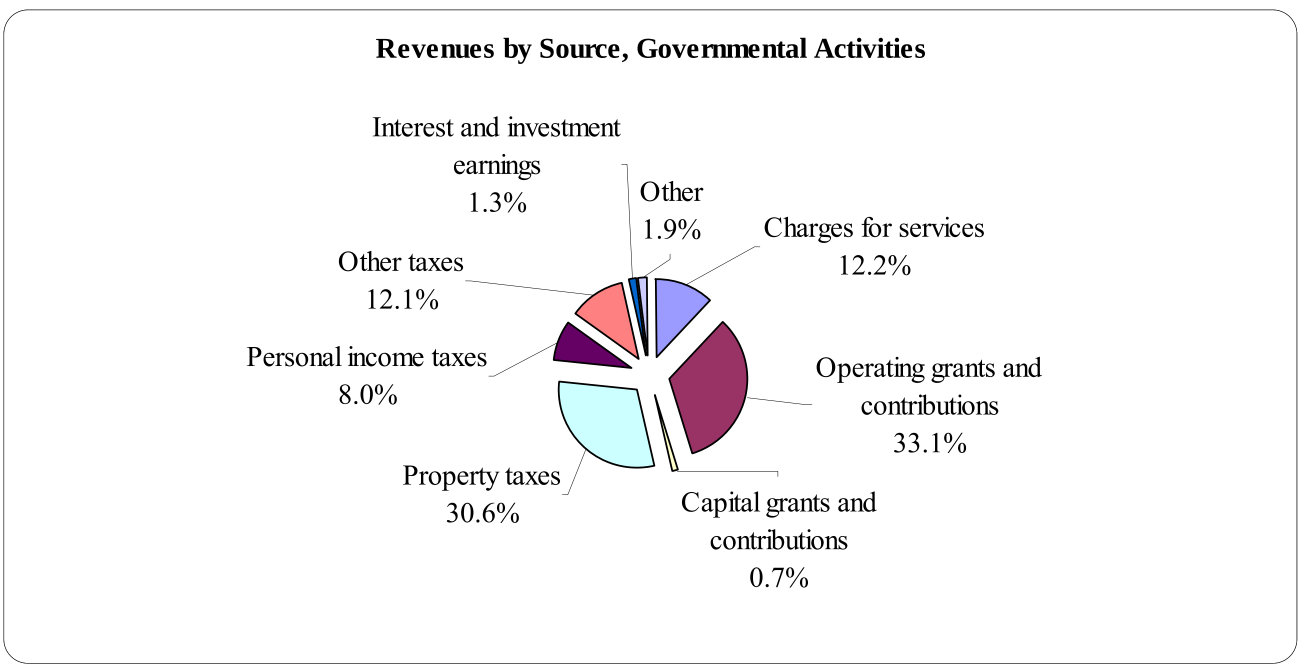
	Governmental Activities		Business-type Activities		Total	
	2006	2005 (Restated)	2006	2005	2006	2005 (Restated)
Revenues:						
Program revenues:						
Charges for services	$ 91,180	$ 85,955	$35,268	$30,184	$126,448	$116,139
Operating grants and contributions	247,933	256,489	-	-	247,933	256,489
Capital 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	$538,459	$642,674	$ 5,815	$ 4,589	$544,274	$647,263

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
$250,000
$200,000
$150,000
$100,000
$50,000
$-
Expenses
Revenues
General government
Health services
Social services
Public safety and justice
Community services
Library services
Roads and bridges
Interest on long-term debt

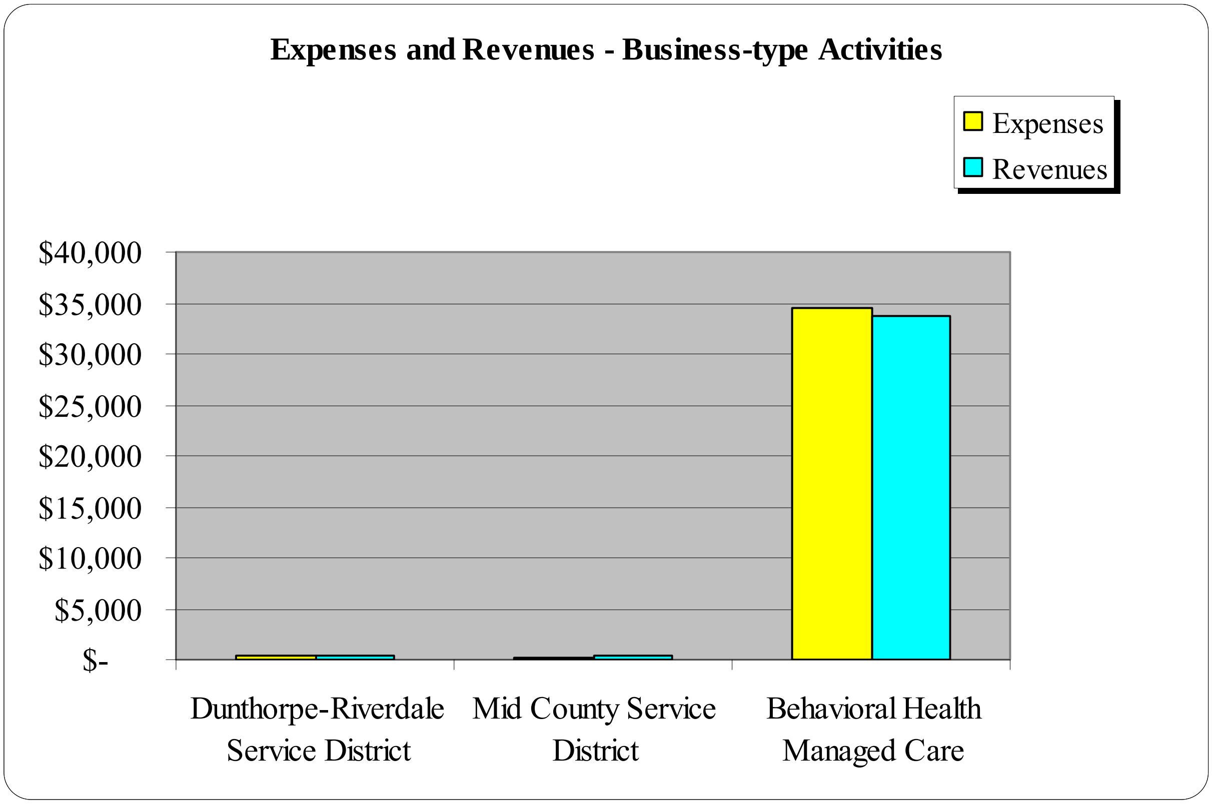

Revenues by Source, Governmental Activities
Interest and investment earnings 1.3%
Other 1.9%
Charges for services 12.2%
Other taxes 12.1%
Personal income taxes 8.0%
Operating grants and contributions 33.1%
Property taxes 30.6%
Capital grants and contributions 0.7%

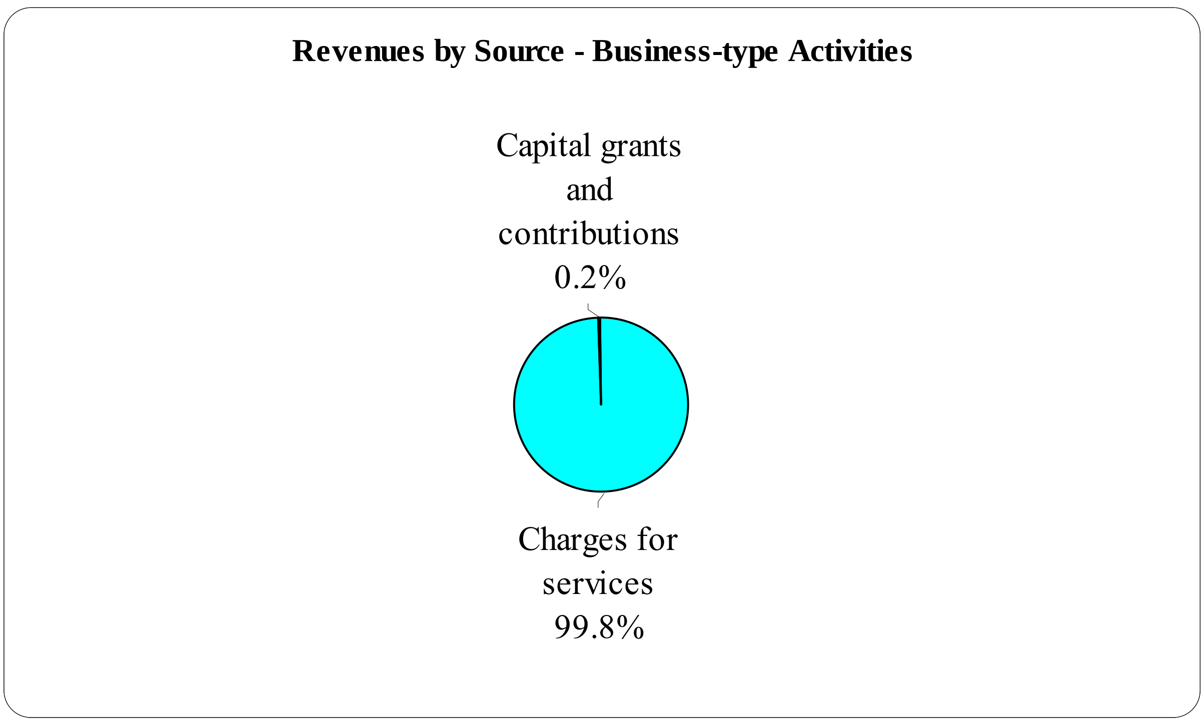
For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. Additionally, where expenses decreased from prior years, this can be directly attributed to the decrease in revenues in the governmental activities.

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
Expenses
Revenues
$40,000
$35,000
$30,000
$25,000
$20,000
$15,000
$10,000
$5,000
$-
Dunthorpe-Riverdale Service District
Mid County Service District
Behavioral Health Managed Care


Revenues by Source - Business-type Activities
Capital grants and contributions 0.2%
Charges for services 99.8%

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.

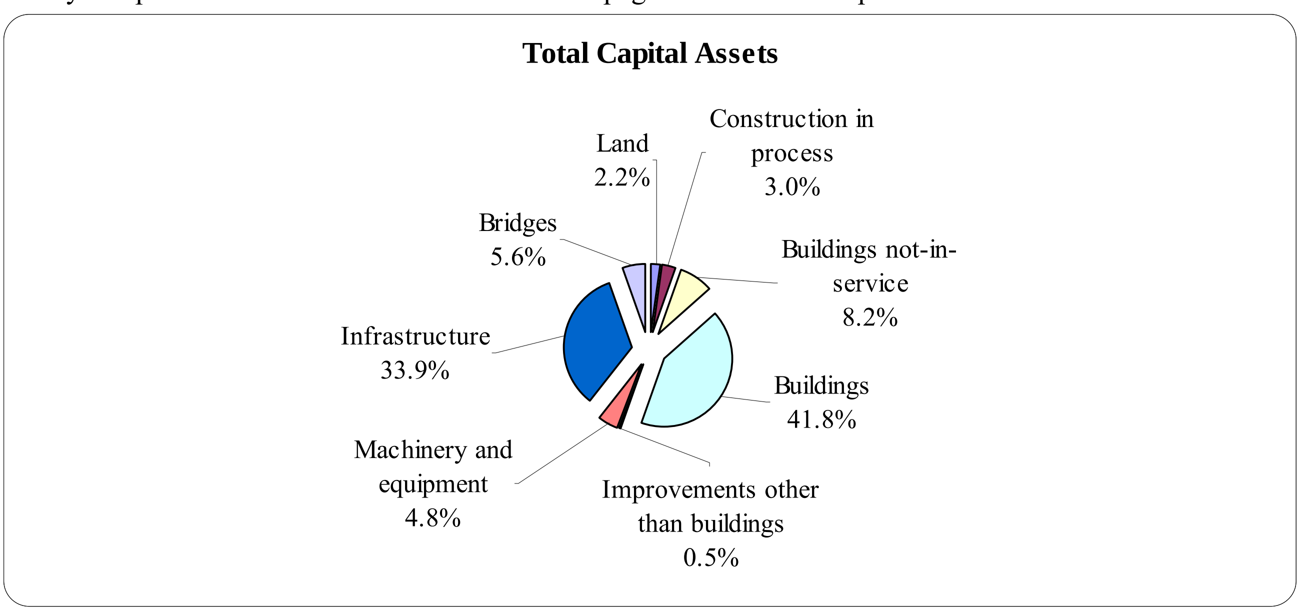
Capital Projects and Debt Administration

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	$ 617,298	$ 727,030	$ 2,985	$ 2,577	$ 620,283	$ 729,607

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

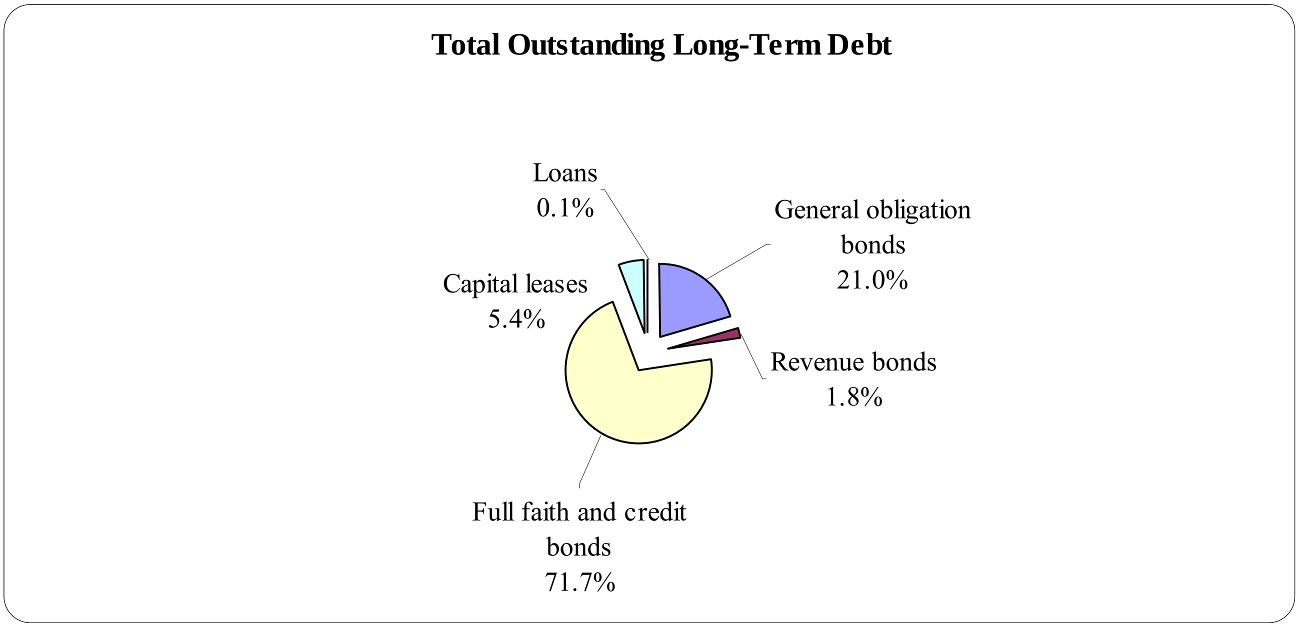
	Governmental Activities		Business- Type Activities		Total	
	2006	2005	2006	2005	2006	2005
General obligation bonds	$ 75,340	$ 81,025	$ -	$ -	$ 75,340	$ 81,025
Revenue bonds	6,420	6,935	-	-	6,420	6,935
Full faith and credit bonds	257,915	267,225	-	-	257,915	267,225
Capital leases	19,444	27,971	-	-	19,444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

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.



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

BASIC FINANCIAL STATEMENTS

MULTNOMAH COUNTY, OREGON
Statement of Net Assets
June 30, 2006
(amounts expressed in thousands)

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	$ 200,423	$ 7,104	$ 207,527
Receivables (net of allowance for uncollectibles):			
Taxes	27,363	-	27,363
Accounts	66,660	3	66,663
Loans	800	-	800
Interest	836	-	836
Special assessments	10	29	39
Contracts	7,308	-	7,308
Inventories	3,201	-	3,201
Prepaid items	5,188	-	5,188
Restricted cash and investments	1,709	-	1,709
Non-current assets:			
Capital assets:			
Land and construction in progress	32,126	-	32,126
Buildings-not in service, not depreciating	51,164	-	51,164
Other capital assets (net of accumulated depreciation)	534,008	2,985	536,993
Other assets, net of amortization	144,476	-	144,476
Total assets	1,075,272	10,121	1,085,393
LIABILITIES			
Accounts payable	73,024	4,245	77,269
Claims and judgments payable	10,627	-	10,627
Accrued salaries and benefits	6,994	15	7,009
Accrued interest payable	3,328	-	3,328
Unearned revenue	16,975	-	16,975
Due within one year:			
Compensated absences	6,086	8	6,094
Note payable	400	-	400
Bonds payable	17,000	-	17,000
Capital leases payable	2,845	-	2,845
Loans payable	87	-	87
Noncurrent liabilities:			
Due in more than one year:			
Compensated absences	13,518	38	13,556
Bonds payable	322,675	-	322,675
Capital leases payable	16,599	-	16,599
Loans payable	362	-	362
Deferred lease obligation	1,551	-	1,551
Net other postemployment benefits obligation	44,742	-	44,742
Total liabilities	536,813	4,306	541,119
NET ASSETS			
Invested in capital assets, net of related debt	434,866	2,985	437,851
Restricted for:			
Bridge rehabilitation	4,244	-	4,244
Capital projects	8,797	-	8,797
Community support programs	7,293	-	7,293
Debt service	51,054	-	51,054
Unrestricted	32,205	2,830	35,035
Total net assets	$ 538,459	$ 5,815	$ 544,274

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

MULTNOMAH COUNTY, OREGON
Statement of Activities
For the Year Ended June 30, 2006
(amounts expressed in thousands)

		Program Revenues		
Functions/Programs	**Expenses**	**Fees, Fines and Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary government:				
Governmental activities:				
General government	$ 114,378	$ 25,531	$ 6,912	$ 144
Health services	112,201	44,406	29,597	-
Social services	177,891	1,210	133,684	-
Public safety and justice	196,167	16,600	37,678	-
Community services	23,336	8	4,704	-
Library	43,530	1,641	2,298	167
Roads and bridges	54,256	1,784	33,060	4,961
Interest on long-term debt	21,822	-	-	-
Total governmental activities	743,581	91,180	247,933	5,272
Business-type activities:				
Dunthorpe-Riverdale Service District Number 1	407	455	-	-
Mid County Service District Number 14	328	294	-	82
Behavioral health managed care	33,640	34,519	-	-
Total business-type activities	34,375	35,268	-	82
Total primary government	$ 777,956	$ 126,448	$ 247,933	$ 5,354

General revenues:
Taxes:
Property taxes, levied for general purposes
Property taxes, levied for debt service
Personal income taxes
Business income taxes
Selective excise and use taxes
Payments in lieu of taxes
State government shared unrestricted revenues
Grants and contributions not restricted to specific programs
Interest and investment earnings
Miscellaneous
Gain on sale of capital assets
Transfers
Special items:
Loss on transfer of County roads
Total general revenues and special items
Change in net assets

Net assets - as previously reported
Cumulative effect of change in accounting principle
Net assets - beginning, restated
Net assets - ending

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

Net (Expenses) Revenues and Changes in Net Assets		
Governmental Activities	Business-type Activities	Total
$ (81,791)	$ -	$ (81,791)
(38,198)	-	(38,198)
(42,997)	-	(42,997)
(141,889)	-	(141,889)
(18,624)	-	(18,624)
(39,424)	-	(39,424)
(14,451)	-	(14,451)
(21,822)	-	(21,822)
(399,196)	-	(399,196)
-	48	48
-	48	48
-	879	879
-	975	975
$ (399,196)	$ 975	$ (398,221)
$ 219,854	$ -	$ 219,854
9,373	-	9,373
59,764	-	59,764
50,980	-	50,980
36,914	-	36,914
2,249	-	2,249
8,692	-	8,692
2	-	2
10,094	251	10,345
4,007	-	4,007
1,607	-	1,607
-	-	-
(108,555)	-	(108,555)
294,981	251	295,232
(104,215)	1,226	(102,989)
621,583	4,589	626,172
21,091	-	21,091
642,674	4,589	647,263
$ 538,459	$ 5,815	$ 544,274

MULTNOMAH COUNTY, OREGON
Balance Sheet
Governmental Funds
June 30, 2006
(amounts expressed in thousands)

	General Fund	Federal and State Program Special Revenue Fund	Willamette River Bridges Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	$ 47,875	$ 111	$ 29,862	$ 79,974	$ 157,822
Receivables:					
Taxes	23,529	-	-	3,834	27,363
Accounts	8,606	48,507	446	7,830	65,389
Loans	-	800	-	-	800
Interest	836	-	-	-	836
Special assessments	10	-	-	-	10
Contracts	1,690	-	-	5,618	7,308
Due from other funds	15,680	-	1,350	-	17,030
Inventories	309	370	-	800	1,479
Prepaids and deposits	214	4,110	-	246	4,570
Restricted cash and investments	-	280	-	1,429	1,709
Total assets	$ 98,749	$ 54,178	$ 31,658	$ 99,731	$ 284,316
LIABILITIES					
Accounts payable	$ 22,570	$ 22,759	$ 3,302	$ 11,420	$ 60,051
Payroll payable	3,154	2,377	79	808	6,418
Due to other funds	-	15,630	-	1,400	17,030
Deferred revenue	17,661	8,868	-	7,703	34,232
Notes payable	400	-	-	-	400
Total liabilities	43,785	49,634	3,381	21,331	118,131
FUND BALANCES					
Reserved for capital projects	-	-	-	11,266	11,266
Reserved for debt service	-	-	-	37,172	37,172
Reserved for inventories	309	370	-	800	1,479
Reserved for prepaid items	214	4,110	-	246	4,570
Unreserved, reported in:					
General fund	54,441	-	-	-	54,441
Special revenue funds	-	64	28,277	28,916	57,257
Total fund balances	54,964	4,544	28,277	78,400	166,185
Total liabilities and fund balances	$ 98,749	$ 54,178	$ 31,658	$ 99,731	$ 284,316

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

MULTNOMAH COUNTY, OREGON
Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
As of June 30, 2006
(amounts expressed in thousands)

Fund Balances - Governmental Funds		$ 166,185
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	1,187,906	
Less accumulated depreciation	(575,371)	612,535
Other long-term assets		
Negative net pension asset	144,050	
Bond issuance costs	426	144,476
Accrued interest payable		(3,328)
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.		
Bonds payable	(339,675)	
Capital leases payable	(19,444)	
Loans payable	(449)	(359,568)
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.		(17,574)
Accrued personal income tax distributions are not due and payable in the current period and therefore are not reported in the funds.		(7,902)
Net other post-employment benefits obligation		(44,742)
Deferred revenue represents amounts that were not available to fund current expenditures and therefore are not reported in the governmental funds.		
Property taxes	8,917	
Personal income taxes	8,447	17,364
Internal service funds are used by management to charge the costs of certain activities to individual funds. Net assets of the internal service funds that are reported with governmental activities.		31,013
Net Assets of Governmental Activities		$ 538,459

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

MULTNOMAH COUNTY, OREGON
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006
(amounts expressed in thousands)

	General Fund	Federal and State Program Special Fund	Willamette River Bridges Special Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$ 377,220	$ -	$ -	$ 64,359	$ 441,579
Intergovernmental	16,899	198,331	583	35,042	250,855
Licenses and permits	10,154	2,160	1	3,710	16,025
Charges for services	8,747	43,019	-	10,479	62,245
Interest	3,930	12	1,036	3,369	8,347
Other	10,473	3,696	26	31,895	46,090
Total revenues	427,423	247,218	1,646	148,854	825,141
EXPENDITURES					
Current:					
General government	131,113	-	-	5,613	136,726
Health services	45,312	69,221	-	1,245	115,778
Social services	45,879	132,809	-	48	178,736
Public safety and justice	155,175	36,113	-	7,486	198,774
Community services	-	4,165	-	19,303	23,468
Library services	-	-	-	46,228	46,228
Roads and bridges	-	-	5,691	36,592	42,283
Capital outlay	558	366	11,691	9,535	22,150
Debt service:					
Principal	-	-	-	18,256	18,256
Interest	894	-	-	17,341	18,235
Total expenditures	378,931	242,674	17,382	161,647	800,634
Excess (deficiency) of revenues over (under) expenditures	48,492	4,544	(15,736)	(12,793)	24,507
OTHER FINANCING SOURCES (USES)					
Issuance of capital lease	-	-	-	1,093	1,093
Proceeds from sale of capital assets	-	-	-	1,988	1,988
Transfers in	1,352	-	13,295	32,357	47,004
Transfers out	(37,296)	-	-	(6,709)	(44,005)
Total other financing sources (uses)	(35,944)	-	13,295	28,729	6,080
Net change in fund balances	12,548	4,544	(2,441)	15,936	30,587
Fund balances - beginning	42,416	-	30,718	62,464	135,598
Fund balances - ending	$ 54,964	$ 4,544	$ 28,277	$ 78,400	$ 166,185

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

MULTNOMAH COUNTY, OREGON
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
Governmental Funds
For the Year Ended June 30, 2006
(amounts expressed in thousands)

Net change in fund balances - Governmental Funds		$ 30,587
Amounts reported for governmental activities in the statement of net assets are different because:		
Governmental funds report capital outlay as expenditures. However in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.		
Expenditures for capital assets	36,177	
Current year depreciation expense	(33,241)	2,936
Contributed and donated capital assets	5,123	
Proceeds on sale of capital assets	(1,988)	
Gain on disposal of capital assets	1,200	
Loss on disposal of capital assets	(109,567)	(105,232)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		
Decrease in deferred revenues - property taxes	(86)	
Decrease in deferred revenues - personal income taxes	(61,155)	(61,241)
Proceeds for capital lease provide current financial resources to governmental funds, but an increase of long-term liabilities in the statement of net assets.		(1,093)
Premium issued on long-term debt is reported as an other financing source in governmental funds, but an increase of long-term liabilities in the statement of net assets. The premium is amortized to interest income in the statement of activities.		
Current year premium amortization		339
Issuance costs and similar items are reported in the governmental funds when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Current year amortization expense		(32)
The difference between refunding bond proceeds and amount sent to the escrow agent to defease outstanding debt is a deferred charge in the statement of net assets and amortized to interest expense in the statement of activities over the life of the refunded debt.		
Current year interest expense		(259)
Repayment of long-term debt is reported as an expenditure in the governmental funds, but a reduction of long-term liabilities in the statement of net assets.		18,256
Some expenses reported in the statement of activities do not require the use of current resources		
Increase in long-term compensated absences	(1,022)	
Increase in accrued interest expense	(3,328)	
Decrease in personal income tax distribution liability	31,309	26,959
Amortization expense on the net pension asset.		(6,152)
Current year expense for net other post-employment benefits obligation		(10,643)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net assets of the internal service funds is reported with governmental activities.		1,360
Change in net assets of Governmental Activities		$ (104,215)

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

MAJOR GOVERNMENTAL FUNDS

Major governmental funds are defined as those funds whose revenues, expenditures/expenses, assets or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all governmental funds for the same item. The general fund is always classified as a major fund. The modified accrual basis of accounting is used to record revenues and expenditures.

- **General Fund –** accounts for the financial operations of the County which are not accounted for in any other fund. The principal sources of revenues are property taxes, personal income taxes, and business income taxes. Primary expenditures in the General Fund are made for general government, public safety, and health and social services.

- **Federal and State Program Fund –** a special revenue fund that accounts for the majority of revenues and expenditures related to Federal and State financial assistance programs.

- **Willamette River Bridges Fund** – a special revenue fund that accounts for capital grants and contributions for County bridges, motor vehicle fees, and gasoline tax proceeds transferred from the Road Fund for bridge inspections and maintenance.

MULTNOMAH COUNTY, OREGON
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2006
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Favorable
	Original	Final	Amounts	(Unfavorable)
REVENUES				
Taxes				
Property:				
Current	$ 184,088	$ 184,088	$ 186,875	$ 2,787
Prior	4,670	4,670	3,511	(1,159)
Penalties and interest	1,408	1,408	1,621	213
Payments in lieu of taxes	1,305	1,305	1,401	96
Transient lodging	-	-	4	4
Business income	26,949	34,854	50,980	16,126
Personal income	125,586	138,006	120,919	(17,087)
Motor vehicle rental	11,242	11,242	11,909	667
Intergovernmental:				
Federal	97	388	299	(89)
State	11,455	11,504	12,942	1,438
Local	3,595	3,935	3,658	(277)
Licenses and permits	8,102	8,102	10,154	2,052
Charges for services	8,199	8,262	8,747	485
Interest	1,469	1,469	3,930	2,461
Other:				
Service reimbursements	9,060	9,334	8,470	(864)
Miscellaneous	957	957	2,003	1,046
Total revenues	398,182	419,524	427,423	7,899
EXPENDITURES				
Community justice	51,090	50,981	50,216	765
Community services	9,785	9,785	9,236	549
County management	23,066	23,066	21,582	1,484
District attorney	17,939	17,994	17,650	344
Health services	44,950	45,980	45,394	586
Human services	29,919	30,920	30,044	876
Nondepartmental	131,522	143,884	101,217	42,667
School and community partnerships	15,684	16,002	15,835	167
Sheriff	84,639	87,774	87,757	17
Total expenditures	408,594	426,386	378,931	47,455
Excess (deficiency) of revenues over expenditures	(10,412)	(6,862)	48,492	55,354
OTHER FINANCING SOURCES (USES)				
Transfers in	1,673	1,673	1,352	(321)
Transfers out	(18,047)	(37,297)	(37,296)	1
Total other financing sources (uses)	(16,374)	(35,624)	(35,944)	(320)
Net change in fund balances	(26,786)	(42,486)	12,548	55,034
Fund balances - beginning	26,786	42,486	42,416	(70)
Fund balances - ending	$ -	$ -	$ 54,964	$ 54,964

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

MULTNOMAH COUNTY, OREGON
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Federal and State Program Fund
For the Year Ended June 30, 2006
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Favorable
	Original	Final	Amounts	(Unfavorable)
REVENUES				
Intergovernmental	$ 199,830	$ 204,734	$ 198,331	$ (6,403)
Licenses and permits	1,935	2,045	2,160	115
Charges for services	44,120	45,306	43,019	(2,287)
Interest	4	4	12	8
Other:				
Non-governmental grants	1,387	2,171	2,219	48
Service reimbursements	63	63	85	22
Miscellaneous	455	455	1,392	937
Total revenues	247,794	254,778	247,218	(7,560)
EXPENDITURES				
Community justice	25,528	24,951	22,513	2,438
Community services	3,986	4,360	2,403	1,957
County management	580	332	209	123
District attorney	4,954	5,149	4,808	341
Health services	69,456	72,733	69,476	3,257
Human services	116,546	118,580	117,020	1,560
Nondepartmental	2,939	2,934	1,605	1,329
School and community partnerships	15,675	17,248	15,789	1,459
Sheriff	8,730	9,091	8,851	240
Total expenditures	248,394	255,378	242,674	12,704
Excess (deficiency) of revenues over (under) expenditures	(600)	(600)	4,544	5,144
Fund balances - beginning	600	600	-	(600)
Fund balances - ending	$ -	$ -	$ 4,544	$ 4,544

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

MULTNOMAH COUNTY, OREGON
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Willamette River Bridges Fund
For the Year Ended June 30, 2006
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Favorable
	Original	Final	Amounts	(Unfavorable)
REVENUES				
Intergovernmental	$ 1,400	$ 1,400	$ 583	$ (817)
Licenses and permits	-	-	1	1
Interest	-	-	1,036	1,036
Other:				
Miscellaneous	10	10	26	16
Total revenues	1,410	1,410	1,646	236
EXPENDITURES				
Community services	37,498	45,498	17,382	28,116
Total expenditures	37,498	45,498	17,382	28,116
Excess (deficiency) of revenues over (under) expenditures	(36,088)	(44,088)	(15,736)	28,352
OTHER FINANCING SOURCES (USES)				
Transfers in	5,325	13,325	13,295	(30)
Net change in fund balances	(30,763)	(30,763)	(2,441)	28,322
Fund balances - beginning	30,763	30,763	30,718	(45)
Fund balances - ending	$ -	$ -	$ 28,277	$ 28,277

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

PROPRIETARY FUNDS

The County utilizes ten Proprietary Funds made up of three Enterprise Funds and seven Internal Service Funds. Internal Service Funds' statements begin on page 119.

Enterprise Funds:
These funds are used to finance and account for the acquisition, operation and maintenance of sewage treatment facilities, street lighting facilities and mental health claims administration, which are supported by user charges. The County accounts for certain expenditures of the enterprise funds for budgetary purposes on the modified accrual basis of accounting. For financial reporting purposes the accrual basis of accounting is used. The difference in the accounting basis used relates primarily to the methods of accounting for depreciation and capital outlay. Funds included are:

- **Dunthorpe-Riverdale Service District No. 1 Fund -** accounts for the operation of the sanitary sewer system in southwest unincorporated Multnomah County. (A blended component unit of Multnomah County.)

- **Mid County Service District No. 14 Fund -** accounts for the operation of street lights throughout unincorporated Multnomah County. (A blended component unit of Multnomah County.)

- **Behavioral Health Managed Care Fund -** accounts for all financial activity associated with the State required behavioral health services.

MULTNOMAH COUNTY, OREGON
Statement of Net Assets
Proprietary Funds
June 30, 2006
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds				
	Dunthorpe-Riverdale Service District	Mid County Service District	Behavioral Health Managed Care	Total	Governmental Activities - Internal Service Funds
ASSETS					
Current assets:					
Cash and investments	$ 254	$ 373	$ 6,477	$ 7,104	$ 42,601
Receivables (net of allowances for uncollectibles:					
Accounts	3	-	-	3	1,271
Special assessments	17	12	-	29	-
Inventories	-	-	-	-	1,722
Prepaid items	-	-	-	-	618
Total current assets	274	385	6,477	7,136	46,212
Noncurrent assets:					
Capital assets (net of accumulated depreciation)	1,464	1,521	-	2,985	4,763
Total assets	1,738	1,906	6,477	10,121	50,975
LIABILITIES					
Current liabilities:					
Accounts payable	209	28	4,008	4,245	5,071
Claims and judgments payable	-	-	-	-	10,627
Payroll payable	-	-	15	15	576
Deferred revenue	-	-	-	-	107
Compensated absences	-	-	8	8	582
Total current liabilities	209	28	4,031	4,268	16,963
Noncurrent liabilities:					
Compensated absences	-	-	38	38	1,448
Incremental leases payable	-	-	-	-	1,551
Total noncurrent liabilities	-	-	38	38	2,999
Total liabilities	209	28	4,069	4,306	19,962
NET ASSETS					
Invested in capital assets	1,464	1,521	-	2,985	4,763
Unrestricted	65	357	2,408	2,830	26,250
Total net assets	$ 1,529	$ 1,878	$ 2,408	5,815	$ 31,013

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

MULTNOMAH COUNTY, OREGON
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2006
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds				
	Dunthorpe-Riverdale Service District	**Mid County Service District**	**Behavioral Health Managed Care**	**Total**	**Governmental Activities - Internal Service Funds**
OPERATING REVENUES					
Charges for sales and services	$ 455	$ 294	$ 34,519	$ 35,268	$ 145,213
Insurance premiums	-	-	-	-	5,720
Experience ratings and other	-	-	-	-	784
Total operating revenues	455	294	34,519	35,268	151,717
OPERATING EXPENSES					
Cost of sales and services	322	221	31,240	31,783	144,015
Administration	37	53	2,400	2,490	2,443
Depreciation	48	54	-	102	2,594
Total operating expenses	407	328	33,640	34,375	149,052
Operating income (loss)	48	(34)	879	893	2,665
NONOPERATING REVENUES (EXPENSES)					
Interest revenue	21	16	214	251	1,408
Gain on disposal of capital assets	-	-	-	-	407
Loss on disposal of capital assets	-	-	-	-	(121)
Total nonoperating revenues	21	16	214	251	1,694
Income (loss) before contributions and transfers	69	(18)	1,093	1,144	4,359
Capital contributions in	-	82	-	82	30
Capital contributions out	-	-	-	-	(30)
Transfers in	-	-	-	-	642
Transfers out	-	-	-	-	(3,641)
Change in net assets	69	64	1,093	1,226	1,360
Total net assets - beginning	1,460	1,814	1,315	4,589	29,653
Total net assets - ending	$ 1,529	$ 1,878	$ 2,408	$ 5,815	$ 31,013

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

MULTNOMAH COUNTY, OREGON
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2006
(amounts expressed in thousands)

	Business Type Activities - Enterprise Funds				
	Dunthorpe - Riverdale Service District	Mid County Service District	Behavioral Health Maneged Care	Total	Governmental Activities - Internal Service Funds
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts from customers	$ 458	$ 294	$ 34,520	$ 35,272	$ 151,705
Payments to suppliers	(227)	(213)	(28,259)	(28,699)	(73,561)
Payments to employees	(23)	(24)	(2,400)	(2,447)	(42,199)
Internal activity - payments to other funds	(14)	(26)	(697)	(737)	(25,190)
Net cash provided by operating activities	194	31	3,164	3,389	10,755
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	-	-	-	-	642
Transfers out	-	-	-	-	(3,641)
Net cash used in noncapital and related financing activities	-	-	-	-	(2,999)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	(403)	(25)	-	(428)	(1,913)
Proceeds on sales of capital assets	-	-	-	-	150
Net cash used in capital and related financing activities	(403)	(25)	-	(428)	(1,763)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	21	16	214	251	1,408
Net cash provided by investing activities	21	16	214	251	1,408
Net increase (decrease) in cash and cash equivalents	(188)	22	3,378	3,212	7,401
Balances at beginning of the year	442	351	3,099	3,892	35,200
Balances at end of the year	$ 254	$ 373	$ 6,477	$ 7,104	$ 42,601
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	$ 48	$ (34)	$ 879	$ 893	$ 2,665
Adjustments to reconcile operating income (loss) to net cash used in					
Cash flows reported in other categories:					
Depreciation	48	54	-	102	2,594
Changes in assets and liabilities:					
Receivables, net	2	1	-	3	(94)
Inventories	-	-	-	-	(564)
Due from other funds	-	-	-	-	5,250
Prepaid items	-	-	-	-	321
Accounts payable	96	10	2,256	2,362	(522)
Claims and judgments payable	-	-	-	-	387
Deferred revenue	-	-	-	-	107
Compensated absences	-	-	27	27	(37)
Due to other funds	-	-	-	-	(642)
Incremental leases payable	-	-	-	-	1,551
Payroll payable	-	-	2	2	(261)
Total adjustments	146	65	2,285	2,496	8,090
Net cash provided by operating activities	$ 194	$ 31	$ 3,164	$ 3,389	$ 10,755
Noncash financing activities:					
Contributions of capital assets from governmen	$ -	$ 82	$ -	$ 82	$ -

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

FIDUCIARY FUNDS

These funds account for resources received and held by the County in a fiduciary capacity. Disbursements from these funds are made in accordance with the trust agreement or applicable legislative enactment for each particular fund. The modified accrual basis of accounting is used to record transactions in the agency funds. The accrual basis of accounting is used in the Library Retirement Pension Trust Fund. The funds included are:

- **Agency Funds** – account for resources held by the County in a purely custodial capacity (assets equal liabilities).

- **Library Retirement Pension Trust Fund** – provides pension benefits for former employees of the Library Association of Portland.

MULTNOMAH COUNTY, OREGON
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006
(amounts expressed in thousands)

	Agency Funds	Library Retirement Pension Trust Fund
ASSETS		
Cash and investments	$ 14,267	$ -
Taxes receivable	35,596	-
Restricted cash	849	-
Total assets	50,712	-
LIABILITIES		
Accounts payable	8,038	-
Due to other governmental units	33,062	-
Amounts held in trust	9,612	-
Total liabilities	50,712	-
NET ASSETS		
Held in trust for pension benefits and other purposes	$ -	$ -

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

MULTNOMAH COUNTY, OREGON
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2006
(amounts expressed in thousands)

	Library Retirement Pension Trust Fund
ADDITIONS	
Investment earnings:	
Interest	$ -
Total investment earnings	-
Total additions	-
DEDUCTIONS	
Benefits	247
Administrative expenses	6
Decrease in fair value of investments	162
Terminating distributions on behalf of participants	13,767
Total deductions	14,182
Change in net assets	(14,182)
Net assets - beginning	14,182
Net assets - ending	$ -

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

Note 1. Summary of Significant Accounting Policies

A. Reporting entity

Multnomah County (County) is a municipal corporation governed by an elected Board of Commissioners, comprised of a Board Chair and four commissioners. The accompanying financial statements present the County and its component units, entities for which the County is considered to be financially accountable. Financial accountability is defined as the appointment of a voting majority of the organization's governing board and where (1) the County is able to significantly influence the programs or services performed or provided by the organization or (2) the County is legally entitled to or can otherwise access the organization's resources. Blended component units, although legally separate entities, are, in substance, part of the County's operations. Component units may also include organizations which are fiscally dependent on the County in that the County approves the budget, the issuance of debt or levying of taxes. Multnomah County has two blended component units which are included in this report.

Blended component units. The Dunthorpe-Riverdale Sanitary Service District and the Mid County Street Lighting Service District serve residents within each district's geographical boundaries and are governed by a board comprised of the County's elected Board. The rates for user charges for both districts are approved by the Board. Each District is reported as an enterprise fund. Complete financial statements for each of the individual component units may be obtained at the County's administrative offices.

The County also maintains a Hospital Facilities Authority (Authority) that issues conduit debt for health care facilities. The Authority is considered to be a blended component unit of the County because the board for the Authority consists of board members from the County. There are no balances or activity of the Authority and therefore the financial statements of the County do not include the Authority. The County is not fiscally accountable for the Authority, nor does there exist any financial benefit or burden relationship between the County and the Authority.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the County (the primary government) and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the County is financially accountable.
The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that

are clearly identifiable with a specific function or segment. In addition, functional expenses on the statement of activities include allocated indirect expenses. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement preparation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, excise taxes, personal income taxes, business income taxes, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following major governmental funds:

The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Federal State Program Fund* accounts for the majority of revenues and expenditures related to federal and state financial assistance programs.

The *Willamette River Bridges Fund* accounts for motor vehicle fees, gasoline tax proceeds transferred from the Road Fund and other intergovernmental grant revenues and expenditures related to inspection, maintenance and construction projects for various bridges along the Willamette River.

The County reports the following major proprietary funds:

Proprietary Funds account for the operations of predominantly self-supporting activities. Proprietary funds are classified as either enterprise or internal service. *Enterprise Funds* account for services rendered to the public on a user charge basis. The following are the County's major enterprise funds:

The *Dunthorpe-Riverdale Service District No. 1 Fund* accounts for the operation of the sanitary sewer system in southwest unincorporated Multnomah County.

The *Mid County Service District No. 14 Fund* accounts for the operation of the street lighting system throughout unincorporated Multnomah County.

The *Behavioral Health Managed Care Fund* accounts for all financial activity associated with the State required behavioral health capitated services.

Additionally, the County reports the following fund types:

Special revenue funds are primarily operating funds that account for revenue derived from specific taxes or other revenue sources, which are legally restricted to finance particular functions or activities. When a special revenue fund is not an operating fund, transfers are made from the special revenue fund to the operating funds authorized to make expenditures.

Debt service funds account for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

Capital projects funds account for expenditures on major construction projects or equipment acquisition. The principal sources of revenues are proceeds from certificates of participation issued to finance capital acquisitions, proceeds from the sale of County-owned property, general obligation bond proceeds, full faith and credit bonds, and revenue bonds.

Internal Service funds account for activities and services performed primarily for other organizational units within the County. The County reports six internal service funds: Risk Management Fund, Fleet Management Fund, Information Technology Fund, Mail/Distribution Fund, Facilities Management Fund and the Business Services Fund.

Fiduciary Funds reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four categories: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the County under a trust agreement or applicable legislative enactment for individuals, private organizations or other governments and are therefore, not available to support the County's own programs. The County maintains a Library Retirement Pension Trust Fund that accounts for the pension benefits for former employees of the Library Association of Portland. Agency funds are custodial in nature (i.e. assets equal liabilities) and do not measure the results of operations. The County's agency funds are primarily established to account for the collection and disbursement of various taxes and to account for receipts and disbursements for individuals who are not capable of handling their own financial affairs.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer and lighting functions and various other functions of the County. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer and lighting districts, of the Behavioral Health Managed Care fund, and of the County's internal service funds are charges to customers for sales and services. The sewer district also recognizes as operating revenue the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Cash and investments

The County's cash and cash equivalents are comprised of cash on hand, demand deposits, and investments with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows, each fund's share of pooled cash is treated as cash and equivalents.

State statutes authorize the County to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, municipal bonds, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). Investments for the County, as well as for its component units, are reported at fair value. The LGIP operates in accordance with appropriate state laws and regulations.

The County reports cash with fiscal agent and cash and investments with special restrictions imposed by grantors or regulations from other governments as restricted cash and investments.

2. Receivables and payables

Activities between funds that are representative of lending / borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to / from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Property tax receivables are deemed to be substantially collectible or recoverable through foreclosure. Accordingly, no allowance for doubtful tax accounts is deemed necessary. All other receivables are shown net of an allowance for uncollectibles.

Property taxes are levied and become a lien on July 1. Property taxes are assessed in October and tax payments are due November 15th of the same year. Under the partial payment schedule, the first one-third of taxes are due November 15th, the second one-third on February 15th, and the remaining one-third on May 15th. A three percent discount is allowed if full payment is made by November 15th and a two percent discount is allowed if two-thirds payment is made by November 15th. Taxes become delinquent if not paid by the due date and interest accrues after each trimester at a rate of one percent per month. Property foreclosure proceedings are initiated four years after the tax due date.

Multnomah County residents approved a personal income tax effective from calendar year 2003 through calendar year 2005. The tax is a 1.25% levy on the Oregon taxable income of Multnomah County residents reduced by an exemption amount. The tax has generated an estimated $120,000 for each calendar year the tax is in effect. The revenues generated from the tax provide funding for public school districts within Multnomah County in addition to funding for elderly, disabled and mentally ill persons, and programs for public safety and health. Included in the financial statements is an allowance for uncollectible accounts of $6,981 for personal income taxes. This amount is shown net with taxes receivable on both the fund financial statements and the statement of net assets. In the statement of activities the reduction is recorded to the related income tax revenues, and on the fund financial statements the offset is recorded in deferred revenues.

3. *Inventories and prepaid items*

Inventories of materials and supplies in the governmental funds are valued at average cost and are offset by a reservation of fund balance. Inventories of materials and supplies in the internal service funds are valued at the lower of average cost or market. All inventories are recorded as expenditures when consumed rather than when purchased.

Payments in excess of $10 to vendors which reflect costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements.

4. *Fund balances and net assets*

In the financial statements, assets in excess of liabilities are presented in one of two ways depending on the measurement focus used in the reporting fund.

On the *Balance Sheet – Governmental Funds*, assets in excess of liabilities are reported as fund balances and are segregated between reserved and unreserved amounts. Reserves are legal requirements that make funds unavailable for appropriation by segregating them for a specific use. Conversely, unreserved balances are generally unavailable for appropriation by segregating them for a specific use. However management may also make designations of unreserved fund balance that define management's intent that certain fund balance amounts are currently unavailable for appropriation. Designated unreserved fund balances are not legally segregated.

On the government-wide *Statement of Net Assets,* the proprietary funds' *Statement of Net Assets,* and the fiduciary funds' *Statement of Fiduciary Net Assets,* net assets are segregated into restricted and unrestricted balances. Restrictions are limitations on how the net assets may be used. Restrictions may be placed on net assets by an external party that provided the resources, by enabling legislation or by the nature of the asset.

Certain revenues derived from specific taxes or other earmarked revenue sources are considered restricted assets. Such revenues include dedicated property taxes, temporary personal income tax, state gas tax, intergovernmental grants, and charges for services which are legally restricted to finance particular functions or activities. In addition, proceeds from general obligation bonds, revenue bonds, and full faith and credit bonds are restricted to support the specific purpose for which the debt was issued. Such net assets are reported as restricted on the Statement of Net Assets and are recorded in separate funds supporting the specific function or operation.

5. Capital assets

Capital assets, which includes property, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, sewers, street lighting, and similar items), and their improvements, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5 for equipment and \$10 for infrastructure with an estimated useful life of at least three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction phases of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the year, the County incurred no interest expense for capital assets for business-type activities.

Property, plant, and equipment of the County, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

• Motor vehicles	3 to 10 years
• Sewer systems	50 years
• Street lighting	30 years
• Equipment, including software	3 to 20 years
• Roads and bridges	40 years
• Buildings and improvements	40 years

6. *Other assets*

Included in other assets are unamortized bond issuance costs and the unamortized pension asset. In governmental fund types, bond issuance costs are recognized in the current period. In the government-wide financial statements bond issuance costs are capitalized and amortized over the term of the bond using the straight-line method, which approximates the effective interest method. The net pension asset in the Statement of Net Assets has been recognized in connection with the debt issued by the County in 1999 to fund the County's Public Employees Retirement System (PERS) unfunded accrued actuarial liability (UAAL). The pension asset is amortized over the life of the debt or thirty years. Amortization expense on the pension asset and the bond issuance costs are included in the general government line item on the Statement of Activities.

7. *Unearned / Deferred revenues*

Unearned revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Deferred revenues reported in the governmental fund financial statements represent unearned revenues or revenues which are measurable but not available. In accordance with the modified accrual basis of accounting, these items are reported as deferred revenues.

8. *Compensated absences*

It is the County's policy to permit employees to accumulate earned but unused vacation, compensatory and sick leave benefits. There is no liability for unpaid accumulated sick leave since the County does not have a policy to pay any amounts when employees separate from service with the County. All vacation pay and compensatory time is accrued when incurred in the government-wide statements and proprietary funds statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements at June 30. Liabilities for compensated absences are liquidated as employees separate from service and receive payment for accumulated leave benefits. Expenditures for liquidating the liabilities are recorded in the General, Special Revenue, Capital Projects, Enterprise, and Internal Service Funds.

9. Long-term obligations

In the government-wide financial statements and for proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. When incurred, bond premiums and discounts are deferred and amortized over the life of the bonds using a method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. The difference between the reacquisition price (funds required to refund the old debt) and the net carrying value of the refunded debt is an economic gain or loss, and is treated as a deferred charge on refunding. This deferred charge is reported as a reduction to the bonds payable on the Statement of Net Assets and is being amortized as a component of interest expense.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Certain facility leases contain fluctuating or escalating payments, where the rent expense is recorded on a straight-line basis over the lease term. This liability is recorded on the Statement of Net Assets as a deferred lease obligation representing the cumulative difference between rent expense and rent payments.

10. Net other post-employment benefits obligation (Net OPEB Obligation)

The County has early implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The County used a five year look-back approach to compute its net OPEB obligation. The net OPEB obligation is recognized as a long-term liability in the government-wide financial statements. The liability reflects both the lump sum payments to employees and the present value of expected future payments. The net other post employment benefits liability and expenditure in the governmental fund financial statements are limited to amounts that become due and payable as of the end of the fiscal year.

11. Contributions

Contributions of cash, property or equipment received from other governments are credited directly to the contribution accounts recorded in the government wide financial statements.

12. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2. Stewardship, compliance, and accountability

A. Budgetary information

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

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

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

Note 3. Accounting changes

A. Change in accounting principle

During fiscal year 2006, the County early implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes standards for the measurement, recognition, and display of other postemployment benefits expenses and related liabilities (assets) in financial reports of state and local governmental employers. These accounting policies represent a change to those applied in prior years. GASB Statement No. 34, paragraph 17 addresses changes in accounting principles. The County adhered to the relevant GASB guidance in adopting GASB Statement No. 45. Previous policy was to recognize a liability in relation to the unfunded accumulated pension benefit obligation based on actuarial reports. The new policy more closely recognizes the cost of other postemployment benefits in periods when the related services are received by the County. In addition, the new guidance provides information about the actuarial accrued liabilities for promised postemployment benefits associated with past services and whether and to what extent those benefits have been funded.

(dollar amounts expressed in thousands)

The cumulative effect of the change in accounting principle on fiscal year 2006 was to increase the County's beginning net assets for governmental activities in the Statement of Activities by $21,091. The effect of implementing GASB Statement No. 45 is also reflected in the restatement of net assets in Note 3.B. below.

B. Restatement of net assets

During fiscal year 2006, the County implemented GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*. This statement is an amendment of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. GASB Statement No. 46 clarifies that a legally enforceable enabling legislation restriction is one that a party external to the government, such as citizens or public interest groups, can compel a government to honor.

As a result of implementing this statement, the following restrictions were identified for the County's governmental activities beginning of the year net assets, June 30, 2005.

Net Assets:	As Previously Reported	Restated, June 30, 2005
Invested in capital assets, net of related debt	$ 523,606	$ 523,606
Restricted for:		
Bridge rehabilitation	-	21,043
Capital projects	8,701	8,701
Community support programs	-	2,501
Debt service	67,911	67,911
Unrestricted	21,365	18,912
Total net assets	$ 621,583	$ 642,674

Note 4. Detailed notes on all funds

A. Cash and investments

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

State law requires that collateral be deposited with a value of 25% of the balances above federal deposit insurance, but in some instances, the Oregon State Treasury can require banks to provide more than 25% of the balances of municipal corporations' deposits as collateral. The County cannot, however, determine which, if any, institutions have been required to meet a collateral requirement larger than 25%. The County independently monitors its depository institutions for indications that could potentially cause loss of County funds. Funds deposited with fiscal agents for the purpose of meeting the payment of principal or interest on bonds or like obligations are not required to be collateralized per Oregon Revised Statutes, Chapter 295.005.

Oregon Revised Statutes, Chapter 294, authorizes the County to invest in obligations of the U.S. Treasury, U.S. Government agencies and instrumentalities, bankers' acceptances guaranteed by a qualified financial institution, commercial paper, corporate bonds, repurchase agreements, State of Oregon Local Government Investment Pool (LGIP), and various interest-bearing bonds of Oregon and other municipalities.

The County's investments are governed by a written investment policy that is reviewed annually by both the Oregon Short-Term Fund Board and the Multnomah County Investment Advisory Board, and is adopted annually by the Board of County Commissioners. The policy specifies the County's investment objectives, benchmarks, required diversification by security type and by maturity, and the reporting requirements.

The County’s investment policy requires that a third party be used for safekeeping of investment instruments. Investment securities purchased or sold pursuant to the County’s investment policy are delivered versus payment by book entry or physical delivery to a third party custodian.

The County's investment policy also requires that the market value plus accrued interest of the securities collateralizing repurchase agreements exceeds the face amount of the repurchase agreement by margins prescribed in writing by the Oregon Short-Term Fund Board, providing the County with a margin against a decline in the market value of the securities. The market value plus accrued interest of the securities purchased under repurchase agreements did not fall below the required level during the year.

The County is authorized to invest in the LGIP, an external investment pool, within prescribed limits. The investments are booked at fair value and are the same as the value of the pool shares. The LGIP investments and all other investments are governed by a written investment policy that is reviewed annually by the Oregon Short-Term Fund Board. The Oregon Short-Term Fund Board is comprised of members of local government and private investment professionals, who are appointed by the Governor of the State of Oregon. LGIP is not rated by any national rating service.

At year-end, the carrying amount of the County's deposits was $53,618 and the bank balance was $53,584. The bank balance was covered by federal depository insurance or by collateral held by one or more of the State's authorized collateral pool managers in the name of the County as the County's agent. The remaining balance of $34 represents petty cash accounts that were uninsured and uncollateralized.

(dollar amounts expressed in thousands)

As a means of limiting its exposure to fair value losses resulting from rising interest rates, the County's investment policy limits maturities as follows:

Maturity	Cumulative Constraint
Less than 30 days	10%
Less than 90 days	25%
Less than 270 days	50%
Less than 1 year	70%
Less than 3 years	100%

If the goals of maturity limits are exceeded by 5% or more for ten successive business days, prompt notification to the County's Chief Financial Officer and the County's Investment Advisory Board is required. In addition, to limit its exposure to losses due to asset concentration, the County's investment policy and Oregon Revised Statutes limit asset concentration as follows:

1. Corporate indebtedness must be rated on the settlement date A-1 or AA or better by Standard and Poor's Corporation or P-1 or Aa by Moody's Investors Service, or the equivalent rating by any nationally recognized statistical rating organization.

2. Notwithstanding item one, corporate indebtedness must be rated A-2 or A by Standard & Poor's and P-2 or A by Moody's, or the equivalent rating by any nationally recognized statistical rating organization when issued by a business enterprise that has its headquarters in Oregon, employs more than 50% of its permanent workforce in Oregon, or has more than 50% of its tangible assets in Oregon.

3. Purchase of commercial paper and other corporate debt up to 25% of the total investment portfolio is allowed, but may exceed that limit up to 30% for a period not to exceed ten consecutive business days.
4. U.S. Government Agencies are limited to 75% of the investment portfolio.

Additionally, to limit its exposure to asset concentration risk, the County restricts the total investment that can be made in the corporate indebtedness of a single corporate entity and its affiliates and subsidiaries to 5% of the total investment portfolio. The County did not have any investments that exceeded this limit during the year.

Multnomah County manages custodial credit risk for deposits and investments in accordance with Oregon Revised Statutes and the County's investment policy. Deposits of public funds are collateralized at 25% of balances above federal deposit insurance pursuant to ORS 295. As of June 30, 2006, $4,084 of the County's bank balance of $53,584 was exposed to custodial credit risk because it was uninsured and uncollateralized.

(dollar amounts expressed in thousands)

As of June 30, 2006, the County had the following unrestricted cash and investments:

Investment Type	Fair Value	Weighted Average Yield	Risk Concentration	Weighted Average Maturity (in months)
US Agencies	$ 67,339	4.95%	30%	2
Corporate Debt	16,916	4.57%	8%	< 1
Commercial Paper	37,758	5.15%	17%	< 1
US Treasuries	4,971	4.68%	2%	< 1
Local Government Investment Pool	42,041	4.90%	19%	< 1
Cash and Equivalents	52,769	4.70%	24%	< 1
Total unrestricted cash and investments	$ 221,794		100%	
		Portfolio weighted average maturity		3

As of June 30, 2006, the County had the following restricted cash and investments. All restricted cash and investments maintained a weighted average maturity of less than one month.

Investment Type	Fair Value	Weighted Average Yield	Risk Concentration
Cash with Fiscal Agent	$ 2,558	4.90%	100%

The County maintains cash with fiscal agent accounts to set aside for debt service requirements per the trustees and bond indentures.

The County's unrestricted and restricted cash and investments are reported in governmental activities, business-type activities, and in fiduciary funds.

	Unrestricted	Restricted	Total
Governmental Activities	$ 200,423	$ 1,709	$ 202,132
Business-type Activities	7,104	-	7,104
Fiduciary Funds	14,267	849	15,116
Total Cash and Investments	$ 221,794	$ 2,558	$ 224,352

B. Receivables

Receivables as of year-end for the County's individual major funds, and nonmajor and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

(dollar amounts expressed in thousands)

MULTNOMAH COUNTY
Accounts Receivable

	Governmental Activities							
	General Fund	Federal State Program Fund	Willamette River Bridge Fund	Internal Service Funds	Nonmajor Funds	Total Governmental Activities	Business-type Activities	Total
Receivables:								
Taxes:								
Income	$ 18,225	$ -	$ -	$ -	$ -	$ 18,225	$ -	$ 18,225
Property	9,088	-		-	1,702	10,790	-	10,790
Other	3,197	-		-	2,132	5,329	-	5,329
Accounts	8,606	49,783	446	1,271	7,830	67,936	3	67,939
Loans	-	800	-	-	-	800	-	800
Interest	836	-	-	-	-	836	-	836
Special assessments	10	-	-	-	-	10	33	43
Contracts	1,690	-	-	-	5,618	7,308	-	7,308
Gross receivables	41,652	50,583	446	1,271	17,282	111,234	36	111,270
Less: allowance for discounts/uncollectibles	(6,981)	(1,276)	-	-	-	(8,257)	(4)	(8,261)
Net total receivables	$ 34,671	$ 49,307	$ 446	$ 1,271	$ 17,282	$102,977	$ 32	$103,009

(dollar amounts expressed in thousands)

Revenues of Dunthorpe-Riverdale and Mid County Service Districts are reported net of uncollectible amounts. Total uncollectible amounts related to revenues are all for prior periods.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	Unavailable	Unearned	Total
Personal income tax receivable	$ 15,428	$ -	$ 15,428
Allowance for doubtful accounts – personal income tax	(6,981)	-	(6,981)
Property taxes receivable (General Fund)	7,510	-	7,510
Property taxes receivable (other governmental funds)	1,407	-	1,407
Grant draws prior to meeting all eligibility requirements	-	8,072	8,072
Contracts receivable	-	7,308	7,308
Contract revenue received in advance	-	467	467
Loans receivable	-	800	800
Tax title land sales inventory	-	211	211
Special assessments receivable	-	10	10
Total deferred revenue for governmental funds	$ 17,364	$ 16,868	$ 34,232

Amounts reported above as unearned are reported as unearned revenue in governmental activities on the Statement of Net Assets. Governmental activities also include Internal Service Funds, which report $107 in unearned revenue, resulting in total unearned revenue on the Statement of Net Assets of $16,975.

(dollar amounts expressed in thousands)

C. Capital assets

Capital asset activity for the year ended June 30, 2006 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 13,717	$ 434	$ (364)	$ 13,787
Construction in process	-	18,339	-	18,339
Buildings-not in service	51,164	-	-	51,164
Total capital assets, not being depreciated	64,881	18,773	(364)	83,290
Capital assets, being depreciated:				
Buildings	363,019	12,099	(9,312)	365,806
Improvements other than buildings	343	-	-	343
Machinery and equipment	123,209	9,961	(6,638)	126,532
Bridges	94,729	3,235	(3,290)	94,674
Infrastructure	818,539	2,369	(270,939)	549,969
Total capital assets being depreciated	1,399,839	27,664	(290,179)	1,137,324
Less accumulated depreciation for:				
Buildings	(98,974)	(8,825)	1,044	(106,755)
Improvements other than buildings	(128)	(9)	-	(137)
Machinery and equipment	(95,350)	(8,247)	6,773	(96,824)
Bridges	(58,667)	(1,648)	107	(60,208)
Infrastructure	(484,571)	(17,106)	162,285	(339,392)
Total accumulated depreciation	(737,690)	(35,835)	170,209	(603,316)
Total capital assets being depreciated, net	662,149	(8,171)	(119,970)	534,008
Governmental activities capital assets, net	$ 727,030	$ 10,602	$ (120,334)	$ 617,298
Business-type activities:				
Capital assets, being depreciated:				
Improvements other than buildings	$ 4,582	$ 510	$ -	$ 5,092
Machinery and equipment	41	-	-	41
Total capital assets being depreciated	4,623	510	-	5,133
Less accumulated depreciation for:				
Improvements other than buildings	(2,005)	(102)	-	(2,107)
Machinery and equipment	(41)	-	-	(41)
Total accumulated depreciation	(2,046)	(102)	-	(2,148)
Business-type activities capital assets, net	$ 2,577	$ 408	$ -	$ 2,985

(dollar amounts expressed in thousands)

During fiscal year 2005 the County finalized the construction of the Wapato Jail. The total cost of the jail was $51,164 and is included in the above capital asset schedule. Currently the County has not approved an operating budget for the jail and therefore the jail has not been placed into service and is not being depreciated. When the jail becomes operational it will be depreciated over forty years. The County is currently considering various plans to operate the Wapato Jail.

Depreciation expense was charged to functions / programs of the primary government as follows:

Governmental activities:	
General government	$ 14,170
Health services	47
Public safety & justice	1,044
Community services	64
Library	3,306
Roads and bridges	17,204
Total depreciation expense – governmental activities	$ 35,835
Business-type activities:	
Sewer	$ 48
Lighting	54
Total depreciation expense – business-type activities	$ 102

D. Other assets

Other assets, net of accumulated amortization at June 30, 2006 consist of the following:

Bond issuance costs	$ 426
Negative net pension asset	144,050
	$ 144,476

Amortization expense in the statement of activities on bond issuance costs and the negative net pension asset were $32 and $6,152, respectively for the year ended June 30, 2006.

(dollar amounts expressed in thousands)

E. Interfund receivables, payables, and transfers

The County records "due to" and "due from" transactions in order that individual funds will be able to meet cash flow needs at year end and prevent a fund from reporting a negative cash balance. The composition of interfund balances as of June 30, 2006 is as follows:

Due to / from other funds:

Receivable Funds	Payable Funds	Amount
General Fund	Federal State Fund	$ 15,630
General Fund	Emergency Communications Fund	50
Bridge Fund	Road Fund	1,350
		$ 17,030

Interfund Transfers:

Following are the County's interfund transfers for the year ended June 30, 2006. The general fund transfers to nonmajor governmental funds include transfers for various construction projects in the capital project funds in addition to a large transfer to the Library special revenue fund to provide for various County Library upgrades and projects.

	Transfers in:				
Transfers out:	General Fund	Willamette River Bridges Fund	Nonmajor Governmental Funds	Internal Service Funds	Total
General Fund	$ -	$ 8,000	$ 28,654	$ 642	$37,296
Nonmajor Governmental Funds	1,352	5,295	62	-	6,709
Internal Service Funds	-	-	3,641	-	3,641
Total transfers out:	$1,352	$ 13,295	$ 32,357	$ 642	$47,646

(dollar amounts expressed in thousands)

F. Short-term debt

Tax Revenue Anticipation Note

The County issues short-term debt in order to meet current operational needs during months when property tax collections are slow. On July 1, 2005 the County issued $20,000 in short-term debt, Series 2005. The County received $300 in June 2005 as a good faith deposit and the remaining $19,700 in tax revenue anticipation notes were issued on July 1, 2005. The notes carried an interest rate of 4.0% and were due at June 30, 2006. On July 1, 2006 the County issued short-term debt Series 2006 in the amount of $20,000 with $400 received prior to year-end as a good faith deposit. The remaining funds were received on July 1, subsequent to year-end. The 2006 Series debt has an interest rate of 4.5%. Short-term liability activity for the year-ended June 30, 2006 was as follows:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Tax revenue anticipation note, Series 2005	$ 300	$ 19,700	$ 20,000	$ -	$ -
Tax revenue anticipation note, Series 2006	-	400	-	400	400
Totals	$ 300	$ 20,100	$ 20,000	$ 400	$ 400

G. Long-term debt

General Obligation Bonds

The County issues general obligation bonds to provide funds for the rehabilitation, construction and acquisition of various library and public safety facilities and related equipment. General obligation bonds have been issued for these governmental activities. The original amount of general obligation bonds issued in prior years was $139,700. The 1996 general obligation issue in the amount of $108,700 is subject to Federal arbitrage regulations. In February 1999, the County advance refunded a portion of these general obligation bonds by issuing $66,115 in new general obligation bonds.

General obligation bonds are direct obligations, pledge the full faith and credit of the County and are backed by the County's authority to levy property taxes. These bonds are generally issued as 20-year serial bonds with equal amounts of principal and interest maturing each year. General obligation bonds currently outstanding are as follows:

(dollar amounts expressed in thousands)

Purpose	Interest Rates	Amount
Governmental activities	3.70-5.65%	$ 75,340

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

Year Ending June 30	Principal	Interest
2007	$ 5,960	$ 3,256
2008	6,255	2,972
2009	6,555	2,677
2010	6,860	2,387
2011	7,160	2,093
2012 – 2016	35,905	5,576
2017	6,645	158
Total	$ 75,340	$ 19,119

Revenue Bonds

The County also issues bonds where the government pledges specific revenue sources or income derived from the acquired or constructed assets to pay debt service. In October 1998, the County issued $3,155 of revenue bonds to finance constructing, renovating, improving and equipping County-owned facilities, and entered into a public / private partnership with the Regional Children's Campus (RCC), a 501(c)(3) non profit agency. In November 2000, the County issued $2,000 of revenue bonds to finance the costs of acquiring land and constructing, renovating, improving and equipping certain facilities to be used as a vocational training center for developmentally disabled residents of Multnomah County. This debt issue is subject to Federal arbitrage regulations. The County entered into a public / private partnership with Port City Development, a 501(c)(3) non profit agency. Also in November 2000, the County issued $3,500 of revenue bonds to re-finance the costs of acquiring real property and constructing facility improvements related to the Oregon Food Bank. The total original amount of bonds issued in prior years was $8,655.

Revenue bonds outstanding at year-end are as follows:

Purpose	Interest Rates	Amount
Governmental activities	4.00-5.20%	$ 6,420

(dollar amounts expressed in thousands)

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

Year Ending June 30	Principal	Interest
2007	$ 540	$ 291
2008	560	267
2009	585	243
2010	620	215
2011	645	186
2012 – 2016	3,470	424
Total	$ 6,420	$ 1,626

Full Faith and Credit Bonds

On April 1, 1999, the County issued $36,125 in Certificates of Participation with interest rates from 4.00% to 4.75% to finance the costs of acquiring land and facilities. In October 2004, the County advance refunded $22,015 of the 1999 Certificates of Participation by issuing $54,235 in full faith and credit bonds. Certificates of Participation are direct obligations and pledge the full faith and credit of the County. At June 30, 2006, $6,340 of the 1999 Certificates of Participation were outstanding.

On December 1, 1999, the County issued $184,548 in taxable Revenue Pension Obligation Bonds with interest rates from 6.49% to 7.74% to fund the County's unfunded accrued actuarial liability (UAAL). The County estimates that by funding the actuarial liability, the County will receive a present value savings of about $35,776 between the amount calculated by the Oregon Public Employees Retirement System (PERS) to retire the UAAL and the amount of the debt repayment. Payment of principal and interest, except for a term bond, will be guaranteed by MBIA. At June 30, 2006, $175,203 of these bonds were outstanding.

On April 1, 2000, the County issued $61,215 in Full Faith and Credit Bonds with interest rates from 5.00% to 5.50% to finance the costs of acquiring and installing the integrated enterprise computer system, acquire land, acquire facilities and construct other County facilities and structures. In October 2004, the County advance refunded $27,985 of these full faith and credit bonds by issuing $54,235 in full faith and credit bonds. Full faith and credit bonds are direct obligations and pledge the full faith and credit of the County. At June 30, 2006, $13,165 of these bonds were outstanding.

On May 15, 2003, the County issued $9,615 in Full Faith and Credit Refunding Obligations, Series 2003 with interest rates from 1.50% to 3.25%. At June 30, 2006, $7,890 of these bonds were outstanding.

(dollar amounts expressed in thousands)

On October 1, 2004, the County issued $54,235 in Full Faith and Credit Refunding Obligations, Series 2004 at a premium of $5,089, with interest rates from 3.00% to 5.00%. At June 30, 2006 the unamortized premium on the debt was $4,580. This issue was used to refund $27,985 of outstanding Full Faith and Credit Bonds, Series 2000 with interest rates from 5.00% to 5.50%, $22,015 of outstanding Certificates of Participation, Series 1999 with interest rates from 4.00% to 4.75%, and $4,960 of outstanding Certificates of Participation, Series 1998 with interest rates from 3.75% to 4.90%. The difference between the present value of the old debt service requirements and the present value of the new debt service requirements is a deferred charge of $3,887, which is amortized as a component of interest expense over the life of the new debt. At June 30, 2006 the deferred charge was $3,498. The entire amount of this debt issue was outstanding at June 30, 2006.

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

Purpose	Interest Rates	Amount
Governmental activities	1.50-7.74%	$ 256,833

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

Year Ending June 30	Principal	Interest
2007	$ 10,420	$ 11,490
2008	11,725	10,914
2009	11,700	10,246
2010	13,770	9,535
2011	15,550	8,633
2012 – 2016	62,625	67,635
2017 – 2021	88,977	52,192
2022 – 2026	24,413	132,642
2027 – 2030	17,653	142,031
Total, before deferred charge	256,833	$ 445,318
Deferred charge, net	(3,498)	
Premium on long-term debt, net	4,580	
Total	$ 257,915	

Capital Leases

The County has entered into various lease/purchase agreements to acquire property and equipment. These lease agreements qualify as capital leases for accounting purposes and have been capitalized in accordance with accounting principles generally accepted in the United States of America. On June 30, 2005 the County entered into a new building lease which met the criteria for a capital lease. The building was capitalized at $6,890 and the related debt was recorded to capital leases at June 30, 2005. During 2006 the County reevaluated this capital lease as more accurate property values and related information became available and management determined the lease should be accounted for as an operating lease. Accordingly, during 2006 the County appropriately reclassified the lease from a capital to an operating lease. Also, during 2006 the County noted an existing building lease for residential and commercial properties which had been recorded as an operating lease but upon further review, the lease was determined to be a capital lease. The building and capital lease were recorded during 2006 at a value of $1,093. Total assets acquired through capital leases are as follows:

(dollar amounts expressed in thousands)

Asset	Governmental Activities
Buildings	$ 68,086
Less: Accumulated depreciation	(21,095)
Total	$ 46,991

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

Purpose	Interest Rates	Amount
Governmental activities	2.50-7.25%	$ 19,444

Future minimum lease payments are as follows:

	Governmental Activities	
Year Ending June 30	Principal	Interest
2007	$ 2,845	$ 948
2008	3,006	792
2009	2,836	743
2010	2,277	723
2011	2,384	584
2012 – 2016	5,185	1,005
2017 – 2021	156	434
2022 – 2026	262	329
2027 – 2031	436	154
2032	57	2
Total	$ 19,444	$ 5,714

(dollar amounts expressed in thousands)

Loans Payable

The County has entered into several loans with other governmental agencies for the purpose of making capital improvements. The loan obligations outstanding at year-end are as follows:

Purpose	Interest Rates	Amount
Governmental activities	5.65-7.20%	$ 449

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

Year Ending June 30	Principal	Interest
2007	$ 87	$ 27
2008	83	22
2009	90	15
2010	67	10
2011	66	7
2012 – 2016	56	6
Total	$ 449	$ 87

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2006 was as follows:

Governmental Activities	Beginning Balance	Additions	Adjustments & Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	$ 81,025	$ -	$ 5,685	$ 75,340	$ 5,960
Revenue Bonds	6,935	-	515	6,420	540
Full Faith and Credit Bonds	267,225	-	9,310	257,915	10,500
Capital Leases	27,971	1,093	9,620	19,444	2,845
Loans Payable	542	-	93	449	87
Long-term debt before other long-term liabilities	383,698	1,093	25,223	359,568	19,932
Compensated Absences	18,619	22,832	21,847	19,604	6,086
Governmental activity long-term liabilities:	$ 402,317	$ 23,925	$ 47,070	$ 379,172	$ 26,018
Business-Type Activities					
Compensated Absences	$ 19	$ 74	$ 47	$ 46	$ 8

Defeased General Obligation Bonds

On February 1, 1999, the County defeased certain general obligation bond issues by placing the proceeds of the new bonds in irrevocable trusts to provide for all future debt service on the old bonds. Accordingly, the trust account assets and related liability for the defeased bonds are not included in the County's financial statements. At June 30, 2006, the amount of these bonds outstanding totaled $62,180.

Defeased Full Faith and Credit Bonds

On October 1, 2004 the County defeased certain full faith and credit bonds by placing the proceeds of the new bonds in irrevocable trusts to provide for all future service on the old bonds. Accordingly, the trust account assets and related liability for the defeased bonds are not included in the County's financial statements. At June 30, 2006, Series 2000A and Series 1999A were outstanding in the amount of $27,985 and $22,015, respectively.

Defeased Certificates of Participation

On October 1, 2004 the County defeased certain Certificates of Participation by placing the proceeds of the new Full Faith and Credit bonds in irrevocable trusts to provide for all future service on the old debt. Accordingly, the trust account assets and related liability for the defeased debt are not included in the County's financial statements. At June 30, 2006, the amount of these bonds outstanding totaled $4,960.

Conduit Financing

Multnomah County Conduit Financing

On November 1, 1997, the County issued $31,600 in Educational Facilities Revenue Bonds which have not been recorded in the County's financial statements. The proceeds of these bonds were assigned to the University of Portland (the University) to finance capital improvements to the University, pay issue costs and advance refund $17,750 of the Series 1994 issue. On April 1, 2000, the County issued an additional $17,160 in Conduit Educational Revenue Bonds for the University to finance the construction of a student housing facility, parking garage and street lighting. These bonds are not recorded on the books of the County but are assigned to the University. The responsibilities of the County in this bond transaction were limited to adopting the resolution authorizing the issuance of the bonds, executing the bonds and the bond documents to which it is a party, issuing and delivering the Bonds, assigning certain of its rights to the Trustee as provided in the indenture, and directing the Trustee as to the application of monies received from the University to pay the bonds in accordance with the indenture. The County has no obligation to take any other action relating to the bonds. Since the County does not own any of the assets constructed or assume any liabilities associated with repayment, there is no balance sheet disclosure or recognition of revenues and expenditures within the County's financial statements. As of June 30, 2006, $36,590 of Educational Facilities Revenue Bonds were outstanding.

On December 1, 1999, the County issued $9,830 in Higher Education Variable Rate Demand Revenue Bonds. The proceeds of these bonds were used to provide funds to reimburse Concordia University for the costs of acquiring, constructing and improving the educational facilities of the University (the Project), fund a debt service reserve fund and pay the costs of issuing the bonds. The Higher Education Revenue Bonds have not been recognized as a liability of the County because the bonds are secured solely by the provisions of the Bond indenture and payments are made by Concordia University. As the County does not own any of the assets constructed or assume any liabilities associated with the Project, there is no balance sheet disclosure or recognition of revenues and expenditures within the County’s financial statements. As of June 30, 2006, $8,695 of the Higher Education Variable Rate Demand Revenue Bonds were outstanding.

The County’s total conduit debt at June 30, 2006 was $45,285. The County is not responsible or obligated for the repayment of conduit debt.

Hospital Facilities Authority of Multnomah County Conduit Financing

On December 3, 1998, the County created a component unit, the Hospital Facilities Authority of Multnomah County, Oregon (the Authority). On March 1, 1999, the Authority issued $26,000 in Hospital Revenue Bonds (Terwilliger Plaza). On December 4, 2003, the Authority issued an additional $17,200 in Hospital Revenue Bonds (Holladay Park Plaza). On July 13, 2004, the Authority issued an additional $100,000 in Hospital Revenue Bonds (Providence Health Systems). The proceeds of these bonds were used by health care facilities to finance various capital projects and refund outstanding bonds. The Hospital Revenue Bonds have not been recognized as a liability of the County or the Authority because the bonds are secured solely by the provisions of the Bond indenture and payments are made by the health care facilities. Terwilliger Plaza, Holladay Park Plaza, and Providence Health Systems have pledged the gross revenues of the health care facilities to secure payment of the bonds. The bonds shall not be payable from a charge upon any fund or asset, nor shall the County or the Authority be subject to any liability. No holder or holders of the bonds shall ever have the right to exercise the taxing power of the County to pay the bonds or the interest, nor to enforce payment against any property of the County. Upon completion of the project, the assets constructed or purchased are owned by Terwilliger Plaza, Holladay Park Plaza, and Providence Health Systems. Since neither the County nor the Authority own any assets or assume any liabilities associated with the repayment, there is no balance sheet disclosure or recognition of revenues within the County's financial statements. As of June 30, 2006, $140,685 of these bonds were outstanding.

(dollar amounts expressed in thousands)

Note 5. Other information

A. Risk management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the County carries commercial insurance. The County established risk management programs for liability and workers' compensation, whereby premiums are calculated on payroll expenses in all funds and are paid into the risk management fund. The funds are available to pay claims, claim reserves, and reduce administrative costs of the program. These interfund premiums are used to offset the amount of claims expenditure reported in the risk management fund. As of June 30, 2006, interfund premiums exceeded reimbursable expenditures.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are re-evaluated periodically to consider the effect of inflation, recent claim settlement trends (including frequency and amount of payouts), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. An excess liability coverage insurance policy covers claims in excess of $750 for workers' compensation and $1,000 for all other claims. Settlements have not exceeded coverages for each of the past three fiscal years. The County anticipates the balance in the claims liability account at year-end will be paid within the next fiscal year.

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

	Fiscal Year Ended 6/30/06	Fiscal Year Ended 6/30/05
Unpaid claims, beginning of fiscal year	$ 10,240	$ 10,590
Incurred claims (including IBNRs)	17,559	15,522
Claim payments	(17,172)	(15,872)
Unpaid claims, end of fiscal year	$ 10,627	$ 10,240

B. Special Item

The County classifies special items as significant transactions or events within the control of management that are either unusual in nature or infrequent. The County has recorded the loss on the transfer of County roads in the amount of $108,555 as a special item in the Statement of Activities. This loss is the result of an intergovernmental agreement to transfer approximately 50 miles of County roads to the City of Gresham.

C. Subsequent events

On July 1, 2006, the County issued $20,000 in Tax and Revenue Anticipation Notes to meet current cash flow needs of the County, prior to the receipt of property tax revenues in November. The County received $400 of these notes in June prior to year-end as a good faith deposit. This amount has been included in short-term debt; see note 4.F on page 60 for further detail. The interest rate on the notes is 4.5% and the yield is 3.7%. The notes mature on June 30, 2007.

On December 19, 2006, the Hospital Facilities Authority of Multnomah County issued $39,765 in Hospital Revenue Bonds. The Hospital Revenue Bonds have not been recognized as a liability of the County or the Authority because the bonds are secured solely by the provisions of the Bond indenture and payments are made by the health care facility.

D. Commitments and contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County's legal counsel the resolution of these matters will not have a material adverse effect on the financial condition of the County.

The following is a schedule by years of future minimum rental payments required under operating leases for certain land, buildings and equipment used in governmental operations that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2006:

(dollar amounts expressed in thousands)

Year ended June 30	
2007	1,899
2008	1,687
2009	1,501
2010	1,028
2011	915
2012 - 2016	3,851
2017 - 2021	21
2022 - 2026	15
Total minimum payments	$ 10,917

The County recorded $2,855 in rent expense for the year ended June 30, 2006.

E. Post employment benefits other than pensions

Plan description. The County administers a single-employer defined benefit healthcare plan per the requirements of collective bargaining agreements. The plan provides postretirement healthcare insurance for eligible retirees and their spouses through the County's group health insurance plans, which cover both active and retired participants. Benefit provisions are established through negotiations between the County and representatives of collective bargaining units. The County's post employment medical plan does not issue a publicly available financial report. The County has adopted early implementation (*effective June 30, 2006*) of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. At the June 30, 2006 implementation date an initial net OPEB obligation was established based on the estimated cumulative effect if GASB 45 had been in effect for the previous five fiscal years.

Funding policy. The County has not established a trust fund to supplement the costs for the net OPEB obligation. Contribution requirements also are negotiated between the County and union representatives. In general, the County pays 50% of the premiums of health care coverage for retirees from age 58 to age 65. The County's regular health care benefit providers underwrite the retirees' policies. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans. The County is contractually obligated by collective bargaining agreements to contribute 0.9% of annual covered payroll. At June 30, 2006, there were 528 retirees that were receiving the post employment healthcare benefit. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2006, the County contributed $2,073 to the plan or approximately 43% of total premiums. Plan members receiving benefits contributed $2,778 or approximately 57% of the total premiums during fiscal year 2006.

(dollar amounts expressed in thousands)

Annual OPEB cost and net OPEB obligation. The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the guidance of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the fiscal year ending June 30, 2006, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual required contribution (ARC)	$ 13,412
Interest on net OPEB obligation	1,193
Adjustment to annual required contribution	(1,889)
Annual OPEB cost (expense)	12,716
Contributions made	(2,073)
Increase in net OPEB obligation	10,643
Net OPEB obligation - beginning of year	34,099
Net OPEB obligation - end of year	$ 44,742

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2006 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/04	$ 9,165	20%	$ 23,335
6/30/05	12,438	18%	34,099
6/30/06	12,716	16%	44,742

Funded status and funding progress. As of January 1, 2005, the actuarial accrued liability for benefits was $109,895, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $109,895. The covered payroll (annual payroll of active employees covered by the plan) was $228,597 for fiscal year 2006 and the ratio of the UAAL to the covered payroll was 48%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the most recently conducted, actuarial valuation (as of January 1, 2005), the unit credit method actuarial cost method was used. This method attempts to track the actual economic pattern of benefit accrual over an employee's working lifetime. The discount rate is selected based on historical and expected returns on the County's short-term investment portfolio. A discount rate of 3.5% was used in the most recent actuarial valuation for the closed period. The report states health care costs rates are trending down from 10.0% in 2005 to 5.25% in 2012 for the major medical component, which is representative for the overall plan. Both rates include a 2.5% inflation rate assumption. The County's unfunded actuarial accrued liability is being amortized using the level-dollar method with a closed group rolling 30 year amortization methodology. The remaining amortization period at June 30, 2006 is 30 years.

F. Employee retirement systems, pension plans and deferred compensation plan

Pension plans

The County participates in the Oregon Public Employees Retirement System, a cost-sharing multiple-employer defined benefit public employee pension plan that covers substantially all employees; maintains a single employer defined benefit plan for employees transferred to the County from the former Library Association of Portland; and maintains a defined contribution plan for substantially all County employees for the purpose of individual retirement savings.
Oregon Public Employees Retirement System (PERS)

Plan description. The County participates in PERS, a cost-sharing, multiple-employer defined benefit pension plan administered by the PERS Pension board. PERS provides retirement, disability, and death benefits to plan members and their beneficiaries. State statutes authorize the State to establish and amend all plan provisions. PERS issues a publicly available financial report that includes financial statements and required supplementary information. The reports may be obtained by writing:

PERS
PO Box 23700
Tigard, OR 97281-3700

Summary of significant accounting policies – basis of accounting and valuation of investments. The financial statements of PERS are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. The County's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair market value.

Funding policy. The contribution requirements of the County are established and may be amended by the State. The County is contractually obligated by collective bargaining agreements to pay the required employee contribution of 6.0% of annual covered payroll. The County is also required to contribute at an actuarially determined rate; the current rate is 6.78% of annual covered payroll. In addition to the funding requirements, the County also charges an internal rate of 5.25% of payroll to departments to fund the repayment of the pension obligation bonds issued in 1999.

Annual pension cost. For 2006, the County's annual pension cost of $41,616 for PERS was equal to the County's required and actual contributions. The required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age normal actuarial cost method. This actuarial valuation is the most recent available at the time of printing this report. The actuarial assumptions included (a) 8.0% investment rate of return (net of administrative expenses), (b) projected salary increases due to inflation of 3.5% per year, and (c) projected wage growth, excluding seniority / merit raises, of 4.25% per year. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The County's unfunded actuarial accrued liability is being amortized using the closed group fixed term method. The remaining amortization period at December 31, 2003, was 24 years.

(dollar amounts expressed in thousands)

Three Year Trend Information for PERS

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/04	$ 27,388	100%	$ -
6/30/05	22,935	100%	-
6/30/06	41,616	100%	-

Following is a Schedule of Funding Progress for PERS:

Public Employees Retirement System Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded (Funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c)]
12/31/93	$ 147,577	$ 249,433	$ 101,856	59%	$122,873	83%
12/31/95	201,614	330,154	128,540	61%	142,614	90%
12/31/97	291,095	449,588	158,493	65%	155,915	102%
12/31/99	935,746	859,337	(76,409)	109%	191,152	(40)%
12/31/01	1,292,287	1,088,583	(203,703)	119%	207,148	(98)%
12/31/03	1,237,061	1,287,860	50,799	96%	209,437	24%

The actuarial information included in the above table was prepared using the recently enacted amendments to PERS. The amendments made changes to the actuarial equivalency factors affecting retirement benefit amounts and calculation methods.

Multnomah County Library Retirement Plan

Plan description, summary of significant accounting policies, and funding requirements. The Multnomah County Library Retirement Plan was a single employer defined contribution plan. Prior to July 1, 1990, the Plan was administered by the Library Association of Portland (the Association), a not-for-profit association. Effective July 1, 1990, the Association was transferred to the County, and the County Board of Commissioners became responsible for amending Plan provisions. The Principal Financial Group was contracted by the County to be the trustee of the Plan, and the County's Chief Financial Officer was the Plan administrator. The Plan was closed upon transfer of the Association and all employees transferred are covered by PERS. The Plan did not issue a stand alone financial report. Effective April 7, 2006, the Plan was liquidated and all assets were transferred to individual retirement accounts or annuities. The County has no further liability for this plan.

Deferred Compensation Plan

Plan description. The County offers employees a deferred compensation plan (the Plan) administered by the County. The Plan is a defined contribution plan created in accordance with Internal Revenue Code Section 457. The Plan is available to all represented and non-represented County employees, and permits them to defer a portion of their salary until future years. Amounts deferred are not available to employees until termination, retirement, death, or unforeseeable emergency. All assets and income of the Plan are held in trust for the exclusive benefit of the participants and their beneficiaries. No Plan assets have been used for purposes other than the payment of benefits.

At June 30, 2006, the amount deferred and investment earnings thereon, adjusted to fair market value, amount to $142,839. The amounts accumulated under the Plan including investment earnings, are excluded from the financial statements of the County.

REQUIRED SUPPLEMENTARY INFORMATION

(dollar amounts expressed in thousands)

Other Postemployment Healthcare Benefits
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Unit Credit (b)	Unfunded (Funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c)]
01/01/02	$ -	$ 61,290	$ 61,290	0%	$212,833	29%
01/01/05	-	109,895	109,895	0%	228,597	48%

The above table presents the two most recent actuarial valuations for the County's postretirement medical plans and provides information that approximates the funding progress of the plan.

REPORTS OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS REQUIRED BY STATUTES

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

- Report of Independent Certified Public Accountants on the County's Compliance and on Internal Control Over Financial Reporting Based on an Audit of Basic Financial Statements Performed in Accordance with Government Auditing Standards

- Report of Independent Certified Public Accountants Applicable the County's Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

- Schedule of Findings and Questioned Costs

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *OREGON AUDITING STANDARDS*

Board of Commissioners
Multnomah County, Oregon

We have audited the basic financial statements of Multnomah County, Oregon as of and for the year ended June 30, 2006 and have issued our report thereon dated December 8, 2006. We conducted our audit 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

As part of obtaining reasonable assurance about whether the County's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts:

- The accounting records and related internal control structure.
- The amount and adequacy of collateral pledged by depositories to secure the deposit of public funds.
- The requirements relating to debt.
- The requirements relating to the preparation, adoption and execution of the annual budgets for fiscal years 2006 and 2007.
- The requirements relating to insurance and fidelity bond coverage.
- The appropriate laws, rules and regulations pertaining to programs funded wholly or partially by other governmental agencies.
- The requirements pertaining to the use of revenue from taxes on motor vehicle use fuel funds.
- The statutory requirements pertaining to the investment of public funds.
- The requirements pertaining to the awarding of public contracts and the construction of public improvements.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State, except those noted below.

The results of our tests disclosed one instance of noncompliance relating to collateral pledged by depositories to secure the deposit of public funds.

We also found that the County had instances of interfund borrowings that were not approved by resolution or ordinance as required by ORS 294.460.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Multnomah County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. During our documentation of internal controls, we discovered that the software being used in the library system to record fines and fees is not being reconciled with the County's financial accounting software that is used to produce the financial statements. In addition, the fines and fees due from library patrons are recorded in the library's software, but have not been recorded in the financial accounting system. The County is tracking these revenues using the cash basis of accounting, which is contrary to accounting principles generally accepted in the U.S.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the of risk that misstatements 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. However, the matter disclosed above is not considered to be a material weakness.

This report is intended solely for the information of the County Commissioners, management, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

James C. Lagarotta

For Moss Adams LLP
Eugene, Oregon
December 8, 2006

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of County Commissioners
Multnomah County, Oregon

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Multnomah County, Oregon (the County) as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 8, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2006-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain additional matters that we reported to management of the County in a separate letter dated December 8, 2006.

This report is intended solely for the information and use of the audit committee, management, the Board of County Commissioners and the Secretary of State, Divisions of Audits, of the State of Oregon and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Moss Adams, LLP

Eugene, Oregon
December 8, 2006

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Board of County Commissioners
Multnomah County, Oregon

COMPLIANCE

We have audited the compliance of Multnomah County, Oregon (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

INTERNAL CONTROL OVER COMPLIANCE

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program 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 over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, the Board of County Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Moss Adams, LLP

Eugene, Oregon
December 8, 2006

MULTNOMAH COUNTY, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ______ yes __X__ no
- Reportable condition(s) identified that are not considered to be material weaknesses? __X__ yes ______ no

Noncompliance material to financial statements noted? ______ yes __X__ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ______ yes __X__ no
- Reportable condition(s) identified that are not considered to be material weaknesses? ______ yes __X__ none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ______ yes __X__ no

Identification of major programs:

CFDA Number(s)	*Name of Federal Program or Cluster*
16.586	Violent Offender Incarceration and Truth in Sentencing Incentive Grants
93.224	Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care, and School Based Health Centers)
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance
93.914	HIV Emergency Relief Project Grants
93.918	Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease
93.569	Community Services Block Grant

Dollar threshold used to distinguish between type A and type B programs: $ 1,605,854

Auditee qualified as low-risk auditee? __X__ yes ______ no

Section II - Financial Statement Findings

2006-1
Library cash receipts recording and reconciliation

Criteria: U.S. generally accepted accounting principles (US GAAP) require that revenues be recorded on the accrual basis. In addition, subsidiary records should tie to the general ledger.

Statement of Condition: In the library system, bank deposits are not being reconciled with the Library's circulation and patron account tracking system, Millennium, nor is the Millennium system being reconciled with the general ledger system, SAP. In addition, the fines and fees due from library patrons are recorded in the Millennium system, but have not been recorded in the financial accounting system. The County is tracking these revenues using the cash basis of accounting.

Context: We found that a reconciliation of actual bank deposits with cash receipts per Millennium was not performed for any month in the fiscal year ended June 30, 2006.

Cause: The accounting department and the library do not have written procedures regarding the recording of library revenue and the reconciliation between the two systems.

Effect: The library runs the risk that errors (both inadvertent and intentional) could go undetected and corrected for months.

Recommendation: We recommend that the library revenue be recorded on the accrual basis of accounting to be in compliance with U.S. generally accepted accounting principles. In addition, we recommend that the Millennium system be reconciled with SAP on a monthly basis and that the fines and fees receivable be recorded in the financial accounting system along with a reasonable estimate for the allowance of uncollectible amounts.

View of Responsible Officials: General Ledger management will be working with Library management and finance staff in order to develop procedures to properly reconcile the Library's cash collections per the Millennium system to the County's financial accounting system, SAP, on a regular basis. In addition, we will evaluate the Library's unrecorded fines and fees and any allowance for uncollectible accounts to ensure we are complying with US GAAP.

There were no prior year financial statement findings.

Section III - Federal Award Findings and Questioned Costs

There were no current year or prior year findings and questioned costs reported.

Appendix C

Book-Entry-Only System

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SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE

(Prepared by DTC—bracketed material may be applicable only to certain issues)

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.]

[**6.** Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from Issuer or Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC[nor its nominee], Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

[**9.** A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]

10. DTC may discontinue providing its services as securities depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

Appendix D

Form of Continuing Disclosure Certificate

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CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Certificate"), dated July 2, 2007, is executed and delivered by Multnomah County, Oregon (the "Issuer") in connection with issuance of the Issuer's $29,850,000 Tax and Revenue Anticipation Notes, Series 2007 (the "Notes"). The Notes are being issued pursuant to an authorizing Resolution No. 07-093 adopted by the governing body of the Issuer on May 10, 2007 (the "Resolution"). Capitalized terms used but not otherwise defined herein shall have the meanings assigned thereto in the Resolution. The Issuer covenants as follows.

Section 1. Purpose of Certificate. This Certificate is being executed and delivered by the Issuer for the benefit of registered and beneficial owners of the Notes and to assist the Underwriter(s) in complying with SEC Rule 15c2-12 (17 CFR, § 240.15c2-12) (the "Rule"). Execution and delivery of this Certificate will qualify the Notes for a limited exemption from the Rule pursuant to paragraph (d)(3) of the Rule regarding municipal securities with a stated maturity of eighteen (18) months or less. In lieu of the Issuer's limited undertaking pursuant to this Certificate, the Issuer may undertake to provide annual financial information and notice of material events as described in paragraph (b)(5) of the Rule. Such undertaking, if any, shall be made by way of an amendment to this Certificate in accordance with Section 6 hereof.

Section 2. Material Events. The Issuer agrees to provide or cause to be provided, in a timely manner, (i) to each nationally recognized municipal securities information repository for purposes of the Rule (the "NRMSIRs") or to the Municipal Securities Rulemaking Board (the "MSRB"), and (ii) to the state information depository, if any, located in the State of Oregon (the "SID"), notice of the occurrence of any of the following events with respect to the Notes, if material:

(a) principal and interest payment delinquencies;

(b) non-payment related defaults;

(c) unscheduled draws on debt service reserves reflecting financial difficulties;

(d) unscheduled draws on credit enhancements reflecting financial difficulties;

(e) substitution of credit or liquidity providers, or their failure to perform;

(f) adverse tax opinions or events affecting the tax-exempt status of the Notes;

(g) modifications to rights of holders of the Notes;

(h) Bond calls;

(i) defeasances;

(j) release, substitution, or sale of property securing repayment of the Notes; and

(k) rating changes.

The Issuer may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the Issuer, such other event is material with respect to the Notes, but the Issuer does not undertake any commitment to provide such notice of any event except those events listed above.

Section 3. Dissemination Agent. The Issuer may, from time to time, engage or appoint an agent to assist in disseminating information hereunder (the "Dissemination Agent"). The Issuer may discharge any Dissemination Agent with or without appointing a successor Dissemination Agent.

Section 4. Termination of Obligation. Pursuant to paragraph (b)(5)(iii) of the Rule, the Issuer's Notes hereunder shall terminate if and when the Issuer no longer remains an obligated person with respect to the Notes, which shall occur upon maturity of the Notes. In addition, and notwithstanding the provisions of Section 6 below, the Issuer may rescind its obligations under this Certificate, in whole or in part, if (i) the Issuer obtains an opinion of nationally recognized bond counsel that those portions of the Rule that required the execution and delivery of this Certificate are invalid, have been repealed, or otherwise do not apply to the Notes, and (ii) the Issuer notifies and provides to each NRMSIR or the MSRB and to the SID, if any, a copy of such legal opinion.

Section 5. Enforceability and Remedies. The Issuer agrees that this Certificate is intended to be for the benefit of registered and beneficial holders of the Notes and shall be enforceable by or on behalf of any such holders; provided that, the right of any holder of the Note to challenge the adequacy of the information furnished hereunder shall be limited to an action by or on behalf of holder of the Notes representing at least twenty-five percent (25%) of the aggregate outstanding principal amount of Notes. Any failure by the Issuer to comply with the provisions of this undertaking shall not be an Event of Default under the note documents. This Certificate confers no rights on any person or entity other than the Issuer, holders of the Notes, and any Dissemination Agent.

Section 6. Amendment. Notwithstanding any other provision of this Certificate, the Issuer may amend this Certificate without the consent of holders of the Notes under the following conditions:

(i) The amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person or type of business conducted;

(ii) This Certificate, as amended, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) The amendment does not materially impair the interest of holders of the Notes, as determined either by parties unaffiliated with the Issuer (such as nationally recognized bond counsel), or by approving vote of holders of the Notes pursuant to the terms of the note documents at the time of the amendment.

Section 7. Disclosure USA. Any filing required to be made with any NRMSIR or SID under this Certificate may be made by transmitting such filing solely to the Texas Municipal Advisory Council (the “MAC”) as provided at http://www.disclosureusa.org unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

Section 8. Choice of Law. This Certificate shall be governed by and construed in accordance with the laws of the State of Oregon, provided that to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

MULTNOMAH COUNTY, OREGON

By: ___________________________________

Authorized Representative

Appendix E

Historic and Projected Cash Flow

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Multnomah County, Oregon
Monthly Cash Flow (1)
Fiscal Year 2006-07
($000 Omitted)

	July (Actual)	August (Actual)	September (Actual)	October (Actual)	November (Actual)	December (Actual)	January (Actual)	February (Actual)	March (Actual)	April (Actual)	May (Estimated)	June (Estimated)	12-Month Total
Beginning Cash	$ 48,155	$ 46,621	$ 26,064	$ 12,089	$ 5,201	$ 153,318	$ 127,499	$ 114,981	$ 100,613	$ 89,932	$ 87,257	$ 68,966	$ 48,155
Property Taxes	0	0	0	578	167,625	6,756	2,798	1,971	7,991	1,068	1,555	7,556	197,898
Other Taxes + ITAX	1,115	1,088	9,623	11,123	4,076	8,539	5,546	4,897	4,892	18,288	3,655	3,664	76,506
Intergovernmental	352	780	1,204	2,324	1,073	972	2,848	1,008	813	1,706	2,638	1,688	17,406
Interest	26	877	142	449	922	330	411	304	1,012	223	270	432	5,398
Other Receipts	1,363	1,390	1,353	1,057	1,747	1,778	2,156	1,751	1,433	1,515	739	646	16,928
TRAN Proceeds	20,000	0	0	0	0	0	0	0	0	0	0	0	20,000
Cash Transfers + Grants	638	0	219	0	84	(216)	80	73	86	100	53	7,318	8,435
Service Reimbursements	402	450	458	424	306	486	521	606	479	475	413	2,542	7,562
Total Available Cash	72,051	51,206	39,063	28,044	181,034	171,963	141,859	125,591	117,319	113,307	96,580	92,812	398,288
TRAN Repaid	0	0	0	0	0	20,900	0	0	0	0	0	0	20,900
Payroll Costs	16,126	17,069	16,146	15,640	16,804	15,594	16,850	15,497	17,086	16,182	17,756	19,329	200,079
Material and Services	5,445	8,073	9,618	5,895	9,595	6,647	8,738	8,202	8,990	8,573	8,559	31,326	119,661
Capital Outlay	21	0	6	29	38	44	11	0	32	16	20	19	236
Cash Transfers	3,838	0	1,204	1,279	1,279	1,279	1,279	1,279	1,279	1,279	1,279	1,279	16,553
Total Disbursements	25,430	25,142	26,974	22,843	27,716	44,464	26,878	24,978	27,387	26,050	27,614	51,953	357,429
Ending Cash	$ 46,621	$ 26,064	$ 12,089	$ 5,201	$ 153,318	$ 127,499	$ 114,981	$ 100,613	$ 89,932	$ 87,257	$ 68,966	$ 40,859	$ 40,859

(1) Includes General Fund receipts and disbursements only.

Multnomah County, Oregon
Monthly Cash Flow(1)
Projections for Fiscal Year 2007-08
($000 Omitted)

	July	August	September	October	November	December	January	February	March	April	May	June	Total
Beginning Cash	$ 40,859	$ 47,788	$ 25,631	$ 11,901	$ 4,844	$ 147,724	$ 110,517	$ 98,217	$ 82,552	$ 72,437	$ 71,305	$ 49,573	$ 40,859
Property Taxes	0	0	0	598	173,364	6,987	2,894	2,038	8,265	1,105	1,608	7,815	204,674
Other Taxes	1,014	989	8,751	10,115	3,707	7,765	5,043	4,453	4,449	16,631	3,324	3,332	69,574
Intergovernmental	413	915	1,413	2,727	1,259	1,141	3,342	1,183	954	2,002	3,095	1,981	20,424
Interest	213	215	221	225	413	241	206	153	208	162	186	267	2,710
Other Receipts	1,140	1,163	1,132	884	1,461	1,487	1,803	1,465	1,199	1,267	618	540	14,159
TRAN Proceeds	29,850	0	0	0	0	0	0	0	0	0	0	0	29,850
Cash Transfers + Grants	143	0	49	0	19	20	18	16	19	22	12	1,577	1,897
Service Reimbursements	706	791	805	745	538	854	915	1,065	841	834	726	4,465	13,284
Total Available Cash	74,339	51,861	38,002	27,195	185,604	166,219	124,739	108,590	98,487	94,460	80,873	69,550	397,431
TRAN Repaid	0	0	0	0	0	31,112	0	0	0	0	0	0	31,112
Payroll Costs	16,957	17,948	16,978	16,446	17,670	16,397	17,718	16,295	17,966	17,016	18,671	20,325	210,385
Material and Services	5,586	8,281	7,866	4,547	18,843	6,819	7,464	8,414	6,722	4,794	11,280	32,135	122,750
Capital Outlay	22	0	6	30	40	46	12	0	34	17	21	20	248
Cash Transfers	3,987	0	1,251	1,329	1,329	1,329	1,329	1,329	1,329	1,329	1,329	1,329	17,194
Total Disbursements	26,551	26,230	26,101	22,352	37,881	55,702	26,522	26,038	26,050	23,155	31,300	53,808	381,689
Ending Cash	$ 47,788	$ 25,631	$ 11,901	$ 4,844	$ 147,724	$ 110,517	$ 98,217	$ 82,552	$ 72,437	$ 71,305	$ 49,573	$ 15,742	$ 15,742

(1) Includes General Fund receipts and disbursements only.

Appendix F

Official Notice of Sale

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Official Notice of Sale

$30,000,000
Multnomah County, Oregon
Tax and Revenue Anticipation Notes
Series 2007

NOTICE IS HEREBY GIVEN that electronic bids will be received by ***PARITY*** on behalf of Multnomah County, Oregon (the "County") for the purchase of the County's Tax and Revenue Anticipation Notes, Series 2007 (the "Notes") until

9:00 o'clock a.m. prevailing Pacific Time on June 21, 2007.

Bids must be submitted electronically through ***PARITY*** as described herein. The County will act on the bids within four hours.

SECURITY: The County's ad valorem property taxes, subject to the limits of Article XI, Sections 11 and 11b of the Oregon Constitution, and the full faith and credit of the County, including all unobligated revenues in the County's general fund, are hereby pledged to the punctual payment of principal of and interest on the Notes.

RATING: The County has applied to Moody's Investors Service Inc. ("Moody's) for a rating for the Notes.

PRINCIPAL AND INTEREST PAYMENTS AND MATURITY: The Principal and Interest on the Notes is payable at maturity on June 30, 2008. The Notes will be dated with their date of delivery and will be issued in the aggregate principal amount of $30,000,000.

RIGHT TO CANCEL, CHANGE TIMING AND TERMS OF SALE: The County reserves the right to change the sale date, timing or terms under which the Notes are offered for sale, or to cancel the sale based on market conditions by making the changes in the Notice of Sale posted as part of the Preliminary Official Statement posted on i-Deal Prospectus or by placing a notice of the changes on Thomson Muni News on Thomson Municipal Market Monitor (www.tm3.com) not less than twenty-four (24) hours prior to the time for receipt of bids.

REDEMPTION: The Notes are not callable prior to their stated maturity.

INTEREST RATE: Bidders must specify the interest rate which the Notes shall bear. The bids shall comply with the following conditions: (1) no Note shall bear more than one rate of interest; (2) each Note shall bear interest from its dated date to its stated maturity date at the interest rate specified in the bid; and (3) all Notes maturing on the same date shall bear the same rate of interest.

BIDS MUST BE SUBMITTED ON "PARITY": Bids must be submitted electronically via ***PARITY***. Bids must be received by the ***PARITY*** system not later than the date and time indicated in the first paragraph of this Notice of Sale. For further information about submitting a bid using ***PARITY***, potential bidders may contact Seattle-Northwest Securities Corporation (the "Financial Advisor") at (503) 275-8300 or ***PARITY*** at (212) 849-5021. To the extent any instructions or directions set forth by ***PARITY*** conflict with this Notice of Sale, the terms of this Notice of Sale shall control. Bidders electing to submit bids through ***PARITY*** must obtain access to the ***PARITY*** system and bear all risks associated with using that system, including errors and delays in receipt of bids.

MINIMUM AND MAXIMUM PRICE: Bids must be for the entire amount of the Notes, and for a purchase price of not less than ninety-nine percent (99.00%) of the principal amount of the Notes, plus accrued interest to the date of delivery. Bids must be for the entire amount of the Notes, and for a purchase price of not more than one hundred and five percent (105.00%) of the principal amount of the Notes, plus accrued interest to the date of delivery. The County will bear the cost of the Moody's rating and preparation and printing of the Official Statement.

ADJUSTMENT OF PAR AMOUNT: The County reserves the right to increase or decrease the Note par amount by not more than five percent (5%). If the County elects to adjust the maturities after the bid pursuant to this Official Notice of Sale, the underwriter's discount, expressed in dollars per thousand, will be held constant. Underwriter's discount will be determined by subtracting the price bid for the Note from the reoffering price provided by the successful bidder pursuant to the first sentence of "CERTIFICATE OF REOFFERING PRICE" below. The County will not be responsible in the event and to the extent that any adjustment affects (i) the net compensation to be realized by the successful bidder or (ii) the true interest cost of the winning bid or its ranking relative to other bids. The County will communicate any adjustments to the successful bidder promptly after the sale.

BEST BID: Unless all bids are rejected, the Notes will be awarded to the responsible bidder submitting the bid which results in the lowest true interest cost to the County. Interest will be computed from July 2, 2007 to June 30, 2008, the maturity date of the notes. To calculate true interest cost, use 30/360 basis, with no compounding interest. Each bidder is requested to supply the total interest cost and the true interest cost that the County will pay on the Notes if the bid is accepted.

GOOD FAITH DEPOSIT - FINANCIAL SURETY NOTE: Each bid must be secured by a good faith deposit in the form of a financial surety bond through Financial Security Assurance Inc.'s Sure-Bid program, in the amount of Five Hundred Thousand Dollars ($500,000.00). The good faith deposit will be held by the County to secure the County from any loss resulting from the failure of the bidder to comply with the terms of its bid, and will be forfeited to the County as liquidated damages if the bidder to whom the Notes are awarded withdraws its bid or fails to complete its purchase of the Notes in accordance with this Notice of Sale and its bid.

Notification that the bidder has obtained the surety bond must be given by the issuer of the surety bond to the Financial Advisor prior to the opening of the bids. Not later than 2:00 p.m. (Pacific Time) on June 22, 2007 (the day following the sale), the successful bidder must send by electronic wire transfer to such account as the County shall specify, immediately available funds in an amount equal to the good faith deposit. If this wire transfer is not received from the successful bidder by 2:00 p.m. on that date, the County may draw on the financial surety bond immediately to satisfy the good faith deposit requirement.

Interest earnings on the good faith deposit will be the property of the County, and will not be credited against the purchase price of the Notes. The successful bidder shall pay the balance of the purchase price of the Notes at closing, less the good faith deposit previously received by the County, in funds immediately available to the County on the date and at the time of closing.

RIGHT OF REJECTION: The County reserves the right to reject any or all bids, and to waive any irregularities.

BOOK ENTRY ONLY: The Notes will be issued in registered, book entry only form through The Depository Trust Company ("DTC"). Notes will be available in denominations of $5,000, or integral multiples. Unless the book entry only system is discontinued, Note principal and interest payments will be made by the County to DTC through the County's paying agent. DTC will be responsible for making payments to beneficial owners of Notes.

PURPOSE: The Notes are being issued to meet current expenses of the County, incurred or to be incurred and to pay the costs related to the authorization, sale, issuance and delivery of the Notes.

CERTIFICATE OF REOFFERING PRICE: The reoffering prices and yields shown in the bid submitted to ***PARITY*** will be printed on the cover of the final official statement. In addition, the successful bidder must provide a certificate, satisfactory to Note Counsel, containing information which will permit Note Counsel to determine the "issue price" of the Notes, and verifying the accuracy of the reoffering prices and yields which were provided on ***PARITY***, not later than two (2) business days prior to the closing. If the successful bidder fails to provide the reoffering prices and yields in the bid submitted to ***PARITY***, or the certificate satisfactory to Note Counsel, as specified in this Notice of Sale, the County may cancel the sale and retain the successful bidder's good faith deposit as liquidated damages.

LEGAL OPINION: The approving opinion of Kirkpatrick & Lockhart Preston Gates Ellis LLP, Note Counsel, of Portland, Oregon, will be provided at no cost to the purchaser.

TAX-EXEMPT STATUS: In the opinion of Note Counsel, under existing law and conditioned on the County complying with certain covenants relating to the tax-exempt status of the Notes, interest on the Notes is excluded from gross income for federal income tax purposes. The Notes are not "private activity bonds" under Section 141 of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Notes is also exempt from personal income taxation by the State of Oregon under present state law.

NOT BANK QUALIFIED: The County has **not** designated the Notes as a "qualified tax exempt obligation" under Section 265(b)(3)(B) of the Code.

DELIVERY: It is expected that delivery of the Notes will be made to the paying agent under DTC's Fast Automated Securities Transfer (FAST) program, without cost to the bidder. Delivery of the Notes will be made on or about July 2, 2007.

PRELIMINARY OFFICIAL STATEMENT AND ADDITIONAL INFORMATION: The preliminary official statement for the Notes is available in electronic form from i-Deal Prospectus and will be posted at www.i-dealprospectus.com. For information on electronic delivery, please call i-Deal Prospectus at (212) 404-8104 or contact the financial advisor, Seattle-Northwest Securities Corporation, 1000 S.W. Broadway, Suite 1800, Portland, Oregon 97205, Telephone: (503) 275-8300. The County will provide a paper copy of the preliminary official statement only on request to the Financial Advisor. Requests for additional information about this sale should also be directed to the Financial Advisor.

COMPLIANCE WITH SEC RULES: The County agrees to provide the successful bidder with a sufficient number of copies of the official statement in a form "deemed final" by the County to enable the successful bidder to satisfy its responsibilities under the SEC rules at the expense of the County, and such additional copies as the successful bidder may request at the expense of the bidder, not later than the seventh business day following the date on which bids are due. Bidders should expect that the official statement will not be available prior to the seventh business day following the date on which bids are due, and should not issue confirmations which request payment prior to that date. This provision will constitute a contract with the successful bidder upon acceptance of its bid by the County, in compliance with Section 240.15c2-12(b)(3) in Chapter II of Title 17 of the Code of Federal Regulations.

CONTINUING DISCLOSURE: The County will undertake to provide continuing disclosure for the benefit of the Note Owners in compliance with SEC Rule 15c2-12. The form of the undertaking shall be attached as Appendix D to the preliminary official statement.

CUSIP: CUSIP numbers will be imprinted upon all Notes of this issue at the County's expense. Failure to print, or improperly imprinted numbers will not constitute basis for the purchaser to refuse to accept delivery.

CLOSING CERTIFICATES: At the time of payment for the delivery of the Notes, the County will furnish the successful bidder a certificate confirming that there is no material litigation pending that is not disclosed in the final official statement, and that the official statement does not contain any material misstatements or omissions.

By order of Multnomah County, Oregon