

\$128,000,000

Multnomah County, Oregon
Full Faith and Credit Obligations, Series 2012

DATED: December 13, 2012 (“Date of Delivery”)

DUE: June 1, as shown on the inside cover

PURPOSE— The \$128,000,000 Full Faith and Credit Obligations, Series 2012 (the “Obligations”) are being issued by Multnomah County, Oregon (the “County”). The Obligations are being issued to finance and refinance the costs of real and personal property for the County, and to pay the costs of issuance of the Obligations. See “Purpose and Use of Proceeds” herein.

MOODY’S AND S&P RATINGS— “Aa1,” and “AA,” respectively. See “Ratings” herein.

NOT BANK QUALIFIED— The County has NOT designated the Financing Agreement (as hereinafter defined) as a “qualified tax-exempt obligation” for purposes of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended (the “Code”).

BOOK-ENTRY ONLY SYSTEM— The Obligations will be issued, executed and delivered in fully registered form under a book-entry only system and registered in the name of Cede & Co., as owner and nominee for The Depository Trust Company (“DTC”). DTC will act as initial securities depository for the Obligations. Individual purchases of the Obligations 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 Obligations purchased.

PRINCIPAL AND INTEREST PAYMENTS— The Obligations evidence and represent undivided proportionate interests of the Beneficial Owners thereof (as hereinafter defined) in the Financing Payments (as hereinafter defined) to be made by the County pursuant to the Financing Agreement (as hereinafter defined). The interest component of the Financing Payments evidenced and represented by the Obligations is payable on June 1, 2013 and semiannually thereafter on June 1 and December 1 of each year to the maturity or earlier prepayment of the Obligations. The principal and interest components of the Financing Payments evidenced and represented by the Obligations will be payable by the County’s paying agent, registrar and escrow agent, initially U.S. Bank National Association (the “Escrow Agent”), to DTC which, in turn, will remit such principal and interest components to the DTC participants for subsequent disbursement to the beneficial owners of the Obligations at the address appearing upon the registration books on the 15th day (the “Record Date”) of the month preceding a payment date.

MATURITY SCHEDULE — SEE INSIDE COVER

PREPAYMENT— The Obligations are subject to prepayment prior to maturity.

SECURITY— Pursuant to the terms of a financing agreement (the “Financing Agreement”) the County’s payment obligations (the “Financing Payments”) are to be secured by and payable from the general non-restricted revenues of the County and other funds, including but not limited to Vehicle Registration Fees, which may be available for that purpose, including the proceeds of the Financing Agreement and any taxes levied by and for the County within the restrictions of Sections 11 and 11b, Article XI of the Oregon Constitution. The obligation of the County to make payments is a full faith and credit obligation of the County, and is not subject to appropriation. The Beneficial Owners of the Obligations do not have a lien or security interest on the property financed or refinanced with the proceeds of the Financing Agreement. The Obligations 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 Hawkins Delafield & Wood LLP, Special Counsel to the County (“Special Counsel”), under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) the portion of the payments made under the Financing Agreement designated and constituting interest received by the holders of the Obligations (“Interest”) is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) Interest is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such Interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In the opinion of Special Counsel, Interest is exempt from State of Oregon personal income tax under existing law. See “Tax Matters” herein.*

DELIVERY— The Obligations are offered for sale to the original purchaser subject to the final approving legal opinion of Special Counsel. It is expected that the Obligations will be available for delivery to the Escrow Agent for Fast Automated Securities Transfer on behalf of DTC, on 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.

Multnomah County, Oregon

Full Faith and Credit Obligations, Series 2012

DATED: Date of Delivery

DUE: June 1, as shown below

MATURITY SCHEDULE –

| Due June 1 | Amounts | Interest Rates | Yields | CUSIP® 625506 | Due June 1 | Amounts | Interest Rates | Yields | CUSIP® 625506 |
|---------------|--------------|-------------------|--------|------------------|---------------|--------------|-------------------|--------|------------------|
| 2014 | \$ 4,045,000 | 3.00% | 0.28% | MP2 | 2024 | \$ 6,400,000 | 5.00% | 1.77% | MZ0 |
| 2015 | 4,165,000 | 4.00 | 0.45 | MQ0 | 2025 | 6,720,000 | 5.00 | 1.83 | NA4 |
| 2016 | 4,330,000 | 5.00 | 0.57 | MR8 | 2026 | 7,055,000 | 5.00 | 1.90 | NB2 |
| 2017 | 4,550,000 | 5.00 | 0.70 | MS6 | 2027 | 7,410,000 | 4.00 | 2.21 | NC0 |
| 2018 | 4,775,000 | 5.00 | 0.82 | MT4 | 2028 | 7,705,000 | 4.00 | 2.27 | ND8 |
| 2019 | 5,015,000 | 5.00 | 0.94 | MU1 | 2029 | 8,015,000 | 4.00 | 2.33 | NE6 |
| 2020 | 5,265,000 | 5.00 | 1.12 | MV9 | 2030 | 8,335,000 | 4.00 | 2.39 | NF3 |
| 2021 | 5,530,000 | 5.00 | 1.33 | MW7 | 2031 | 8,665,000 | 3.00 | 2.90 | NG1 |
| 2022 | 5,805,000 | 5.00 | 1.57 | MX5 | 2032 | 8,925,000 | 3.00 | 2.95 | NH9 |
| 2023 | 6,095,000 | 5.00 | 1.69 | MY3 | 2033 | 9,195,000 | 3.00 | 3.00 | NJ5 |

(1) Preliminary, subject to change.

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 the entirety by the cautionary statements set forth in this Official Statement.

Certain information contained herein has been obtained from the County and other sources which are believed to be reliable, but the accuracy or completeness of such information is not guaranteed and such information is not to be construed to be a representation of the County, Seattle-Northwest Securities Corporation (the “Financial Advisor”). The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof.

The CUSIP® numbers herein are provided by CUSIP Global Services (CGS), which is managed on behalf of the American Bankers Association by Standard and Poor’s, a division of The McGraw-Hill Companies, Inc. CUSIP is a registered trademark of the American Bankers Association. CUSIP numbers are provided for convenience of reference only. CUSIP numbers are subject to change. Neither the County nor the Underwriter take any responsibility for the accuracy of such CUSIP numbers.

Web addresses contained in this Official Statement are inactive textual references, not hyperlinks, and any websites, by such reference, are not incorporated herein.

No dealer, broker, salesman or other person has been authorized by the County or the Financial Advisor to give information or to make any representations with respect to the Obligations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Obligations by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The prices at which the Obligations are offered to the public by the Purchaser (and the yields resulting therefrom) may vary from the initial public offering prices appearing on this inside cover page hereof. In addition, the Purchaser may allow concessions or discounts from such initial public offering prices to dealers and others. In connection with the offering of the Obligations, the Purchaser may effect transactions that stabilize or maintain the market price of the Obligations at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

Multnomah County
501 SE Hawthorne Blvd., Suite 531
Portland, Oregon 97214-3501
(503) 988-3312

Board of Commissioners

Jeff Cogen
Deborah Kafoury
Loretta Smith
Judy Shiprack
Diane McKeel

Chair
Commissioner, District 1
Commissioner, District 2
Commissioner, District 3
Commissioner, District 4

Administrative Staff

Mark Campbell
Joanne Fuller
Karyne Kieta

Chief Financial Officer
Chief Operating Officer and Director of County Management
Deputy Director of County Management and Budget Officer

Special Counsel

Hawkins Delafield & Wood LLP
Portland, Oregon
(503) 402-1320

Financial Advisor

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

Escrow Agent

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

[this page intentionally left blank]

Table of Contents

| | <u>Page</u> |
|---|-------------|
| Description of the Obligations | 1 |
| Financing Amount, Date, Interest Rates and Maturities | 1 |
| Disbursement Features | 1 |
| Prepayment Provisions | 2 |
| Events of Default | 3 |
| Remedies | 3 |
| Authorization for Issuance | 3 |
| Purpose and Use of Proceeds | 3 |
| Purpose | 3 |
| Sources and Uses of Funds | 4 |
| Security for the Obligations | 4 |
| General | 4 |
| Ratings | 5 |
| Bonded Indebtedness | 5 |
| Debt Limitation | 5 |
| Outstanding Long-Term Debt | 7 |
| Interim Financing | 7 |
| Projected Debt Service Requirements | 8 |
| Summary of Overlapping Debt | 9 |
| Debt Ratios | 10 |
| Debt Payment Record | 10 |
| Future Financings | 10 |
| Revenue Sources | 10 |
| County Funding | 10 |
| Vehicle Registration Fee | 10 |
| Grants and Contributions | 11 |
| Property Taxes | 11 |
| Taxable Property Values | 13 |
| Fiscal Year 2012 Representative Levy Rate | 14 |
| Tax Collection Record ⁽¹⁾ | 14 |
| Major Taxpayers | 15 |
| Strategic Investments Program | 15 |
| Other Taxes | 15 |
| Local Government Fees | 15 |
| State of Oregon Funding | 16 |
| Federal Funding | 16 |
| State Reserve Funds | 16 |
| The County | 16 |
| General Description | 16 |
| Component Units | 17 |
| Key Administrative Officials | 17 |
| Staff | 18 |
| Financial Factors | 18 |
| Financial Reporting and Accounting Policies | 18 |
| Auditing | 18 |
| Governmental Activities - Statement of Net Assets | 20 |
| Governmental Activities - Statement of Revenues, Expenses and Changes in Net Assets | 21 |
| General Fund Balance Sheet | 22 |
| General Fund Statement of Revenues, Expenditures and Changes in Fund Balance | 23 |
| Budgetary Process | 23 |
| General Fund Adopted Budget | 24 |
| Investments | 25 |
| Pension System | 25 |
| Other Postemployment Benefits | 27 |
| Risk Management | 28 |
| Demographic Information | 28 |
| The Initiative and Referendum Process | 33 |
| Initiative Process | 34 |
| Home Rule Charter | 35 |
| Legal Matters and Litigation | 35 |
| Legal Matters | 35 |
| Litigation | 35 |

Table of Contents, Continued

| | <u>Page</u> |
|--|-------------|
| Tax Matters | 36 |
| Opinion of Special Counsel | 36 |
| Certain Ongoing Federal Tax Requirements and Covenants | 36 |
| Certain Collateral Federal Tax Consequences | 36 |
| Original Issue Discount | 37 |
| Bond Premium | 37 |
| Information Reporting and Backup Withholding | 38 |
| Miscellaneous | 38 |
| Continuing Disclosure | 38 |
| Financial Advisor | 39 |
| Purchaser of the Obligations | 39 |
| Certificate with Respect to Official Statement | 40 |
| Appendices: | |
| Form of Special Counsel Opinion | Appendix A |
| Financial Statements | Appendix B |
| Book-Entry Only System | Appendix C |
| Form of Continuing Disclosure Certificate | Appendix D |
| Form of Financing Agreement and Form of Escrow Agreement | Appendix E |

OFFICIAL STATEMENT
Multnomah County, Oregon
\$128,000,000
Full Faith and Credit Obligations, Series 2012

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 \$128,000,000 aggregate principal amount of Full Faith and Credit Obligations, Series 2012 (the "Obligations"), dated the Date of Delivery. This Official Statement, which includes the cover page, inside cover page and appendices, provides information concerning the County and the Obligations.

The information set forth herein has been obtained from the County and other sources that are believed to be reliable. Seattle-Northwest Securities Corporation (the "Financial Advisor") has relied on the County with respect to the accuracy and sufficiency of such information and such information is not to be construed as a representation, warranty or guarantee by the Financial Advisor. 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.

Capitalized terms used and not defined herein shall have the meanings assigned to such terms in "Appendix E—Form of Financing Agreement and Form of Financing Agreement," which is attached hereto and incorporated by reference herein.

Description of the Obligations

The Obligations evidence and represent undivided proportionate interests of the Beneficial Owners thereof in payments (the "Financing Payments") to be made by the County pursuant to the Financing Agreement dated as of the Date of Delivery (the "Financing Agreement"), between the County and U.S. Bank National Association, as Escrow Agent, registrar and paying agent (the "Escrow Agent"). The Obligations are executed and delivered pursuant to an escrow agreement (the "Escrow Agreement") dated as of the Date of Delivery, between the County and the Escrow Agent.

Financing Amount, Date, Interest Rates and Maturities

The sum of the principal components of the Financing Payments evidenced and represented by the Obligations 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. The principal components of the Financing Payments will mature on the dates and in the amounts set forth on the inside cover of this Official Statement. The interest components of the Financing Payments ("Interest") is payable semiannually on June 1 and December 1 of each year, commencing June 1, 2013, until the maturity or earlier prepayment of the Obligations and will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Disbursement Features

Financing Payments. The Financing Payments will be payable by the Escrow Agent to the Depository Trust Company ("DTC"), which, in turn, is obligated to remit such principal and interest components to its participants ("DTC Participants") for subsequent disbursement to the persons in whose names such Obligations are registered (the "Beneficial Owners") as further described in Appendix C attached hereto.

Book-Entry System. The Obligations will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co. as owner and as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Obligations. Individual purchases and sales of the Obligations 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 Obligations. See “Appendix C – Book Entry Only System” for additional information.

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 Obligations might be adversely affected if the book-entry system of transfer is continued, the County will cause the Escrow Agent to authenticate and deliver to the Beneficial Owners of the Obligations or their nominees, replacement Obligations in fully registered form, in the denomination of \$5,000 or any integral multiple thereof within a maturity. Thereafter, the principal components of the Financing Payments evidenced and represented by the Obligations will be payable upon due presentment and surrender of such Obligations at the principal office of the Escrow Agent; the interest components of the Financing Payments evidenced and represented by the Obligations will be mailed or caused to be delivered to the Beneficial Owners, at the addresses appearing upon the registration books on the 15th day of the month preceding a payment date (the “Record Date”), and the Obligations will be transferable as provided in the Escrow Agreement.

Prepayment Provisions

Optional prepayment. The Obligations maturing in years 2014 through 2022, inclusive, are not subject to optional prepayment prior to maturity. The Obligations maturing on June 1, 2023 and on any date thereafter are subject to prepayment at the option of the County prior to their stated maturity dates at any time on or after June 1, 2022, as a whole or in part, and if in part, with maturities to be selected by the County at a price of par, plus accrued interest, if any, to the date of prepayment. A Term Bond subject to optional prepayment and redeemed in part will have the principal amount within the respective mandatory prepayment dates selected by the County. Official written notice of redemption shall be provided by the County to Escrow Agent 35 days in advance of chosen redemption date.

For as long as the Obligations are in book-entry only form, if fewer than all of the Obligations of a maturity are called for prepayment, the selection of Obligations within a maturity to be redeemed shall be made by DTC in accordance with its operational procedures then in effect. See Appendix C attached hereto. If the Obligations are no longer held in book-entry only form, then the Escrow Agent would select Obligations for prepayment by lot.

Notice of prepayment (Book-Entry). So long as the Obligations are in book-entry only form, the Escrow Agent shall notify DTC of an early prepayment no fewer than 20 calendar days nor more than 60 calendar days prior to the date fixed for prepayment, and shall provide such information as required by a letter of representation submitted to DTC in connection with the issuance of the Obligations. The County reserves the right to rescind any prepayment notice as allowed in the Resolution.

Notice of prepayment (No Book-Entry). During any period in which the Obligations are not in book-entry only form, unless waived by any Owner of the Obligations (as defined herein) to be redeemed, official notice of any prepayment of Obligations shall be given by the Escrow Agent on behalf of the County by mailing a copy of an official prepayment notice by first class mail, postage prepaid, no fewer than 30 calendar days nor more than 60 calendar days prior to the date fixed for prepayment, to the Owners of the Obligations to be redeemed at the address shown on the bond register or at such other address as is furnished in writing by such Owner to the Escrow Agent. The County reserves the right to rescind any prepayment notice as allowed in the Resolution.

Conditional Notice. Any notice of optional redemption to the Bond Registrar or to the Bondowners may state that the optional redemption is conditional upon receipt by the Bond Registrar of moneys sufficient to pay the redemption price of such Obligations or upon the satisfaction of any other condition, and/or that such notice may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such redemption price if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission or of the failure of any such condition shall be given by the Registrar to affected Bondowners of Obligations as promptly as practicable upon the failure of such condition or the occurrence of such other event.

Events of Default

The occurrence of one or more of the following shall constitute an Event of Default under the Agreements:

- a. Failure by the County to pay the Financing Payments, when due;
- b. Failure by the County to comply with any other covenant, condition or agreement of the County under the Agreements for a period of sixty (60) days after written notice from the Escrow Agent absent an extension of time not to exceed 180 days from date of notice of default by the Escrow Agent; or
- c. The commencement by the County of a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect or an assignment by the County for the benefit of its creditors, or the entry by the County for the benefit of its creditors, or the entry by the County into an agreement of composition with creditors or the taking of any action by the County in furtherance of any of the foregoing.
- d. Any statement, representation or warranty made by the County in or pursuant to the Financing Agreement or Escrow Agent shall have proven to be false, incorrect, misleading or breached in any material respect on the date when made.

Remedies

Upon the occurrence and continuance of any Event of Default, the Escrow Agent may proceed, and upon written request the Owners of fifty-one (51%) percent or more of the principal amount of Obligations then Outstanding may take whatever action may appear necessary or desirable to enforce the Financing Agreement or to protect any of the rights vested in the Escrow Agent or the Owners of Obligations by the Escrow Agreement or by the Obligations, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in the Escrow Agreement or in aid of the exercise of any power granted in the Escrow Agent or for the enforcement of any other legal or equitable right vested in the Escrow Agent by the Escrow Agreement or by law. Provided, however, that upon an event of default the Escrow Agent will not have the right to declare the unpaid principal components of the financing payments immediately due and payable.

Authorization for Issuance

The County is authorized pursuant to the Constitution and laws of the State, namely, Oregon Revised Statutes ("ORS") Section 271.390, to enter into financing agreements, lease-purchase agreements or other contracts of purchase to finance or refinance real or personal property and to authorize certificates of participation in the payment obligations of the County under such financing agreements, lease-purchase agreements or other contracts of purchase.

The Obligations are being issued pursuant to Resolution No. 2012-178 (the "Resolution") adopted by the County's Board of Commissioners (the "Board") on October 18, 2012 that authorized the County to enter into the Financing Agreement, Escrow Agreement and a purchase agreement for the execution and delivery of the Obligations. Such execution and delivery of the Obligations does not require a vote of the people.

Pursuant to the Resolution, the County has pledged to use all of its general non-restricted revenues and other funds which may be available for that purpose, including any taxes levied within the restrictions of Sections 11 and 11b, Article XI of the Constitution of the State of Oregon ("Article XI, Sections 11 and 11b") to generate funds sufficient to make all Financing Payments.

Purpose and Use of Proceeds

Purpose

The proceeds from the sale of the Obligations will be used to finance and refinance construction of the Sellwood Bridge and to pay the costs of issuance of the Obligations (the "Project").

The Sellwood Bridge is one of six bridges owned by Multnomah County that cross the Willamette River. It is the furthest south of the six bridges and serves as a primary river crossing for southeast and southwest Portland and the southern metropolitan cities of Milwaukie, Lake Oswego, West Linn and Oregon City. Originally constructed in 1925, the bridge has many deficiencies and is not suitable for the volume of traffic that crosses it daily. In 2004 the County placed weight restrictions on the bridge that preclude large trucks and buses from using it.

Replacement of the Sellwood Bridge has been a top transportation priority of the County for several years. In 2006 the County undertook a planning effort to evaluate various options, develop alternatives, and identify funding sources. In 2009 the Legislative Assembly authorized the County to impose a \$19 annual vehicle registration fee (the "Vehicle Registration Fee") on County residents that can be used solely to fund replacement of the Sellwood Bridge (see "Revenue Sources - Vehicle Registration Fee" herein).

The Obligations will support construction of a new Sellwood Bridge along with upgrades to the east and west end approaches. A portion of the proceeds will finance the realignment of the bridge with Oregon Highway 43 and payoff of the existing line of credit which financed Project planning and design, and early construction.

Sources and Uses of Funds

The proceeds of the Obligations will be applied as follows:

Sources and Uses of Funds

| Sources of Funds | |
|---------------------------------|-----------------------|
| Par Amount of Obligations | \$ 128,000,000 |
| Original Issue Premium | 21,112,818 |
| Total Sources of Funds | <u>\$ 149,112,818</u> |
| Uses of Funds | |
| Project Requirements | \$ 148,218,630 |
| Underwriting and Issuance Costs | 294,188 |
| Total Uses of Funds | <u>\$ 149,112,818</u> |

Security for the Obligations

General

The Obligations evidence and represent undivided proportionate ownership interests in the installment payments of principal and interest due (the "Financing Payments") from the County under the Financing Agreement. Under the Financing Agreement, the Financing Payments are secured by and payable from the County's general non-restricted revenues and other funds that may be available for that purpose. The obligation to pay the Financing Payments is a full faith and credit obligation of the County.

In the Resolution, the County has covenanted that the Financing Payments are payable from the general non-restricted revenues of the County and other funds, including but not limited to Vehicle Registration Fees, which may be lawfully available for that purpose, including any taxes levied within the restrictions of Sections 11 and 11b, Article XI of the Constitution of the State of Oregon.

The County has covenanted to budget and appropriate in each Fiscal Year, in accordance with the law, sums sufficient to pay when due the Financing Payments and other amounts due under the Financing Agreement.

The Financing Agreement is not a general obligation of the County, the State of Oregon or any other political subdivision or municipal corporation. The Obligations are secured solely by the Financing Payments and any sums realized in connection with the remedies available upon the occurrence of an event of default all as provided in the Financing Agreement.

THE OBLIGATION OF THE COUNTY TO MAKE THE FINANCING PAYMENTS AND ADDITIONAL CHARGES IS ABSOLUTE AND UNCONDITIONAL, AND SHALL NOT BE SUBJECT TO ANNUAL APPROPRIATION. THE REGISTERED OWNERS OF THE OBLIGATIONS DO NOT HAVE A LIEN OR SECURITY INTEREST IN THE PROJECT FINANCED WITH THE PROCEEDS OF THE OBLIGATIONS.

The County's obligation to make Financing Payments and Additional Charges is not subject to any of the following:

- (1) any setoff, counterclaim, recoupment, defense or other right which the County may have against the Escrow Agent, any contractor or anyone else for any reason whatsoever;
- (2) any insolvency, bankruptcy, reorganization or similar proceedings by the County;
- (3) abatement through damage, destruction or nonavailability of the Project; or
- (4) any other event or circumstance whatsoever, whether or not similar to any of the foregoing.

The County's obligation to make Financing Payments is binding for the term of the Financing Agreement.

Each Obligation owner is entitled proportionately to the principal component of Financing Payments due on the payment date, which is the same as the maturity date of the Obligations. In addition, each Obligation owner is entitled proportionately to receipt of an amount of the interest component of Financing Payments on each payment date attributable to the interest accruing on the principal component attributable to such Obligations at the interest rate set forth for said principal component.

Ratings

As noted on the cover page of this Official Statement, Moody's Investors Service and Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, have assigned their underlying ratings of "Aa1" and "AA," respectively, to the Obligations. The ratings reflect only the views of each rating agency and an explanation of the significance of the ratings may be obtained from the rating agency. There is no assurance that the ratings 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 ratings will be likely to have an adverse effect on the market price of the Obligations.

Bonded Indebtedness

Debt Limitation

General Obligation Bonds. ORS 287A.100 establishes a limit on bonded indebtedness for counties. Counties may issue an aggregate principal amount up to two percent of the Real Market Value of all taxable properties within the county. **The Obligations are not general obligation bonds and are not subject to this debt limitation, as shown below.**

**Multnomah County
Debt Capacity**

| | | | | | |
|---|--------------------------------------|------------------------------------|--|---|---|
| Real Market Value (Fiscal Year 2013) ⁽¹⁾ : | | \$ 93,735,420,370 | | | |
| | Debt Limit (% of RMV) | Total Debt Capacity | Outstanding Debt Subject to Limit | Remaining Legal Capacity | Percent of Capacity Issued |
| General Obligation Bonds ⁽²⁾ | 2.0% | \$ 1,874,708,407 | \$ 24,935,000 | \$ 1,849,773,407 | 1.33% |
| Limited Tax Pension Bonds ⁽³⁾ | 5.0% | 4,686,771,019 | 131,513,160 | 4,555,257,858 | 2.81% |
| Limited Tax Debt ⁽⁴⁾ | 1.0% | 937,354,204 | 189,254,000 | 748,100,204 | 20.19% |

(1) The County's fiscal year commences July 1 and ends on June 30 of the following year (the "Fiscal Year"). *Source: Multnomah County Department of Assessment and Taxation.*

(2) Represents voter-approved, unlimited-tax general obligations of the County.

(3) Includes the County's pension bonds.

(4) Includes the County's outstanding full faith and credit obligations, capital leases, and the Obligations.

Source: Multnomah County Audited Financial Reports for the Fiscal Year Ended June 30, 2011, and this Obligation issue.

Full Faith and Credit Obligations. School districts, education service districts, community colleges and local governments may pledge their full faith and credit for "limited tax bonded indebtedness" which includes "full faith and credit obligations." A county may not have limited tax bonded indebtedness outstanding in an amount that exceeds one percent of the Real Market Value of all taxable properties within the county. Limited tax bonded indebtedness can take the form of full faith and credit obligations, bonds, certificates of participation, notes or capital leases. Collection of property taxes to pay principal and interest on such limited-tax debt is subject to the limitations of Article XI, Sections 11 and 11b. **The Obligations are full faith and credit obligations subject to this limit.**

Pension Bonds. ORS 238.694 authorizes counties to issue full faith and credit obligations to finance pension liabilities in an amount that does not exceed five percent of the Real Market Value of all taxable property in the county. Pension bonds are not general obligations as defined under State law and the County is not authorized to levy additional taxes to make pension bond payments. **The Obligations are not pension bonds.**

Revenue Bonds. The County may issue revenue bonds for any public purpose, which are secured by revenues pursuant to ORS 287A.150. **The Obligations are not revenue bonds.**

Outstanding Long-Term Debt

| Governmental Activities | Date of Issue | Date of Maturity | Amount Issued | Amount Outstanding |
|--|----------------------|-------------------------|----------------------|---------------------------|
| <i>General Obligation Bonds:</i> | | | | |
| Series 2010 Refunding Bonds | 03/31/10 | 10/01/16 | \$ 45,175,000 | \$ 24,935,000 |
| <i>Full Faith and Credit Obligations:</i> | | | | |
| Series 2003 Obligations | 05/01/03 | 07/01/13 | 9,615,000 | 1,100,000 |
| Series 2004 Obligations | 10/01/04 | 08/01/19 | 54,235,000 | 36,545,000 |
| Series 2010A Obligations | 03/31/10 | 06/01/17 | 9,800,000 | 7,125,000 |
| Series 2010B Obligations | 12/14/10 | 06/01/30 | 15,000,000 | 15,000,000 |
| Series 2012 Obligations ⁽¹⁾ | 12/13/12 | 06/01/33 | 128,000,000 | 128,000,000 |
| Total Full Faith and Credit Obligations | | | | 187,770,000 |
| <i>Limited-Tax Pension Obligation Bonds:</i> | | | | |
| Series 1999 | 12/01/99 | 06/01/30 | 184,548,160 | 131,513,160 |
| <i>Capital Leases:</i> | | | | |
| Sellwood Library | 01/15/02 | 12/31/32 | 1,093,000 | 991,000 |
| Sheriff's Office Warehouse | 07/01/10 | 06/30/16 | 815,000 | 493,000 |
| Total Capital Leases | | | | 1,484,000 |
| Total Long-Term Debt | | | | \$ 345,702,160 |

(1) This issue.

Source: Multnomah County Audited Financial Reports for the Fiscal Year Ended June 30, 2011.

Interim Financing

In December 2011 the County entered in to a \$50 million line of credit agreement to finance interim costs associated with the Sellwood Bridge Project (the "2011 Line of Credit"). The 2011 Line of Credit matures on December 14, 2012. The County has drawn \$40 million on the 2011 Line of Credit and intends to pay this amount off with the proceeds of the Obligations.

**Full Faith and Credit Obligations
Projected Debt Service Requirements**

| Fiscal Year | Outstanding Obligations | | 2012 Obligations | | Total Debt Service |
|----------------|-------------------------|----------------------|-----------------------|----------------------|-----------------------|
| | Principal | Interest | Principal | Interest | |
| 2013 | \$ 8,445,000 | \$ 2,875,750 | \$ 0 | \$ 2,532,647 | \$ 13,853,397 |
| 2014 | 8,460,000 | 2,500,688 | 4,045,000 | 5,427,100 | 20,432,788 |
| 2015 | 7,605,000 | 2,137,213 | 4,165,000 | 5,305,750 | 19,212,963 |
| 2016 | 6,050,000 | 1,827,875 | 4,330,000 | 5,139,150 | 17,347,025 |
| 2017 | 6,295,000 | 1,552,013 | 4,550,000 | 4,922,650 | 17,319,663 |
| 2018 | 5,055,000 | 1,273,475 | 4,775,000 | 4,695,150 | 15,798,625 |
| 2019 | 4,845,000 | 1,050,725 | 5,015,000 | 4,456,400 | 15,367,125 |
| 2020 | 5,085,000 | 827,300 | 5,265,000 | 4,205,650 | 15,382,950 |
| 2021 | 1,350,000 | 712,888 | 5,530,000 | 3,942,400 | 11,535,288 |
| 2022 | 1,380,000 | 658,888 | 5,805,000 | 3,665,900 | 11,509,788 |
| 2023 | 1,410,000 | 600,238 | 6,095,000 | 3,375,650 | 11,480,888 |
| 2024 | 1,440,000 | 536,788 | 6,400,000 | 3,070,900 | 11,447,688 |
| 2025 | 1,475,000 | 470,548 | 6,720,000 | 2,750,900 | 11,416,448 |
| 2026 | 1,510,000 | 401,223 | 7,055,000 | 2,414,900 | 11,381,123 |
| 2027 | 1,545,000 | 324,968 | 7,410,000 | 2,062,150 | 11,342,118 |
| 2028 | 1,585,000 | 246,945 | 7,705,000 | 1,765,750 | 11,302,695 |
| 2029 | 1,630,000 | 166,903 | 8,015,000 | 1,457,550 | 11,269,453 |
| 2030 | 1,675,000 | 84,588 | 8,335,000 | 1,136,950 | 11,231,538 |
| 2031 | 0 | 0 | 8,665,000 | 803,550 | 9,468,550 |
| 2032 | 0 | 0 | 8,925,000 | 543,600 | 9,468,600 |
| 2033 | 0 | 0 | 9,195,000 | 275,850 | 9,470,850 |
| | <u>\$ 66,840,000</u> | <u>\$ 18,249,010</u> | <u>\$ 128,000,000</u> | <u>\$ 63,950,547</u> | <u>\$ 277,039,557</u> |

**Summary of Overlapping Debt
(As of September 17, 2012)**

| Overlapping Issuer Name | Real Market Value | Percent Overlapping | Gross Direct Debt ⁽¹⁾ | Net Direct Debt ⁽²⁾ |
|--|-------------------|---------------------|----------------------------------|--------------------------------|
| City of Fairview | \$ 759,067,236 | 100.00% | \$ 485,000 | \$ 0 |
| City of Gresham | 8,424,473,698 | 100.00% | 54,958,202 | 20,981,202 |
| City of Troutdale | 1,372,005,791 | 100.00% | 14,165,000 | 14,165,000 |
| Lusted Water District | 129,843,641 | 100.00% | 875,000 | 875,000 |
| Multnomah Cty Drainage District 1 | 194,734,784 | 100.00% | 3,150,000 | 125,000 |
| Multnomah Cty SD 3 (Parkrose) | 4,657,458,024 | 100.00% | 62,475,000 | 62,475,000 |
| Multnomah Cty SD 39 (Corbett) | 30,758,844 | 100.00% | 2,550,000 | 2,550,000 |
| Multnomah Cty SD 40 (David Douglas) | 4,155,074,974 | 100.00% | 109,858,481 | 109,858,481 |
| Multnomah Cty SD 7 (Reynolds) | 6,461,332,922 | 100.00% | 141,758,579 | 141,758,579 |
| Rockwood Water PUD | 4,081,340,033 | 100.00% | 6,145,000 | 0 |
| City of Portland | 81,911,043,430 | 99.65% | 682,844,546 | 148,879,594 |
| Multnomah Cty SD 1J (Portland) | 71,565,796,882 | 99.38% | 457,598,463 | 457,598,463 |
| Multnomah ESD | 97,184,919,419 | 98.25% | 34,135,503 | 0 |
| Sauvie Island Volunteer RFPD 30J | 179,783,313 | 96.29% | 86,661 | 86,661 |
| Multnomah Cty SD 51J (Riverdale) | 721,576,844 | 95.09% | 26,366,255 | 26,366,255 |
| Multnomah Cty SD 28J (Centennial) | 2,632,777,596 | 92.93% | 30,495,843 | 30,495,843 |
| Multnomah Cty SD 10J (Gresham-Barlow) | 6,557,195,060 | 84.15% | 82,161,735 | 82,161,735 |
| Mt Hood Community College | 28,378,871,776 | 83.47% | 57,386,623 | 18,638,159 |
| Metro | 188,213,817,015 | 50.56% | 158,169,088 | 133,877,969 |
| Portland Community College | 151,131,432,801 | 47.92% | 173,969,857 | 90,175,442 |
| Port of Portland | 206,003,917,447 | 46.66% | 32,335,435 | 0 |
| Columbia Cty SD 1J (Scappoose) | 1,705,864,901 | 26.85% | 8,655,109 | 8,655,109 |
| City of Lake Oswego | 7,677,304,835 | 5.70% | 8,055,665 | 2,009,227 |
| Tualatin Valley Fire & Rescue District | 55,724,813,188 | 1.70% | 1,062,865 | 807,655 |
| City of Milwaukie | 2,023,326,169 | 0.89% | 36,806 | 0 |
| Northwest Regional ESD | 82,595,259,515 | 0.74% | 42,947 | 0 |
| Washington Cty SD 48J (Beaverton) | 30,166,591,572 | 0.49% | 2,466,899 | 2,466,899 |
| Clackamas Cty SD 7J (Lake Oswego) | 8,387,014,112 | 0.32% | 358,237 | 358,237 |
| Clackamas Cty RFPD 1 | 18,283,729,929 | 0.20% | 45,249 | 5,390 |
| Clackamas Cty ESD | 44,081,280,604 | 0.06% | 17,010 | 1,290 |
| Washington Cty SD 1J (Hillsboro) | 14,168,928,250 | 0.01% | 16,420 | 16,420 |
| | | | <u>\$ 2,152,727,478</u> | <u>\$ 1,355,388,610</u> |

(1) Gross Direct Debt includes all unlimited (general obligation bonds) and limited (full faith and credit obligations) tax supported debt. Limited tax pension obligations are included.

(2) Net Debt is Gross Direct Debt less self-supporting limited and unlimited tax supported debt.

Source: Debt Management Division, The Office of the State Treasurer.

Debt Ratios

The following table presents information regarding the County's Direct Debt, including the Obligations, and the estimated portion of the debt of overlapping taxing districts allocated to the County's property owners.

Debt Ratios

| | | |
|---|--|--------------------------------------|
| Real Market Value (Fiscal Year 2013) | \$ 93,735,420,370 | |
| Estimated Population | 741,925 | |
| Per Capita Real Market Value | \$ 126,341 | |
| | Gross Direct Debt⁽¹⁾ | Net Direct Debt⁽²⁾ |
| Debt Information | | |
| County Direct Debt | \$ 345,702,160 | \$ 345,702,160 |
| Overlapping Direct Debt | 2,152,727,478 | 1,355,388,610 |
| Total Direct Debt | <u>\$ 2,498,429,638</u> | <u>\$ 1,701,090,770</u> |
| Bonded Debt Ratios | | |
| County Direct Debt to Real Market Value | 0.37% | 0.37% |
| Total Direct Debt to Real Market Value | 2.67% | 1.81% |
| Per Capita County Direct Debt | \$ 466 | \$ 466 |
| Per Capita Total Direct Debt | \$ 3,367 | \$ 2,293 |

(1) Gross Direct Debt includes all unlimited (general obligation bonds) and limited (full faith and credit obligations) tax supported debt.

(2) Net Debt is Gross Direct Debt less self-supporting limited and unlimited tax supported debt.

Sources: Multnomah County Department of Assessment and Taxation, Debt Management Division, The Office of the State Treasurer as of September 17, 2012, Multnomah County, and this bond issue.

Debt Payment Record

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

Future Financings

Capital Projects. Other than the Obligations, the County has no authorized but unissued bonds outstanding, nor does it anticipate issuing additional long-term debt within calendar year 2012.

Short-term Notes. The County does not anticipate issuing short-term debt within calendar year 2012.

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.

Vehicle Registration Fee

House Bill 2001 approved by the Legislative Assembly in its 2009 Session authorized a county with a population of more than 350,000 to enact a vehicle registration fee. The fee is to be used exclusively for the design and construction of a bridge and its approach that crosses the Willamette River in the City of Portland.

The Board enacted Ordinance 1151 on January 7, 2010 with an effective date of September 1, 2010, establishing the County's vehicle registration fee at a rate of \$19 per year for all types of vehicles with the exception of

trailers. As required by House Bill 2001, the County entered into an intergovernmental agreement with the Oregon Department of Motor Vehicles to collect the fee.

Vehicle Registration Fee collections were \$8.2 million in Fiscal Year 2011 and \$10.9 million in Fiscal Year 2012.

Grants and Contributions

Operating grants and contributions represented approximately 37 percent of the County's total governmental activities revenues in Fiscal Year 2011. Grants and contributions are generally dedicated to specific purposes.

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 ("Permanent Rates") up to 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 Rate Limit.

Local governments may not increase their Operating Tax Rate Limits; rather they may only request that voters approve limited term levies for operations or capital expenditures ("Local Option Levies") or levies to repay general obligation bonded indebtedness ("General Obligation Bond Levies").

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.

The County currently has Local Option Levies to fund library operations and the Oregon Historical Society. The library operations levy of \$0.89 per 1,000 of assessed value was first approved by County voters in November 2006, expiring in Fiscal Year 2012. County voters reapproved the library local option levy at the same rate at the May 15, 2012 election. The levy will expire in Fiscal Year 2015. In Fiscal Year 2011 the levy generated \$37.4 million. The Oregon Historical Society operations levy of \$0.05 per 1,000 of assessed value was approved by County voters in November 2010. Collections of the five year levy began in Fiscal Year 2012.

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. The local government ordinarily must notify the county assessor of its levies by July 15.

Valuation of Property – Real Market Value. "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.

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.

Property used for charitable, religious, fraternal and governmental purposes is exempt from taxation. Special assessments that provide a reduction in the taxable Real Market Value may be granted (upon application) for veterans' homesteads, farm and forest land, open space and historic buildings. The Real Market Value of specially assessed properties is often called the "Taxable Real Market Value" or "Measure 5 Real Market Value." The assessment roll, a listing of all taxable property, is prepared as of January 1 of each year.

Valuation of Property – Assessed Value. Property taxes are imposed on the assessed value of property. The assessed value of each parcel cannot exceed its Taxable Real Market Value, and ordinarily is less than its Taxable Real Market Value. The assessed value of property was initially established in 1997 as a result of a constitutional amendment. That amendment (now Article XI, Section 11, often called "Measure 50") assigned each property a value 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.

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 – Measure 5. A tax rate limitation was established in 1990 as the result of a constitutional amendment. That amendment (now Article XI, Section 11b, often called “Measure 5”) 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, collectively, “Education Taxes”) and one to fund government operations other than the public school system (“General Government Taxes”). Education Taxes are limited to \$5 per \$1,000 and General Government taxes are limited to \$10 per \$1,000 of the Taxable Real Market Value of property (the “Measure 5 Limits”). If the taxes on a property exceed the Measure 5 Limit for Education or General Government, then tax rates are compressed to the Measure 5 Limit. Local Option Levy rates compress to zero before there is any compression of Permanent Rates. In Fiscal Year 2012, there was \$9,872,029.68 of compression of the County’s Permanent Rate due to the tax rate limitation.

Taxes imposed to pay the principal and interest on the following bonded indebtedness are not subject to Measure 5 Limits: (1) bonded indebtedness authorized by a specific provision of the Oregon Constitution; and (2) general obligation bonded indebtedness incurred for capital costs 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 Obligations are subject to the limitations of Article XI, Sections 11 and 11b.**

In 2007 the Oregon Supreme Court 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 districts within the county are required to be placed in an unsegregated pool, and each taxing district shares in the pool in the same proportion as its levy bears to the total of all taxes levied by all taxing districts within the county. As a result, the tax collection record of each taxing district is a *pro-rata* share of the total tax collection record of all taxing districts 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 historical tax information for the County.

Taxable Property Values

| Fiscal Year | Real Market Value⁽¹⁾ | Total Assessed Valuation | Urban Renewal Excess | AV Used to Calculate Rates⁽²⁾ |
|--------------------|--|---------------------------------|-----------------------------|---|
| 2013 | \$ 93,735,420,370 | \$ 64,001,093,024 | \$ 5,323,183,349 | \$ 58,677,909,675 |
| 2012 | 95,354,431,618 | 62,692,645,695 | 5,151,161,165 | 57,541,484,530 |
| 2011 | 101,559,353,188 | 61,027,180,083 | 5,039,772,399 | 55,987,407,684 |
| 2010 | 105,028,015,063 | 59,301,125,312 | 4,751,822,133 | 54,549,303,179 |
| 2009 | 107,381,958,130 | 56,959,073,565 | 4,144,208,538 | 52,814,865,027 |
| 2008 | 100,302,763,266 | 54,303,309,732 | 3,631,631,788 | 50,671,677,944 |
| 2007 | 87,057,725,859 | 51,433,028,145 | 3,206,806,710 | 48,226,221,435 |

- (1) Value represents the Real Market Value of taxable properties, including the reduction in Real Market Value of specially assessed properties such as farm and forestland. This value is also commonly referred to as the Measure 5 Real Market Value by county assessors.
- (2) Assessed value of property in the County on which the permanent rate is applied to derive *ad valorem* property taxes, excluding urban renewal and any other offsets.

Source: Multnomah County Department of Assessment and Taxation.

The following table presents the Fiscal Year 2012 tax rates for the County and other taxing jurisdictions within 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 in 1997. The Permanent Rates shown in the following table are the rates that are actually applied to the assessed value of the taxing district. The Permanent Rates may be different from the Operating Tax Rate Limit of the taxing district due to the decision by the taxing district to levy less than its Operating Tax Rate Limit.

**Fiscal Year 2012 Representative Levy Rate
(Rates Per \$1,000 of Assessed Value)**

| General Government | Billing Rate | Bond Levy or UR Special Rate | Local Option Rate⁽¹⁾ | Consolidate d Rate | Urban Renewal Portion of the Consolidated Rate⁽²⁾ |
|---------------------------------------|---------------------|---|--|-------------------------------|---|
| Multnomah County | \$ 4.3434 | \$ 0.1569 | \$ 0.9400 | \$ 5.4403 | \$ 0.5197 |
| City of Portland | 4.5770 | 2.7084 | 0.4026 | 7.6880 | 0.7383 |
| Port of Portland | 0.0701 | 0.0000 | 0.0000 | 0.0701 | 0.0063 |
| East Soil/Water Conservation District | 0.1000 | 0.0000 | 0.0000 | 0.1000 | 0.0062 |
| Metro | 0.0966 | 0.2188 | 0.0000 | 0.3154 | 0.0285 |
| Tri-Met | 0.0583 | 0.0000 | 0.0000 | 0.0583 | 0.0049 |
| Portland Urban Renewal Special Levy | 0.0000 | 0.2926 | 0.0000 | 0.2926 | 0.0000 |
| Total General Government | 9.2454 | 3.3767 | 1.3426 | 13.9647 | 1.3039 |
| Education | | | | | |
| Multnomah Education Service District | 0.4576 | 0.0000 | 0.0000 | 0.4576 | 0.0442 |
| Portland Community College | 0.2828 | 0.3153 | 0.0000 | 0.5981 | 0.0608 |
| Portland School District | 5.2781 | 0.0000 | 1.9900 | 7.2681 | 0.7515 |
| Total Education | 6.0185 | 0.3153 | 1.9900 | 8.3238 | 0.8565 |
| Total Tax Rate | \$ 15.2639 | \$ 3.6920 | \$ 3.3326 | \$ 22.2885 | \$ 2.1604 |

NOTE: County assessors report levy rates by tax code. Levy rates apply to the assessed property value. Measure 5 Limits are based on the Taxable Real Market Value and are only reported in total dollar amount of compression, if any, for each taxing jurisdiction (see "Property Taxes - Tax Rate Limitation - Measure 5" 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 Levy rates compress to zero before there is any compression of district billing rates (see "Property Taxes - Tax Rate Limitation - Measure 5" 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 Department of Assessment and Taxation. Note that there are 120 tax codes in the County and Tax Code 201 (represented in the table above) has the highest property value of these tax codes. Total tax levies in the County range from \$12.2796 to \$22.9394 per \$1,000 of assessed property value.

**Multnomah County
Tax Collection Record⁽¹⁾**

| Fiscal Year | Percent Collected as of | |
|------------------------|--------------------------------|--------------------------------|
| | Levy Year⁽²⁾ | 6/30/2012⁽³⁾ |
| 2012 | 96.89% | 96.89% |
| 2011 | 97.22% | 98.38% |
| 2010 | 96.85% | 98.91% |
| 2009 | 96.43% | 99.69% |
| 2008 | 97.07% | 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, 2012.

Source: Multnomah County Department of Assessment and Taxation.

Major Taxpayers
(As of Fiscal Year 2012)
Multnomah County

| Taxpayer | Business/Service | Tax ⁽¹⁾ | Assessed Value ⁽²⁾ | Percent of Value |
|--|---------------------------------|---------------------------|--------------------------------------|-------------------------|
| Port of Portland | Airport, Marine, Property Mgmt. | \$ 12,566,459 | \$ 615,231,790 | 0.98% |
| Portland General Electric | Electrical Utility | 6,506,069 | 406,992,922 | 0.65% |
| Comcast Corporation | Telecommunications | 6,190,979 | 351,391,900 | 0.56% |
| Weston Investment Co. LLC | Real Estate | 5,244,058 | 248,199,200 | 0.40% |
| PacifiCorp (Pacific Power) | Electrical Utility | 5,111,443 | 319,636,000 | 0.51% |
| LC Portland LLC | Real Estate | 3,864,731 | 173,395,750 | 0.28% |
| Qwest Corporation | Telecommunications | 3,539,281 | 220,327,700 | 0.35% |
| Fred Meyer Stores Inc. | Retail | 3,251,209 | 163,368,968 | 0.26% |
| 555 SW Oak LLC | US Bank Tower | 2,915,057 | 130,944,960 | 0.21% |
| Kaiser Foundation Hospitals | Hospital | 2,768,129 | 131,092,144 | 0.21% |
| Subtotal - ten of County's largest taxpayers | | | 2,760,581,334 | 4.40% |
| All other County's taxpayers | | | 59,932,064,361 | 95.60% |
| Total County | | | <u>\$ 62,692,645,695</u> | <u>100.00%</u> |

(1) Tax amount is the total tax paid by the taxpayer within the boundaries of the County. This amount is distributed to individual local governments by the County.

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

Source: Multnomah County Department of Assessment and Taxation.

Strategic Investments Program

The Strategic Investments Program (“SIP”) was authorized by the Legislative Assembly in 1993 to provide tax incentives for capital investments by “traded-sector” businesses, including manufacturing. SIP recipients receive a 15 year property tax exemption on new construction over \$25 million outside of urban areas, and over \$100 million in urban areas. The exemption value (\$25 million or \$100 million) then increases three percent per year. SIP recipients pay an annual Community Service Fee which is equal to 25 percent of the value of the tax break, which is allocated to local governments through local negotiations. The Community Service Fee is not considered a property tax and thus is outside of the Measure 5 Limit. Microchip, a water-fabrication manufacturing facility located in Gresham, is an SIP recipient.

Other Taxes

Oregon cities and counties generally have broad authority to impose taxes on activities within their boundaries. Certain Oregon cities and counties currently impose business license taxes, food and beverage taxes, motor vehicle fuel taxes, transient room taxes and other taxes. Generally these taxes must be either approved by the voters or may be subject to referral by the voters.

The Legislative Assembly generally has the authority to limit or prohibit local governments from imposing taxes, and has limited a number of local government taxes, including transient room taxes and real estate transfer taxes. Each local government has its own mix of taxes, as well as fees and other revenue sources.

The County currently imposes a business income tax, motor vehicle rental tax, transient lodging tax, and gas tax. In Fiscal Year 2011 the County received \$48.6 million from the business income tax, \$17.8 million from the motor vehicle rental tax, \$18.2 million from the transient lodging tax, and \$7.1 million from the gas tax.

Local Government Fees

Oregon cities and counties generally have broad authority to impose and collect fees for services. Many cities and counties collect sewer, water, electric and other enterprise fees, building permit fees, and surface water management fees.

Other local governments, such as special purpose districts, generally require legislative authorization to impose fees for services. Local governments that are authorized to operate utility systems generally are authorized to impose fees for services that are sufficient to pay for their costs of operating and financing their utility systems.

The Legislative Assembly generally has the authority to limit or prohibit local governments from imposing fees for services. Cities are currently authorized to collect franchise fees from utilities, while other local governments are prohibited from doing so.

State of Oregon Funding

Oregon cities and counties receive a share of the revenues the State receives from taxing motor vehicle fuels. The Oregon Constitution requires that these revenues be used only to pay for costs of public roads. Oregon cities and counties also receive a share of the revenues the State of Oregon receives from tobacco taxes and liquor taxes.

The State of Oregon also appropriates money to Oregon counties to operate the justice system, and it provides a wide variety of funding for other purposes.

The State of Oregon is generally not obligated to continue to provide these revenues to local governments.

Federal Funding

Oregon local governments receive federal funding for a variety of purposes. That funding is generally restricted to specific purposes.

State Reserve Funds

The 2007 Legislative Assembly created two budgetary reserve funds, the Rainy Day Fund and the Education Stability Fund. With the approval of three-fifths of each house, the Legislative Assembly may appropriate up to two-thirds of the money in the Rainy Day Fund or Education Stability Fund for use in any biennium if certain economic or revenue triggers occur. The September 2012 Forecast projects that at the end of the 2011-13 biennium the Rainy Day Fund and the Education Stability Fund will have ending fund balances of \$61.7 8 million and \$10.56.9 million, respectively.

Rainy Day Fund. The Rainy Day Fund may be drawn on for any General Fund purpose in the event of a downturn in State revenues. In September 2007 the State made an initial one-time deposit into the Rainy Day Fund of \$319.2 million from the corporate income tax credit (known as the “corporate kicker”). The Oregon Rainy Day Fund retains interest earnings in the fund. After the current biennium, the Rainy Day Fund is to receive biennial deposits from the ending General Fund balance in an amount equal to the lesser of (a) the actual General Fund ending balance for the preceding biennium or (b) one percent of the amount of General Fund appropriations for the preceding biennium. The amount deposited to the Rainy Day Fund is capped at 7.5 percent of General Fund revenues for a biennium.

Education Stability Fund. Under the Oregon Constitution, 18 percent of the net proceeds from the State Lottery must be deposited in the Education Stability Fund quarterly. The Education Stability Fund does not retain earnings in the fund. The amount in the Education Stability Fund may not exceed 5% of the amount that was collected as revenues in the State’s General Fund during the prior biennium.

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 741,925. 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 Commissioners consisting of four non-partisan members elected from designated districts within the County and the Chair of the Board, elected at large. The Board of Commissioners conducts all legislative business of the County. The current members of the Board of Commissioners follow:

Board of Commission

| Name | Position | Service Began | Term Expires⁽¹⁾ |
|-----------------|--------------------------|----------------------|-----------------------------------|
| Jeff Cogen | Chair | January 1, 2007 | December 31, 2014 |
| Deborah Kafoury | Commissioner, District 1 | January 1, 2009 | December 31, 2012 |
| Loretta Smith | Commissioner, District 2 | January 1, 2011 | December 31, 2014 |
| Judy Shiprack | Commissioner, District 3 | January 1, 2009 | December 31, 2012 |
| Diane McKeel | Commissioner, District 4 | January 1, 2009 | December 31, 2012 |

(1) Deborah Kafoury, Judy Shiprack, and Diane McKeel were all re-elected to serve as commissioner of their current District at the May 15, 2012 election. Their new terms begin January 1, 2013 and run through December 31, 2016.

Source: *Multnomah County*.

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 key management employees follow:

Mark Campbell, Chief Financial Officer. Mark Campbell was appointed Chief Financial Officer for the County in May 2012. He has been a member of the County’s finance team for 23 years, having originally been hired in 1989 as a Strategic Planning Analyst in the central Budget Office. Previously he served as Assistant to the City Manager of Fort Collins, Colorado from 1985 to 1989. Mr. Campbell holds a Masters in Public Administration with a concentration in Financial Management from the State University of New York at Albany. He is a member of GFOA and its Oregon affiliate.

Joanne Fuller, Chief Operating Officer and Director of County Management. Joanne Fuller was appointed Chief Operating Officer for Multnomah County in January 2011. Over her 24 years with Multnomah County she has also served as Director of both the Department of County Human Services and the Department of Community Justice. Before joining the County, Ms. Fuller worked for several mental health and social services not for profit agencies in Portland, Oregon. She holds a Master’s Degree in Social Work from Portland State University.

Karyne Kieta, Deputy Director of County Management and Budget Officer. Karyne Kieta has worked in county government administration for over 25 years and has spent the majority of that time at the County. She serves

as a strategic advisor and counsel to the Board of County Commissioners, County Chair’s Office, and Department Directors regarding countywide and departmental policy and operational issues.

Under Ms. Kieta’s leadership, the County’s budgets have regularly won the Government Finance Officer’s Association’s (GFOA) Distinguished Budget Presentation Award. She has a Master’s Degree in Public Administration from Lewis and Clark College and a B.S. in Business Administration and Management from California State Polytechnic University. She is a member of GFOA and its Oregon affiliate.

Staff

As of September 2012, the County had 4,069 full-time employees and 356 part-time employees.

Bargaining Units

| Bargaining Unit | Current Contract Term | Major Duties | Number of Employees |
|----------------------|-----------------------|-----------------------------------|---------------------|
| IUOE Local 701 | Under Negotiation | Facilities maintenance and repair | 13 |
| IUPAT Local 1094 | Under Negotiation | Sign painters | 1 |
| MCPAA | 7/1/09 - 6/30/13 | Prosecuting attorneys | 70 |
| AFSCME Local 88 JCSS | 7/1/10 - 6/30/13 | Juvenile custody workers | 54 |
| AFSCME Local 88 | 7/1/11 - 6/30/14 | General employees | 2,774 |
| MCCDA | 7/1/10 - 6/30/17 | Correctional officers | 422 |
| ONA | 7/1/12 - 6/30/15 | Nurses | 202 |
| FOPPO | 7/1/11 - 6/30/14 | Probation and Parole Officers | 120 |
| MCDSA | 7/1/04 - 6/30/14 | Deputy sheriffs | 87 |
| IBEW Local 48 | 7/1/11 - 6/30/16 | Electrical Workers | 18 |

Financial Factors

Financial Reporting and Accounting Policies

The County’s basic financial statements were prepared in conformity with generally accepted accounting principles (“GAAP”) as prescribed by the Governmental Accounting Standards Board (“GASB”).

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 2011 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 audits for the Fiscal Years 2007 through 2011 (“County Audited Financial Statements”) were performed by Moss-Adams LLP, CPA, Eugene, Oregon (the “Auditor”). The audit report for Fiscal Year 2011 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 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 2011 Fiscal Year. The County has contracted with the Auditor to audit its financial statements for Fiscal Year 2012. The audit review began in October 2012.

Future financial statements may be obtained from the Electronic Municipal Market Access system, a free, centralized repository located at: www.emma.msrb.org.

Summaries of the County's Net Assets and Changes in Net Assets follow:

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

| Assets | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Current assets: | | | | | |
| Cash and investments | \$ 193,113 | \$ 228,242 | \$ 215,909 | \$ 244,129 | \$ 275,091 |
| Receivables (net of uncollectibles): | | | | | |
| Taxes | 33,529 | 31,297 | 24,064 | 21,072 | 21,077 |
| Accounts | 67,829 | 66,461 | 66,654 | 70,249 | 81,507 |
| Loans | 784 | 756 | 1,132 | 1,160 | 1,069 |
| Interest | 1,020 | 847 | 1,048 | 1,140 | 955 |
| Special assessments | 11 | 11 | 11 | 11 | 11 |
| Contracts | 6,049 | 3,982 | 4,570 | 3,963 | 3,598 |
| Due from other funds | 400 | 329 | 253 | 103 | 0 |
| Inventories | 3,872 | 3,237 | 3,064 | 3,011 | 3,112 |
| Prepaid items | 1,836 | 2,047 | 2,308 | 2,535 | 2,356 |
| Restricted cash and investments | 1,606 | 598 | 1,314 | 1,333 | 1,355 |
| Non-current assets: | | | | | |
| Capital assets: | | | | | |
| Land and construction in progress | 49,522 | 16,613 | 17,552 | 220,425 | 251,571 |
| Buildings-not in service, ot depreciating | 51,164 | 51,164 | 51,164 | 51,164 | 51,164 |
| Other capital assets (net of depreciation) | 523,199 | 545,365 | 535,552 | 463,769 | 452,823 |
| Other assets, net of amortization | 138,291 | 132,110 | 125,927 | 119,959 | 113,865 |
| Total Assets | <u>1,072,225</u> | <u>1,083,059</u> | <u>1,050,522</u> | <u>1,204,023</u> | <u>1,259,554</u> |
| Liabilities | | | | | |
| Current Liabilities: | | | | | |
| Accounts payable | 73,063 | 68,473 | 61,065 | 66,118 | 67,150 |
| Claims and judgments payable | 8,668 | 11,414 | 12,861 | 12,189 | 11,698 |
| Accrued salaries and benefits | 7,090 | 7,658 | 8,307 | 8,131 | 8,445 |
| Accrued interest payable | 3,065 | 2,854 | 2,646 | 2,189 | 1,946 |
| Unearned revenue | 9,374 | 9,540 | 7,190 | 7,206 | 7,311 |
| Due within one year: | | | | | |
| Compensated absences | 6,123 | 6,498 | 6,614 | 6,959 | 7,010 |
| Note payable | 500 | 0 | 0 | 0 | 0 |
| Bonds payable | 18,620 | 20,415 | 21,786 | 24,687 | 26,652 |
| Capital leases payable | 3,016 | 2,847 | 2,277 | 14 | 122 |
| Loans payable | 83 | 242 | 0 | 0 | 345 |
| Pollution remediation obligation | 0 | 0 | 0 | 275 | 376 |
| Noncurrent liabilities: | | | | | |
| Due in more than one year: | | | | | |
| Compensated absences | 14,536 | 15,856 | 16,863 | 17,301 | 18,676 |
| Bonds payable | 304,054 | 283,639 | 261,853 | 248,555 | 236,902 |
| Capital leases payable | 13,604 | 10,757 | 8,480 | 1,006 | 1,597 |
| Loans payable | 279 | 0 | 623 | 2,132 | 3,069 |
| Pollution remediation obligation | 0 | 0 | 0 | 100 | 0 |
| Deferred lease obligation | 1,661 | 1,718 | 1,723 | 1,697 | 1,622 |
| Net other postemployment benefits obligation | 57,990 | 70,136 | 80,173 | 90,048 | 97,403 |
| Total Liabilities | <u>521,726</u> | <u>512,047</u> | <u>492,461</u> | <u>488,607</u> | <u>490,324</u> |
| Net Assets | | | | | |
| Invested in capital assets, net of related debt | 456,502 | 465,079 | 470,426 | 620,544 | 637,922 |
| Restricted | 76,266 | 77,979 | 98,542 | 103,600 | 49,806 |
| Unrestricted | 17,731 | 27,954 | (10,907) | (8,728) | 81,502 |
| Total Net Assets | <u>\$ 550,499</u> | <u>\$ 571,012</u> | <u>\$ 558,061</u> | <u>\$ 715,416</u> | <u>\$ 769,230</u> |

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: Multnomah County Audited Financial Statements.

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

| Revenues: | 2007 | 2008 | 2009 | 2010 | 2011 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Program revenues: | | | | | |
| Charges for services | \$ 92,419 | \$ 97,348 | \$ 103,989 | \$ 115,554 | \$ 135,657 |
| Operating grants and contributions | 257,810 | 265,271 | 291,018 | 299,735 | 316,218 |
| Capital grants and contributions | 5,594 | 10,505 | 3,831 | 2,885 | 16,415 |
| General revenues: | | | | | |
| Taxes: | | | | | |
| Property taxes, levied for general purposes ⁽¹⁾ | 231,073 | 249,446 | 258,200 | 266,294 | 268,605 |
| Property taxes, levied for debt service ⁽¹⁾ | 9,249 | 9,077 | 8,227 | 9,001 | 8,246 |
| Personal income taxes ⁽²⁾ | 21,237 | 2,748 | (5,341) | 44,150 | 683 |
| Business income taxes ⁽³⁾ | 57,399 | 65,650 | 42,900 | 42,692 | 48,570 |
| Other taxes ⁽⁴⁾ | 41,320 | 44,349 | 40,677 | 1,305 | 47,667 |
| State government shared unrestricted revenues | 9,517 | 9,613 | 8,562 | 7,768 | 7,423 |
| Grants and contributions not restricted to specific programs | 6 | 10 | 14 | 27 | 1 |
| Interest and investment earnings | 13,454 | 11,887 | 5,767 | 2,589 | 2,946 |
| Miscellaneous | 6,771 | 1,410 | 1,791 | 1,665 | 667 |
| Gains on sale of capital assets | 228 | 10,206 | 628 | 228 | 175 |
| Total general revenues and special items | <u>746,077</u> | <u>777,520</u> | <u>760,263</u> | <u>793,893</u> | <u>853,273</u> |
| Expenses | | | | | |
| General government | 87,472 | 75,547 | 64,660 | 59,572 | 58,642 |
| Health services | 118,380 | 125,355 | 133,751 | 137,615 | 151,327 |
| Social services | 185,672 | 196,537 | 210,590 | 224,928 | 222,515 |
| Public safety and justice | 199,850 | 208,253 | 217,215 | 210,079 | 216,403 |
| Community services | 24,136 | 26,069 | 24,320 | 22,796 | 26,683 |
| Library | 47,872 | 52,087 | 55,181 | 56,548 | 60,343 |
| Roads and bridges | 53,701 | 56,716 | 53,462 | 49,571 | 51,772 |
| Interest on long-term debt | 16,954 | 16,443 | 14,041 | 12,800 | 11,774 |
| Total governmental activities | <u>734,037</u> | <u>757,007</u> | <u>773,220</u> | <u>773,909</u> | <u>799,459</u> |
| Increase (decrease) in net assets | 12,040 | 20,513 | (12,957) | 19,984 | 53,814 |
| Cumulative effect of change in accounting principle | 0 | 0 | 0 | 137,371 | 0 |
| Net assets -- beginning, restated | <u>538,459</u> | <u>550,499</u> | <u>571,012</u> | <u>695,432</u> | <u>715,416</u> |
| Net assets -- ending | <u>\$ 550,499</u> | <u>\$ 571,012</u> | <u>\$ 558,055</u> | <u>\$ 715,416</u> | <u>\$ 769,230</u> |

- (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 ended 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).

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.

Source: Multnomah County 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 | 2007 | 2008 | 2009 | 2010 | 2011 |
|--|-------------------|-------------------|------------------|-------------------|-------------------|
| Cash and investments | \$ 46,238 | \$ 60,312 | \$ 20,968 | \$ 47,476 | \$ 52,075 |
| Receivables | | | | | |
| Taxes | 29,261 | 26,445 | 19,435 | 17,045 | 16,724 |
| Accounts | 9,322 | 7,410 | 6,861 | 8,035 | 33,378 |
| Interest | 1,020 | 847 | 1,048 | 1,140 | 955 |
| Special assessments | 11 | 11 | 11 | 11 | 11 |
| Contracts | 1,536 | 1,383 | 1,229 | 1,493 | 1,407 |
| Due from other funds | 23,396 | 19,475 | 23,200 | 23,600 | 250 |
| Inventory | 362 | 394 | 255 | 554 | 515 |
| Prepays | 295 | 270 | 436 | 862 | 390 |
| Total Assets and Other Debits | <u>\$ 111,441</u> | <u>\$ 116,547</u> | <u>\$ 73,443</u> | <u>\$ 100,216</u> | <u>\$ 105,705</u> |
| Liabilities, Equity and Other Credits | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 24,933 | \$ 21,835 | \$ 24,005 | \$ 24,512 | \$ 22,476 |
| Payroll payable | 3,449 | 3,816 | 4,129 | 4,002 | 4,087 |
| Deferred revenue | 22,341 | 19,283 | 13,932 | 12,287 | 33,425 |
| Short-term note payable | 500 | 0 | 0 | 0 | 0 |
| Total Liabilities: | <u>51,223</u> | <u>44,934</u> | <u>42,066</u> | <u>40,801</u> | <u>59,988</u> |
| Equity and Other Credits: | | | | | |
| Fund balance: | | | | | |
| Nonspendable | | | | | 654 |
| Restricted | | | | | 487 |
| Reserved for interfund receivable | 0 | 19,475 | 23,200 | 23,600 | |
| Reserved for inventory | 362 | 394 | 255 | 554 | |
| Reserved for prepaid | 295 | 270 | 436 | 862 | |
| Unreserved | 59,561 | 51,474 | 7,486 | 34,399 | 44,576 |
| Total Fund Equity | <u>60,218</u> | <u>71,613</u> | <u>31,377</u> | <u>59,415</u> | <u>45,717</u> |
| Total Liabilities and Fund Equity | <u>\$ 111,441</u> | <u>\$ 116,547</u> | <u>\$ 73,443</u> | <u>\$ 100,216</u> | <u>\$ 105,705</u> |

Source: Multnomah County Audited Financial Statements.

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

| Revenues | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|------------------|------------------|------------------|------------------|------------------|
| Taxes ⁽¹⁾ | \$ 288,537 | \$ 297,372 | \$ 275,105 | \$ 289,727 | \$ 299,124 |
| Intergovernmental | 17,507 | 18,452 | 16,175 | 14,425 | 14,751 |
| Licenses and permits | 9,966 | 8,763 | 8,859 | 8,153 | 9,137 |
| Charges for services | 9,906 | 9,365 | 10,662 | 10,470 | 15,760 |
| Interest | 5,060 | 5,073 | 2,092 | 853 | 727 |
| Other | <u>13,520</u> | <u>13,279</u> | <u>13,834</u> | <u>16,820</u> | <u>15,292</u> |
| Total Revenues | <u>344,496</u> | <u>352,304</u> | <u>326,727</u> | <u>340,448</u> | <u>354,791</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| General government ⁽²⁾ | 69,531 | 62,495 | 55,825 | 54,246 | 57,738 |
| Health and social service | 95,869 | 95,344 | 94,904 | 92,428 | 122,544 |
| Public safety and justice | 157,402 | 165,768 | 170,486 | 166,467 | 171,165 |
| Capital outlay | 700 | 574 | 1,041 | 514 | 1,210 |
| Debt Service | | | | | |
| Principal | 11 | 11 | 11 | 0 | 0 |
| Interest | <u>885</u> | <u>1,262</u> | <u>6</u> | <u>35</u> | <u>33</u> |
| Total Expenditures | <u>324,398</u> | <u>325,454</u> | <u>322,273</u> | <u>313,690</u> | <u>352,690</u> |
| Excess (deficiency) of revenues over expenditures | <u>20,098</u> | <u>26,850</u> | <u>4,454</u> | <u>26,758</u> | <u>2,101</u> |
| Other Financing Sources (Uses) | | | | | |
| Premium on short-term debt | 157 | 0 | 0 | 0 | 0 |
| Issuance of capital lease | 33 | 0 | 0 | 0 | 815 |
| Proceeds from sale of capital assets | 0 | 8 | 0 | 0 | 0 |
| Operating transfers in | 1,522 | 1,854 | 3,416 | 18,200 | 3,249 |
| Operating transfers out | <u>(16,556)</u> | <u>(17,317)</u> | <u>(48,106)</u> | <u>(16,920)</u> | <u>(19,863)</u> |
| Total Other Financing Sources (Uses) | <u>(14,844)</u> | <u>(15,455)</u> | <u>(44,690)</u> | <u>1,280</u> | <u>(15,799)</u> |
| Net change in fund balance | 5,254 | 11,395 | (40,236) | 28,038 | (13,698) |
| Fund balance at beginning of year | <u>54,964</u> | <u>60,218</u> | <u>71,613</u> | <u>31,377</u> | <u>59,415</u> |
| Ending fund balance | <u>\$ 60,218</u> | <u>\$ 71,613</u> | <u>\$ 31,377</u> | <u>\$ 59,415</u> | <u>\$ 45,717</u> |

Source: Multnomah County 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 Department of Assessment and Taxation 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.

General Fund Adopted Budget (Fiscal Years)

| Resources | 2012 Revised | 2013 |
|-------------------------------|-----------------------|-----------------------|
| Taxes | \$ 301,834,277 | \$ 313,153,062 |
| Intergovernmental | 11,083,339 | 10,326,423 |
| Licenses & Permits | 10,198,092 | 10,658,398 |
| Service Charges | 35,485,259 | 36,677,453 |
| Interest | 1,417,504 | 1,021,000 |
| Other | 21,063,053 | 24,273,067 |
| Financing Sources | 2,119,986 | 3,449,983 |
| Beginning Net Working Capital | 51,480,520 | 54,923,323 |
| Total Resources | \$ 434,682,030 | \$ 454,482,709 |
| Expenditures | | |
| Non-Departmental | \$ 19,314,132 | \$ 21,334,354 |
| District Attorney | 18,236,135 | 19,265,981 |
| Human Services | 51,471,959 | 51,789,574 |
| Health | 81,861,013 | 85,608,072 |
| Community Justice | 55,109,246 | 55,875,163 |
| Sheriff | 103,983,563 | 105,720,119 |
| County Management | 28,838,347 | 29,469,441 |
| County Assets | 1,586,744 | 5,625,646 |
| Community Services | 11,421,503 | 12,335,226 |
| Cash Transfers | 21,010,044 | 26,387,460 |
| Contingency | 10,687,196 | 9,008,040 |
| Unappropriated Balance | 31,162,148 | 32,063,633 |
| Total Expenditures | \$ 434,682,030 | \$ 454,482,709 |

Source: Multnomah County Adopted Fiscal Year 2013 Budget.

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 and approved 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 certificates of participation 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.

Municipalities are also authorized to invest approximately \$44.9 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" (ORS 293.726) 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. A listing of investments held by the Oregon Short-Term Fund is available on the Oregon State Treasury website under "Other OSTF Reports - OSTF Detailed Monthly Reports" at www.ost.state.or.us/about/boards/OSTF/About.htm.

Pension System

General. The County participates in a retirement pension benefit program under the State of Oregon Public Employees Retirement System ("PERS" or the "System"). After six full months of employment, all County employees are required to participate in PERS.

T1/T2 Pension Programs. Employees hired before August 29, 2003 participate in the "Tier 1" and "Tier 2" pension programs (the "T1/T2 Pension Programs"). The benefits provided through the T1/T2 Pension Programs are based primarily on a defined benefit model and 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. Effective January 1, 2004, T1/T2 Pension Program participant contributions fund individual retirement accounts under the separate defined contribution program described below. Participant contributions may be paid by the employee or the employer, depending on the individual contract negotiated between the two. See "Employer Contribution Rates" herein.

OPSRP. Employees hired on or after August 29, 2003 participate in the Oregon Public Service Retirement Plan ("OPSRP") unless membership was previously established in the T1/T2 Pension Programs. 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.

Actuarial Valuation. Oregon statutes require an actuarial valuation of the System at least once every two years. Based on the biennial actuarial valuation as of December 31 of odd-numbered years the Public Employees Retirement Board ("PERB") establishes the contribution rates that employers will pay to fund the T1/T2 Pension Programs, OPSRP and the PERS-sponsored Retirement Health Insurance Account program ("RHIA") described herein. Actuarial valuations are performed annually as of December 31 of each year, with the valuations as of December 31 of even-numbered years (such as 2010) used for advisory purposes only and valuations as of December 31 of odd-number years (such as 2009) used to set payroll contribution rates. Actuarial valuations are performed for the entire System (the "System Valuation"), and for each participating employer, including the County (the "County Valuation"). Valuations are released nine to eleven months after the valuation date. PERS' current actuary is Milliman, Inc. ("Milliman") which replaced the prior actuary, Mercer (US), Inc. in January 2012.

| Valuation Date | Release Date | Rates Effective |
|-------------------|---------------|------------------------------|
| December 31, 2009 | October 2010 | July 1, 2011 – June 30, 2013 |
| December 31, 2010 | November 2011 | Advisory only |
| December 31, 2011 | October 2012 | July 1, 2013 – June 30, 2015 |

The 2011 System Valuation indicated that the System-wide funded status decreased from approximately 87 percent at December 31, 2010 to 82 percent at December 31, 2011 due to lower than assumed investment returns, taking into account offsets for deposits made by individual employers from bond proceeds or cash on hand into Side Accounts (see “Pension Bonds and Side Accounts” herein).

Employer Assets, Liabilities, and Unfunded Actuarial 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.

County UAL. 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 the SLGRP’s assets and liabilities is based on the County’s proportionate share of the SLGRP’s pooled payroll (the “County Allocated T1/T2 UAL”). Changes in the County’s relative growth in payroll will cause the County Allocated T1/T2 UAL to shift. The County Allocated T1/T2 UAL may increase if other pool participants fail to pay their full employer contributions.

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. The County’s allocated share of OPSRP’s assets and liabilities is based on the County’s proportionate share of OPSRP’s pooled payroll (the “County Allocated OPSRP UAL”). Changes in the County’s relative growth in payroll will cause the County Allocated OPSRP UAL to shift.

Pension Bonds and Side Accounts. In December 1999 the County issued pension bonds to make a \$180,000,000 lump-sum payment to PERS. The payment was deposited in the PERS fund to finance the County’s transition liability and all or a portion of the County Allocated T1/T2 UAL and County Allocated OPSRP UAL, reducing the County’s contribution rates, although debt service payments are also due on the pension bonds.

The County’s net unfunded pension UAL is the total of the County Allocated T1/T2 UAL, County Allocated OPSRP UAL, and County Side Account. The County’s net unfunded pension UAL as of the 2009 Valuation and 2011 Valuation is shown in the following table. T.

Multnomah County Net Unfunded Pension UAL

| | 2009 Valuation | 2011 Valuation |
|--|-----------------------|-----------------------|
| Allocated pooled SLGRP T1/T2 UAL | \$ 361,583,792 | \$ 437,382,026 |
| Allocated pre-SLGRP pooled liability/(surplus) | (57,369,591) | (55,985,549) |
| Transition liability/(surplus) | (96,284,817) | (94,261,953) |
| Allocated pooled OPSRP UAL | 2,832,568 | 4,681,346 |
| County Side Account | 0 | 0 |
| Net unfunded pension actuarial accrued liability | <u>\$ 210,761,952</u> | <u>\$ 291,815,870</u> |

(1) The transition surplus represents the surplus that was created when the County joined the LGRP. The transition surplus is solely the County’s.

Source: 2009 County Valuation and 2011 County Valuation.

The funded status of PERS and of the County as reported by the PERS actuary, will change over time depending on a variety of factors, including the market performance of the securities in which the OPERF is invested, future changes in compensation and benefits of covered employees, demographic characteristics of members and methodologies and assumptions used by the actuary in estimating the assets and liabilities of PERS.

Significant actuarial assumptions and methods used in the valuations included: (a) Projected Unit Credit actuarial cost method, (b) asset valuation method based on market value, (c) rate of return on the investment of present and future assets of 8%, (d) payroll growth rate of 3.75%, (e) consumer price inflation of 2.75% per year, and (f) UAL amortization method of a level percentage of payroll over 21 years (fixed) for the T1/T2 Pension Programs and 16 years (fixed) for OPSRP.

Employer Contribution Rates. Employer contribution rates are calculated as a percent of covered payroll. The rates are based on the current and projected cost of benefits and the anticipated level of funding available from the OPERF, including anticipated investment performance of the fund. Contribution rates are subject to future adjustment based on factors such as the result of subsequent actuarial valuations, litigation, decisions by the PERS Board and changes in benefits resulting from legislative modifications. Pursuant to ORS 238.225 all employers participating in PERS are required to make their contribution to PERS based on the employer contribution rates set by the PERS Board. Employees are required to contribute 6 percent of their annual salary to the respective programs. Employers are allowed to pay the employees' contribution in addition to the required employers' contribution. The County has elected to make the employee contribution.

Contribution Rate Collar. In January 2010 the PERS Board adopted a revised implementation of the rate collar limiting increases in employer contribution rates from biennium to biennium (the "Rate Collar"). Under normal conditions, the Rate Collar is the greater of three percent of payroll or 20 percent of the current base rate. If the funded status of the SLGRP is below 80 percent, the Rate Collar increases by 0.3 percent for every percentage point under the 80 percent funded level until it reaches six percent at the 70 percent funded level (if under the three percent parameter), or by two percent for every percentage point under the 80 percent funded level (if under the 20 percent of current base rate parameter). The 2011 System Valuation found that the SLGRP was 75 percent funded, resulting in a rate collar of 4.52 percent. The Rate Collar limits increases in employer contribution rates before rate reductions from side accounts are deducted, and does not cover charges associated with RHIA and RHIPA.

County Contribution Rates. The County's current contribution rates are based on the 2009 Valuation. The following table shows the County's contribution rates effective July 1, 2011 to June 30, 2013 (2009 Valuation) and the rates effective July 1, 2013 through June 30, 2015 (2011 Valuation).

Multnomah County Pension Contribution Rates

| | 2009 Valuation | | | 2011 Valuation | | |
|---|----------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| | T1/T2 | OPSRP General | OPSRP P&F | T1/T2 | OPSRP General | OPSRP P&F |
| Normal cost rate | 9.63% | 6.13% | 8.84% | 9.88% | 6.27% | 9.00% |
| T1/T2 UAL rate | 6.10 | 6.10 | 6.10 | 10.36 | 10.36 | 10.36 |
| OPSRP UAL rate | 0.08 | 0.08 | 0.08 | 0.15 | 0.15 | 0.15 |
| Pre-SLGRP pooled liability rate | (1.70) | (1.70) | (1.70) | (1.76) | (1.76) | (1.76) |
| Transition liability/(surplus) rate | (2.85) | (2.85) | (2.85) | (2.96) | (2.96) | (2.96) |
| Side account rate relief | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Retiree Healthcare rate (RHIA) ⁽¹⁾ | 0.59 | 0.50 | 0.50 | 0.59 | 0.49 | 0.49 |
| Total net contribution rate | <u>11.85%</u> | <u>8.26%</u> | <u>10.97%</u> | <u>16.26%</u> | <u>12.55%</u> | <u>15.28%</u> |

(1) Contribution rates to fund RHIA benefits are included in the total County employer contribution rate, but are not a pension cost. See "Other Postemployment Benefits - Retirement Health Insurance Account" below.

Source: 2009 County Valuation and 2011 County Valuation.

Other Postemployment Benefits

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 the RHIA plan. The RHIA program's assets and liabilities are pooled on a system-wide basis and are not

tracked or calculated on an employer basis. According to the 2011 System Valuation, this program had a UAL of approximately \$221.5 million. The County's allocated share of the RHIA program's assets and liabilities is based on the County's proportionate share of the program's pooled payroll. According to the 2011 County Valuation, the County's allocated share of the RHIA program's UAL was \$7,107,606.

GASB 45. GASB 45 requires the County to determine the extent of its liabilities for post employment benefits 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 implemented this pronouncement for the fiscal year ended June 30, 2006.

The County's implementation of this pronouncement included the hiring of an actuary to determine any post employment benefit ("OPEB") liabilities. As of the most recent actuarial report, January 1, 2011, the actuarial accrued liability for benefits was \$154.5 million and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability ("UAAL") of \$154.5 million. The covered payroll (annual payroll of active employees covered by the plan) was \$270.5 million for fiscal year 2011 and the ratio of the UAAL to the covered payroll was 57%.

Risk Management

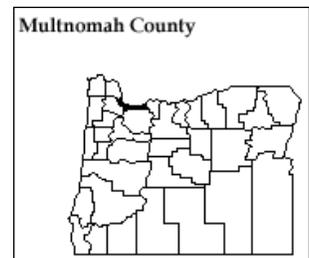
The County is exposed to various risks of loss. A description of the risks is provided in the County's audited financial statements. The audited financial statement for Fiscal Year 2011 is attached hereto as Appendix B.

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, with an estimated population of 585,845, is the County seat and the largest city in Oregon.

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 following table shows the historical population for the State, the County and the Cities of Portland and Gresham:

| Population | | | | |
|------------------------------|------------------------|-------------------------|-------------------------|------------------------|
| July 1⁽¹⁾ | State of Oregon | Multnomah County | City of Portland | City of Gresham |
| 2011 | 3,857,625 | 741,925 | 585,845 | 105,795 |
| 2010 | 3,837,300 | 736,785 | 583,775 | 105,595 |
| 2009 | 3,823,465 | 724,680 | 582,130 | 101,015 |
| 2008 | 3,791,075 | 717,880 | 575,930 | 100,655 |
| 2007 | 3,745,455 | 710,025 | 568,380 | 99,225 |
| 2006 | 3,690,505 | 701,545 | 562,690 | 97,745 |
| 2005 | 3,631,440 | 692,825 | 556,370 | 95,900 |
| 2004 | 3,582,600 | 685,950 | 550,560 | 94,250 |
| 2003 | 3,541,500 | 677,850 | 545,140 | 93,660 |
| April 1⁽²⁾ | | | | |
| 2010 | 3,831,074 | 735,334 | 583,776 | 105,594 |
| 2000 | 3,421,399 | 660,486 | 529,121 | 90,205 |
| 1990 | 2,842,321 | 583,887 | 438,802 | 68,249 |

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

(2) Source: U.S. Census Count on April 1.

Economic Overview

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, trade, transportation and utilities accounts for 18.4 percent of the total non-farm employment in the Portland PMSA, followed by government (16.3 percent), professional and business services (15.2 percent) and education and health services and (14.4 percent).

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

Harvested Acreage and Gross Farm Sales

| Year | Harvested Acreage | Gross Farm Sales (\$ in thousands) | | |
|------|-------------------|------------------------------------|-----------------------|------------------------|
| | | Crop Sales | Animal Products Sales | Total Gross Farm Sales |
| 2011 | 9,725 | \$ 51,598 | \$ 3,505 | \$ 55,103 |
| 2010 | 9,151 | 54,145 | 3,138 | 57,283 |
| 2009 | 8,595 | 60,007 | 2,821 | 62,828 |
| 2008 | 8,467 | 76,296 | 2,851 | 79,147 |
| 2007 | 9,541 | 79,321 | 2,855 | 82,176 |
| 2006 | 9,917 | 76,623 | 2,654 | 79,277 |

Top Commodities in (2011)

| | Commodity | Sales |
|---|-----------------------|---------------|
| 1 | Nursery Crops | \$ 22,285,000 |
| 2 | Greenhouse Crops | 7,270,000 |
| 3 | Not Disclosed | N/A |
| 4 | Misc. Specialty Crops | 4,055,000 |
| 5 | Blueberries | 2,500,000 |

Source: Oregon State University Extension Service's Oregon Agriculture Information Network, Harvested Acreage Summary Report, Gross Farm Sales Reports, Commodity Report; March 14, 2012.

Income. Historical 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**

| Year | Multnomah County | | | | State of Oregon | | | |
|------|---------------------------------|---|-------------------|--------------------------------------|---------------------------------|---|-------------------|--------------------------------------|
| | 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 |
| 2011 | N/A | N/A | N/A | N/A | \$ 146,778,178 | \$ 27,671,779 | \$ 37,909 | \$ 7,147 |
| 2010 | \$ 29,458,183 | \$ 5,223,224 | \$ 39,945 | \$ 7,083 | 139,395,112 | 26,031,153 | 36,317 | 6,782 |
| 2009 | 28,440,292 | 5,012,462 | 39,081 | 6,888 | 138,453,340 | 28,181,017 | 36,191 | 7,366 |
| 2008 | 29,687,197 | 5,969,166 | 41,638 | 8,372 | 139,306,268 | 29,341,456 | 36,824 | 7,756 |
| 2007 | 28,234,192 | 5,480,081 | 40,462 | 7,853 | 133,821,268 | 27,217,289 | 35,849 | 7,291 |
| 2006 | 27,043,127 | 5,269,118 | 39,550 | 7,706 | 127,403,090 | 25,405,934 | 34,644 | 6,908 |

Source: U.S. Department of Commerce, Bureau of Economic Analysis, April 25, 2012.

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

**Labor Force Summary ⁽¹⁾
(by place of residence)**

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 ⁽²⁾ | 2011 Change from | | | |
|------------------------|---------|---------|---------|---------|---------|---------------------|------------------|--------|--------|--------|
| | | | | | | | 2007 | 2008 | 2009 | 2010 |
| Civilian Labor Force | 379,710 | 387,705 | 390,026 | 390,009 | 399,593 | 410,379 | 19,883 | 11,888 | 9,567 | 9,584 |
| Unemployment | 18,457 | 22,232 | 40,536 | 38,592 | 34,665 | 33,289 | 16,208 | 12,433 | -5,871 | -3,927 |
| Percent of Labor Force | 4.9% | 5.7% | 10.4% | 9.9% | 8.7% | 8.1% | xx | xx | xx | xx |
| Total Employment | 361,253 | 365,473 | 349,490 | 351,417 | 364,928 | 377,090 | 3,675 | -545 | 15,438 | 13,511 |

Non-Agricultural Wage & Salary Employment ⁽²⁾

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 ⁽²⁾ | 2011 Change from | | | |
|--------------------------------------|---------|---------|---------|---------|---------|---------------------|------------------|---------|--------|--------|
| | | | | | | | 2007 | 2008 | 2009 | 2010 |
| Total Nonfarm Payroll Employment | 456,200 | 458,200 | 430,200 | 421,800 | 430,200 | 439,000 | -26,000 | -28,000 | 0 | 8,400 |
| Total Private | 384,700 | 385,000 | 356,100 | 348,100 | 356,800 | 367,500 | -27,900 | -28,200 | 700 | 8,700 |
| Natural resources and mining | 100 | 100 | 0 | 0 | 0 | 0 | -100 | -100 | 0 | 0 |
| Construction | 22,000 | 21,200 | 17,600 | 15,500 | 16,100 | 18,300 | -5,900 | -5,100 | -1,500 | 600 |
| Manufacturing | 37,600 | 37,200 | 32,200 | 31,200 | 32,400 | 34,000 | -5,200 | -4,800 | 200 | 1,200 |
| Trade, transportation, and utilities | 88,100 | 87,200 | 80,400 | 78,400 | 79,000 | 80,800 | -9,100 | -8,200 | -1,400 | 600 |
| Information | 11,600 | 11,700 | 9,800 | 9,500 | 9,500 | 9,800 | -2,100 | -2,200 | -300 | 0 |
| Financial activities | 35,300 | 33,800 | 31,200 | 30,300 | 29,300 | 29,500 | -6,000 | -4,500 | -1,900 | -1,000 |
| Professional and business services | 66,000 | 66,400 | 61,000 | 60,300 | 62,100 | 66,600 | -3,900 | -4,300 | 1,100 | 1,800 |
| Educational and health services | 60,400 | 61,600 | 62,100 | 62,200 | 65,800 | 63,300 | 5,400 | 4,200 | 3,700 | 3,600 |
| Leisure and hospitality | 45,900 | 47,200 | 44,600 | 43,700 | 45,400 | 47,600 | -500 | -1,800 | 800 | 1,700 |
| Other services | 17,700 | 18,500 | 17,200 | 16,900 | 17,100 | 17,600 | -600 | -1,400 | -100 | 200 |
| Government | 71,500 | 73,200 | 74,100 | 73,700 | 73,400 | 71,500 | 1,900 | 200 | -700 | -300 |

- (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) Data for month of July 2012, preliminary and subject change.
- (3) 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, September 2012.

**Major Employers in the Portland PMSA
(2012)**

| Company | Service | Location | No. Employees |
|--|--|-----------------|-----------------------|
| State Government | Government | Regional | 23,000 ⁽¹⁾ |
| U.S. Government | Government | Regional | 17,600 ⁽¹⁾ |
| Intel Corporation | Semiconductor integrated circuits | Hillsboro | 16,250 ⁽²⁾ |
| Providence Health System | Health care services | Portland | 14,389 ⁽²⁾ |
| Oregon Health & Science University | Education and health care | Portland | 13,733 ⁽²⁾ |
| Fred Meyer Stores | Grocery/retail | Portland | 10,389 ⁽²⁾ |
| Legacy Health System | Health Care | Portland | 9,662 ⁽²⁾ |
| Kaiser Foundation Health Plan of the NW | Health Care | Portland | 9,195 ⁽²⁾ |
| City of Portland | Government | Portland | 8,951 ⁽²⁾ |
| Nike, Inc | Sports shoes and apparel | Beaverton | 7,000 ⁽²⁾ |
| Portland Public Schools | Education | Portland | 6,544 ⁽²⁾ |
| Evergreen Public Schools | Education | Vancouver | 6,282 ⁽²⁾ |
| Wells Fargo Bank | Finance | Portland | 4,578 ⁽²⁾ |
| Multnomah County | Government | Portland | 4,500 ⁽²⁾ |
| Portland State University | Education | Portland | 4,224 ⁽²⁾ |
| Beaverton School District | Education | Beaverton | 4,073 ⁽²⁾ |
| U.S. Bank | Finance | Portland | 4,007 ⁽²⁾ |
| Daimler Trucks NA (Freightliner Corporation) | Heavy duty trucks | Portland | 3,900 ⁽²⁾ |
| United Parcel Service | Parcel delivery service | Portland | 3,800 ⁽⁵⁾ |
| Blount International Inc | Construction and agriculture machinery | Portland | 3,600 ⁽⁴⁾ |
| Safeway Inc, Portland division | Grocery | Clackamas | 3,369 ⁽⁴⁾ |
| Southwest Washington Medical Center | Health care services | Vancouver | 3,309 ⁽²⁾ |
| Portland Community College | Education | Portland | 3,205 ⁽²⁾ |
| Veterans Health Administration | Health care services | Portland | 3,174 ⁽⁴⁾ |
| Vancouver School District | Education | Vancouver | 3,129 ⁽²⁾ |
| Xerox Corp. | Technology and services | Wilsonville | 3,000 ⁽²⁾ |
| Bonneville Power Administration (BPA) | Electrical Power Generation | Portland | 3,000 ⁽³⁾ |
| Regence BlueCross BlueShield of Oregon | Insurance carrier/medical services | Portland | 2,677 ⁽³⁾ |
| Albertsons Food Centers | Grocery | Regional | 2,533 ⁽⁴⁾ |
| Hillsboro School District | Education | Hillsboro | 2,500 ⁽⁴⁾ |
| Volt Service Group | Employment Services | Portland | 2,500 ⁽⁵⁾ |
| Tri-Met | Mass Transit | Portland | 2,476 ⁽²⁾ |
| TriQuinet Semiconductor Inc. | Semiconductor manufacturing | Hillsboro | 2,393 ⁽³⁾ |
| The Standard | Insurance | Portland | 2,352 ⁽²⁾ |
| Portland General Electric | Utility | Portland | 2,100 ⁽²⁾ |
| Flir Systems Inc | Thermal imaging and broadcast cameras | Wilsonville | 2,079 ⁽³⁾ |
| IDT Inc. | Semiconductor manufacturing | Hillsboro | 2,004 ⁽³⁾ |
| PCC Structurals Inc | Aircraft parts, turbine manufacturing | Portland | 2,000 ⁽⁴⁾ |

(1) Source: Oregon Employment Department, <http://www.qualityinfo.org/olmisj/CES>; data for April 2012; may include part-time, seasonal and temporary employees.

(2) Source: Portland Business Journal "Largest Employers of Portland metro" list; published May 18, 2012.

(3) Source: Portland Business Journal "2012 Book of Lists;" 2011 employment numbers.

(4) Source: Hoover's business database, February 2012.

(5) Source: Portland Business Alliance Portland Metro Area Largest Employers 2008, Published September 2008.

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
Residential Building Permits**

| Year | <u>New Single Family</u> | | <u>New Multi Family</u> | | | <u>Total</u> |
|---------------------|--------------------------|-------------------|-------------------------|-------|-------------------|-------------------|
| | Number | Construction Cost | Number | Units | Construction Cost | Construction Cost |
| 2012 ⁽¹⁾ | 399 | \$ 94,700,955 | 43 | 1,294 | \$ 110,876,272 | \$ 205,577,227 |
| 2011 | 502 | 112,329,367 | 32 | 94 | 8,157,668 | 120,487,035 |
| 2010 | 521 | 115,174,079 | 32 | 714 | 90,417,365 | 205,591,444 |
| 2009 | 519 | 108,317,996 | 26 | 82 | 10,719,951 | 119,037,947 |
| 2008 | 790 | 159,532,046 | 89 | 2,253 | 419,061,617 | 578,593,663 |
| 2007 | 1,567 | 322,008,282 | 197 | 3,166 | 355,427,900 | 677,436,182 |

(1) As of July 31, 2012.

Source: U.S. Census Bureau, September 2012.

Higher Education. Institutions of higher learning in the Portland PMSA include independent institutions such as Reed College and Lewis and Clark College, and church-affiliated institutions such as the University of Portland, Warner Pacific College, and Columbia Pacific College. Portland State University and the University of Oregon Health Sciences Center, both of which are part of the Oregon State System of Higher Education, are also located in the Portland PMSA. Clackamas Community College operates its 17-building main campus in Oregon City. Clackamas Community College, Portland Community College and Mt. Hood Community College are part of the State’s community college system.

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 City, is the State’s second busiest general aviation site and maintains the largest corporate jet fleet in the state.

Superfund. Superfund sites are listed on the National Priorities 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.

The Initiative and Referendum Process

Article IV, Section 1 of the Oregon Constitution reserves to the people of the State the initiative power to amend the State Constitution or to enact legislation by placing measures on the statewide general election

ballot for consideration by the voters. Oregon law therefore permits any registered Oregon voter to file a proposed initiative with the Oregon Secretary of State's office without payment of fees or other burdensome requirements. Consequently, a large number of initiative measures are submitted to the Oregon Secretary of State's office, and a much smaller number of petitions obtain sufficient signatures to be placed on the ballot.

Because many proposed statewide initiative measures are submitted to the Oregon Secretary of State's office that do not qualify for the ballot, the County does not formally or systematically monitor the impact of those measures or estimate their financial effect prior to the time the measures qualify for the ballot. The County also does not formally or systematically monitor efforts to qualify measures for the ballot that would initiate new provisions for, or amend, the County's charter and ordinances. Consequently, the County does not ordinarily disclose information about proposed initiative measures that have not qualified for the ballot.

Pursuant to ORS 250.125, a five-member Committee composed of the Secretary of State, the State Treasurer, the Director of the Department of Revenue, the Director of the Department of Administrative Services, and a local government representative must prepare an estimate of the direct financial impact of each measure ("Financial Estimate Statements") to be printed in the voters' pamphlet and on the ballot.

Initiative Process

To place a proposed statewide initiative on a general election ballot, the proponents 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 2012 general election, the requirement was eight percent (116,284 signatures) for a constitutional amendment measure and six percent (87,213 signatures) for a statutory initiative. Any elector may sign an initiative petition for any measure on which the elector is entitled to vote. Statewide initiatives may only be filed for general elections in even-numbered years. The next general election for which statewide initiative petitions may be filed will be in November 2014.

A statewide initiative petition must be submitted to 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. Once an initiative measure has gathered a sufficient number of signatures and qualified for placement on the ballot, the State is required to prepare a formal estimate of the measure's financial impact. Typically, this estimate is limited to an evaluation of the direct dollar impact.

Historical Initiative Petitions. Historically, a larger number of initiative measures have qualified for the ballot than have been approved by the electors. According to the Elections Division of the Secretary of State, the total number of initiative petitions that qualified for the ballot and the numbers that passed in recent general elections are as follows:

Historical Initiative Petitions

| Number of Year of General Election | Number of Initiatives that Qualified | Initiatives that were Approved |
|------------------------------------|--------------------------------------|--------------------------------|
| 2004 | 6 | 2 |
| 2006 | 10 | 3 |
| 2008 | 8 | 0 |
| 2010 | 4 | 2 |
| 2012 | 7 | 2 |

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.

Recent Initiative Petitions. Two initiative measures were approved at the November 6, 2012 election (Measure 79 and Measure 85). These measures may have a fiscal impact on the State's General Fund which could have an impact on the County. The County cannot estimate at this time what such impact would be, if any.

Measure 79 amends the Constitution, prohibiting real estate transfer taxes, fees, other assessments, except those operative on December 31, 2009. The measure prohibits the State from imposing taxes, fees, or assessments on the transfer of any interest in real property. Local governments are already prohibited from imposing fees of this type.

Measure 85 amends the Constitution, allocating corporate income/excise tax "kicker" refund to additionally fund K through 12 public education. The financial impact of this measure is indeterminate because it is affected by unknown future events. The "corporate kicker" would be retained in the General Fund instead of being returned to corporate income and excise taxpayers. The Legislature has full discretion over how it allocates General Fund moneys, including the total amount allocated to K through 12 public education.

Home Rule Charter

In addition to statutory and constitutional changes by the Legislative Assembly and the initiative and referendum process, nine of Oregon's counties have adopted "home rule" charters, wherein voters have the power to adopt, amend, revise or repeal their own county government charter by majority vote. County charters may provide for the exercise by the county of authority over matters of county concern. The County adopted its charter in 1967. A copy of the County Charter is available upon request from the County.

Legal Matters and Litigation

Legal Matters

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

Litigation

There is no litigation pending questioning the validity of the Obligations nor the power and authority of the County to issue the Obligations. 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 Obligations.

Under the Oregon law local public bodies, such as the County, are subject to the following limits on liability. The State of Oregon is subject to different limits.

Personal Injury and Death Claim. The liability of a local public body and its officers, employees and agents acting within the scope of their employment or duties, to any *single claimant* for covered personal injury or death claims (and not property claims) arising out of a single accident or occurrence may not exceed \$500,000, for causes of action arising on or after July 1, 2009, and before July 1, 2010. From July 1, 2010 through June 30, 2015, this cap increases incrementally to \$666,700. The liability limits to *all claimants* for covered personal injury or death claims (and not property claims) arising from a single accident or occurrence increase from \$1 million, for causes of action arising on or after July 1, 2009, and before July 1, 2010, incrementally to \$1,333,300, for causes of action arising on or after July 1, 2014, and before July 1, 2015.

For causes of action arising on or after July 1, 2015, the liability limits for both a single claimant and all claimants will be adjusted based on a determination by a State Court Administrator of the percentage increase or decrease in the cost of living for the previous calendar year as provided in the statutory formula. The adjustment may not exceed 3% for any year.

Property Damage or Destruction Claim. The liability of a public body and its officers, employees and agents acting within the scope of their employment or duties, for covered claims for damage and destruction of property that arise from causes of action arising on or after July 1, 2009 are as follows: (a) \$100,000, adjusted as described below, to any single claimant, and (b) \$500,000, adjusted as described below, to all claimants.

Beginning in 2010, these liability limits shall be adjusted based on a determination by a State Court Administrator of the percentage increase or decrease in the cost of living for the previous calendar year as provided in the statutory formula. The adjustment may not exceed 3% for any year.

Tax Matters

Opinion of Special Counsel

In the opinion of Hawkins Delafield & Wood LLP, Special Counsel to the County, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) the portion of the payments made under the Financing Agreement designated and constituting interest (“Interest”) pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) Interest is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such Interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Special Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the County in connection with the Obligations, and Special Counsel has assumed compliance by the County with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of Interest from gross income under Section 103 of the Code.

In addition, in the opinion of Special Counsel to the County, under existing statutes, Interest is exempt from State of Oregon personal income tax.

Special Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Obligations. Special Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Special Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of Interest, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Obligations in order that Interest be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Obligations, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause Interest to become included in gross income for Federal income tax purposes retroactive to the issue date of the Obligations, irrespective of the date on which such noncompliance occurs or is discovered. The County has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of Interest from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Obligations. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of an Obligation. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Obligations.

Prospective owners of the Obligations should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Obligation (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of the Obligations of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Obligations is expected to be the initial public offering price set forth on the cover page of the Official Statement. Special Counsel further is of the opinion that, for any Obligations having OID (a “Discount Obligation”), OID that has accrued and is properly allocable to the owners of the Discount Obligations under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other Interest.

In general, under Section 1288 of the Code, OID on a Discount Obligation accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Obligation. An owner’s adjusted basis in a Discount Obligation is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Obligation. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Obligation even though there will not be a corresponding cash payment.

Owners of Discount Obligations should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Obligations.

Bond Premium

In general, if an owner acquires a Obligation for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Obligation after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Obligation (a “Premium Obligation”). In general, under Section 171 of the Code, an owner of a Premium Obligation must amortize the bond premium over the remaining term of the Premium Obligation, based on the owner’s yield over the remaining term of the Premium Obligation determined based on constant yield principles (in certain cases involving a Premium Obligation callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Obligation must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Obligation, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Obligation may realize a taxable gain upon disposition of the Premium Obligation even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Obligations should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Obligations.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Obligations. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing an Obligation through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Obligations from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of Interest under Federal or state law or otherwise prevent beneficial owners of the Obligations from realizing the full current benefit of the tax status of such Interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Obligations.

Prospective purchasers of the Obligations should consult their own tax advisors regarding the foregoing matters.

Continuing Disclosure

The Securities and Exchange Commission Rule 15c2-12 (the "Rule") requires at least annual disclosure of current financial information and timely disclosure of certain events with respect to the Obligations. Pursuant to the Rule, the County has agreed to provide audited financial information and certain financial information or operating data at least annually, and timely notice of certain events (collectively, "Continuing Disclosure") to the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access system (so long as such method of disclosure continues to be approved by the Securities and Exchange Commission for such purposes).

Prior Undertakings. Prior to July 1, 2009, Continuing Disclosure filings were required to be made with four nationally recognized municipal securities information repositories ("NRMSIRs"). Beginning July 1, 2009, Continuing Disclosure is required to be filed with the MSRB's Electronic Municipal Market Access system. The County has entered into prior undertakings to provide Continuing Disclosure filings for 15 separate bond issues which were outstanding in any of the previous five years. All of the County's undertakings require its annual Continuing Disclosure filing within 270 days of the end of the Fiscal Year (March 27).

Compliance with Prior Undertakings - The County's compliance with its prior Continuing Disclosure undertakings in the previous five years is shown in the following table.

| Bond Issue | Date of Issue | Date of Maturity | Date of Continuing Disclosure Filing | | | | |
|---|---------------|------------------|--------------------------------------|----------|----------|----------|----------|
| | | | 2007 | 2008 | 2009 | 2010 | 2011 |
| <i>General Obligation Bonds:</i> | | | | | | | |
| Series 1996A | 10/01/96 | 10/01/07 | 03/17/11 | 04/03/09 | NR | NR | NR |
| Series 1996B | 10/01/96 | 10/01/08 | 03/17/11 | 04/03/09 | 12/21/09 | NR | NR |
| Series 1999 | 02/01/99 | 04/30/10 | 03/17/11 | 04/03/09 | 12/21/09 | 11/14/12 | NR |
| Series 2010 | 03/31/10 | 10/01/16 | NR | NR | NR | 10/17/12 | 10/17/12 |
| <i>Full Faith and Credit Obligations:</i> | | | | | | | |
| Series 1998 | 02/01/98 | 02/01/10 | 03/17/11 | 04/03/09 | 12/21/09 | 11/14/12 | NR |
| Series 1999A | 04/01/99 | 08/01/09 | 03/17/11 | 04/03/09 | 12/21/09 | NR | NR |
| Series 2000A | 04/01/00 | 04/01/10 | 03/14/11 | 04/03/09 | 12/21/09 | 11/14/12 | NR |
| Series 2003 | 05/15/03 | 07/01/13 | 03/17/11 | 04/03/09 | 12/21/09 | 10/17/12 | 10/17/12 |
| Series 2004 | 10/01/04 | 08/01/19 | 03/17/11 | 04/03/09 | 12/21/09 | 10/17/12 | 10/17/12 |
| Series 2010A | 03/31/10 | 06/01/17 | NR | NR | NR | 10/17/12 | 10/17/12 |
| Series 2010B | 12/14/10 | 06/01/30 | NR | NR | NR | NR | 10/17/12 |
| <i>Pension Obligations:</i> | | | | | | | |
| Series 1999 | 12/01/99 | 06/01/30 | 03/17/11 | 04/03/09 | 12/21/09 | 10/17/12 | 10/17/12 |
| <i>Revenue Bonds</i> | | | | | | | |
| Series 1998 | 10/01/98 | 10/01/14 | 03/17/11 | 11/14/12 | 12/21/09 | 11/14/12 | 11/14/12 |
| Series 2000A | 11/01/00 | 12/30/11 | 03/17/11 | 05/05/09 | 11/14/12 | 11/14/12 | 11/14/12 |
| Series 2000B | 11/01/00 | 12/30/11 | 03/17/11 | 05/05/09 | 11/14/12 | 11/14/12 | 11/14/12 |

The County has implemented new procedures to maintain compliance in the future, including adding an internal control procedure on Continuing Disclosure that is described in the position description for the Deputy Chief Financial Officer. A copy of the form of the County's Continuing Disclosure Certificate for the Obligations is attached hereto as Appendix D.

Financial Advisor

In connection with the authorization and issuance of the Obligations, 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.

Purchaser of the Obligations

The Obligations are being purchased by J.P. Morgan Securities LLC at a price of \$148,446,679.95 and will be reoffered at a price of \$149,112,817.55. The purchaser of the Obligations may offer and sell the Bonds to certain dealers (including dealers depositing the Obligations into investment trusts) and others at prices lower than the initial offering prices corresponding to the yields set forth on page i of this Official Statement, and such initial offering prices may be changed from time to time by such purchaser. After the initial public offering, the public offering prices may be varied from time to time.

In connection with the offering of the Obligations, the purchaser of the Bonds may overallocate or effect transactions which stabilize or maintain the market price of the Obligations at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued or recommenced at any time.

Certificate with Respect to Official Statement

At the time of the original delivery of and payment for the Obligations, the County will deliver a certificate of its authorized representative addressed to the Underwriter to the effect that he 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 Obligations, 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 Obligations 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.

Appendix A

Form of Special Counsel Opinion

(This page left blank intentionally)

December 13, 2012

Multnomah County
501 SE Hawthorne Blvd., Suite 531
Portland, Oregon 97214-3501

Re: *Multnomah County, Oregon*
\$128,000,000 Full Faith and Credit Obligations, Series 2012

Ladies and Gentlemen:

We have acted as special counsel to the Multnomah County, Oregon (the "County") in connection with the Tax-Exempt Financing Agreement (the "Financing Agreement") by and between the County and U.S. Bank National Association as escrow agent (the "Escrow Agent"), dated as of December 13, 2012. The Financing Agreement and an Escrow Agreement (the "Escrow Agreement") by and between the County and the Escrow Agent, dated as of December 13, 2012 authorize the Full Faith and Credit Obligations, Series 2012 (the "Obligations"), which are dated December 13, 2012, and which are in the aggregate principal amount of \$128,000,000. The Obligations represent undivided proportional interests in the Financing Payments to be made by the County pursuant to the Financing Agreement. The Obligations are issued pursuant to Oregon Revised Statutes Section 271.390, Resolution No. 2012-178 adopted by the Board of Commissioners of the County on October 18, 2012 (the "Resolution"), the Financing Agreement and the Escrow Agreement. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Escrow Agreement.

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.

With respect to the Obligations, addressed and delivered this date to the underwriter, we have not been engaged or undertaken to review the accuracy, completeness, or sufficiency of the official statement or other offering material which has been supplied to the purchasers of the Obligations, and we express no opinion relating thereto.

As to questions of fact material to our opinion, we have relied on representations of the County contained in the Resolution, the Financing Agreement, the Escrow Agreement 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.

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 Resolution, the Financing Agreement and the Escrow Agreement 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 laws affecting creditors' rights generally (whether now or hereafter in existence); (ii) the application of equitable principles and 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 Obligations represent proportional ownership interests in financing payments to be made by the County pursuant to the Financing Agreement (the "Financing Payments"). The Financing Payments for the Obligations are payable from the general non-restricted revenues of the County and other funds, including but not limited to Vehicle Registration Fees, which may be available for that purpose, including any taxes levied within the restrictions of Sections 11 and 11b, Article XI of the Constitution of the State of Oregon. The obligation of the County to make payments is a full faith and credit obligation of the County, and is not subject to annual appropriation. The registered owners of the Obligations do not have a lien or security interest on the property financed and refinanced with the proceeds of the Obligations.

C. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described below, (i) the portion of the Financing Payments designated as and constituting interest received by the holders of the Obligations ("Interest") is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) Interest is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; however, such Interest is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering our opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the County and others in connection with the Obligations, and we have assumed compliance by the County with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of Interest from gross income under Section 103 of the Code.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Obligations in order that, for Federal income tax purposes, Interest not be included in gross income pursuant to Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Obligations, restrictions on the investment of proceeds of the Obligations prior to expenditure and the requirement that certain earnings be rebated to the Federal government. Noncompliance with such requirements may cause Interest to become subject to Federal income taxation retroactive to the date of issue of the Obligations, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of delivery of the Obligations, the County will execute a Tax Certificate (the "Tax Certificate") containing provisions and procedures pursuant to which such requirements can be

satisfied. In executing the Tax Certificate, the County covenants that it will comply with the provisions and procedures set forth therein and that they will do and perform all acts and things necessary or desirable to assure that Interest will, for Federal income tax purposes, be excluded from gross income.

In rendering the opinion in paragraph C hereof, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of Interest, and (ii) compliance by the County with the procedures and covenants set forth in the Tax Certificate as to such tax matters.

D. Interest is exempt from Oregon personal income tax.

We note that the County **has not** designated the Financing Agreement as a “qualified tax-exempt obligation” within the meaning of Section 265(b)(3)(B) of the Code.

Except as stated in paragraphs C and D above, we express no opinion as to any other Federal, state or local tax consequences arising with respect to the Obligations or the ownership or disposition thereof. We render our opinion under existing statutes and court decisions as of the issue date, and we assume no obligation to update, revise or supplement this opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances, or any change in law or in interpretations thereof, or otherwise, that may hereafter arise or occur, or for any other reason. Furthermore, we express no opinion herein as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than ourselves on the exclusion from gross income for Federal income tax purposes of Interest.

This opinion is given as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter arise or occur or for any other reason.

This opinion is limited to matters of Oregon law and applicable federal law, and we assume no responsibility as to the applicability of laws of other jurisdictions.

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 special counsel to the County regarding the sale and issuance of the Obligations and have not represented any other party in connection with the Obligations.

We have not been engaged or undertaken to review the accuracy, completeness, or sufficiency of the official statement or other offering materials relating to the Obligations, and we express no opinion relating thereto. We express no opinion as to the creditworthiness of the County, the investment quality of the Obligations or the adequacy of the security for the Obligations.

December 13, 2012

Page 4

The opinions expressed herein are solely for your benefit in connection with the above referenced 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 Obligations, nor may copies be furnished to any other person or entity, without the prior written consent of Hawkins Delafield & Wood LLP.

Very truly yours,

Appendix B

Financial Statements

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

(This page left blank intentionally)

MULTNOMAH COUNTY, OREGON
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011



Prepared by:
Department of County Management
Mindy Harris, Chief Financial Officer
501 SE Hawthorne Blvd, Suite 531
Portland, Oregon 97214

ELECTED OFFICIALS - MULTNOMAH COUNTY OREGON



JEFF COZEN
Chair



DEBORAH KAFOURY
Commissioner District 1



LORETTA SMITH
Commissioner District 2



JUDY SHIPRACK
Commissioner District 3



DIANE McKEEL
Commissioner District 4



STEVE MARCH
Auditor



DAN STATON
Sheriff



MICHAEL SCHRUNK
District Attorney

MULTNOMAH COUNTY, OREGON
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2011
 Table of Contents

INTRODUCTORY SECTION

| | |
|---------------------------------------|----|
| Letter of Transmittal | 1 |
| GFOA Certificate of Achievement | 8 |
| Organizational Charts | 9 |
| List of Principal Officers..... | 12 |

FINANCIAL SECTION

| | |
|---|----|
| Independent Auditor's Report | 13 |
| Management's Discussion and Analysis | 15 |

Basic Financial Statements:

| | |
|---------------------------------------|----|
| Government-wide Financial Statements: | |
| Statement of Net Assets | 30 |
| Statement of Activities | 31 |

Fund Financial Statements:

| | |
|---|----|
| Balance Sheet – Governmental Funds..... | 33 |
| Reconciliation of the Balance Sheet to the Statement of Net Assets | 35 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds..... | 36 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 38 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund..... | 40 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Federal and State Program Fund..... | 41 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Library Fund | 42 |
| Statement of Net Assets – Proprietary Funds..... | 43 |
| Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds | 44 |
| Statement of Cash Flows – Proprietary Funds | 45 |
| Statement of Fiduciary Net Assets – Fiduciary Funds | 46 |

| | |
|--|----|
| Notes to Basic Financial Statements | 47 |
| Required Supplementary Information | 84 |

**Combining and Individual Fund Statements
and Schedules:**

| | |
|--|-----|
| Combining Balance Sheet – Nonmajor Governmental Funds..... | 85 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds..... | 86 |
| Nonmajor Special Revenue Funds: | |
| Combining Balance Sheet | 87 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances | 89 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual: | |
| Strategic Investment Program Fund..... | 91 |
| Road Fund..... | 92 |
| Emergency Communications Fund..... | 93 |
| Bicycle Path Construction Fund | 94 |
| Recreation Fund..... | 95 |
| County School Fund | 96 |
| Animal Control Fund..... | 97 |
| Willamette River Bridges | 98 |
| Special Excise Tax Fund..... | 99 |
| Land Corner Preservation Fund..... | 100 |
| Inmate Welfare Fund | 101 |
| Justice Services Special Operations Fund..... | 102 |

Debt Service Funds:

| | |
|---|-----|
| Combining Balance Sheet – Nonmajor Debt Service Funds..... | 103 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Debt Service Funds | 104 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual: | |
| Revenue Bond Fund..... | 105 |
| Capital Debt Retirement Fund | 106 |
| General Obligation Bond Fund | 107 |
| PERS Pension Bond Fund (Major Fund)..... | 108 |

MULTNOMAH COUNTY, OREGON
 Table of Contents (continued)

Nonmajor Capital Projects Funds:

| | |
|--|-----|
| Combining Balance Sheet..... | 109 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances | 110 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual: | |
| Financed Projects Fund | 111 |
| Capital Acquisition Fund | 112 |
| Asset Preservation Fund..... | 113 |
| Capital Improvement Fund (Major Fund)..... | 114 |

Enterprise Funds:

| | |
|--|-----|
| Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual: | |
| Dunthorpe-Riverdale Service District No. 1 Fund..... | 115 |
| Mid County Service District No. 14 Fund..... | 116 |
| Behavioral Health Managed Care Fund..... | 117 |

Internal Service Funds:

| | |
|--|-----|
| Combining Statement of Net Assets | 118 |
| Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets | 119 |
| Combining Statement of Cash Flows..... | 120 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual: | |
| Risk Management Fund | 121 |
| Fleet Management Fund | 122 |
| Information Technology Fund | 123 |
| Mail/Distribution Fund | 124 |
| Facilities Management Fund..... | 125 |

Agency Funds:

| | |
|---|-----|
| Combining Balance Sheet | 126 |
| Combining Statement of Changes in Assets and Liabilities | 127 |

Capital Assets Used in the Operation of Governmental
Funds:

| | |
|--|-----|
| Schedule by Source..... | 128 |
| Schedule by Function and Activity | 129 |
| Schedule of Changes by Function and Activity | 131 |

Other Schedules:

| | |
|---|-----|
| Schedule of Property Tax Collections and Outstanding Balances | 132 |
| Schedule of General Obligation Bonds and Bond Interest Coupon Transactions | 133 |
| Schedule of General Obligation Bonds Outstanding | 134 |
| Schedule of Capitalized Lease Purchases Outstanding | 135 |
| Schedule of Revenue Bonds Outstanding | 136 |
| Schedule of Full Faith and Credit Bonds Outstanding | 137 |
| Schedule of Loans Outstanding | 139 |

STATISTICAL INFORMATION SECTION

| | |
|---|-----|
| Net Assets by Component - Last Ten Fiscal Years..... | 140 |
| Changes in Net Assets - Last Ten Fiscal Years | 142 |
| Fund Balances, Governmental Funds - Last Ten Fiscal Years | 146 |
| Changes in Fund Balances, Governmental Funds - Last Ten Fiscal Years | 148 |
| Program Revenues by Function/Program - Last Ten Fiscal Years | 150 |
| Tax Revenues by Source, Governmental Funds - Last Ten Fiscal Years | 152 |
| Assessed Valuation and Actual Values of Taxable Property - Last Ten Fiscal Years | 153 |
| Property Tax Levies And Collections - Last Ten Fiscal Years | 154 |
| Property Tax Rates - Direct and Overlapping Governments - Last Ten Fiscal Years | 155 |
| Principal Taxpayers - Current Year and Ten Years Ago..... | 156 |
| Ratios of Outstanding Debt by Type Last Ten Fiscal Years | 157 |
| Ratios of General Bonded Debt Outstanding - Last Ten Fiscal Years | 158 |
| Pledged-Revenue Coverage Last Ten Fiscal Years | 159 |
| Legal Debt Margin Information - Last Ten Fiscal Years | 160 |
| Computation of Direct and Overlapping Debt | 162 |

MULTNOMAH COUNTY, OREGON
Table of Contents (continued)

Demographic and Economic Statistics -
 Last Ten Calendar Years..... 163
 Principal Employers -
 Current Year and Ten Years Ago..... 164
 Full Time Equivalent County Employees by
 Function/Program and Bargaining Unit -
 Last Ten Fiscal Years..... 165
 Operating Indicators by Function/Program -
 Last Ten Fiscal Years..... 167
 Capital Asset and Infrastructure Statistics by
 Function/Program – Last Ten Fiscal Years..... 171

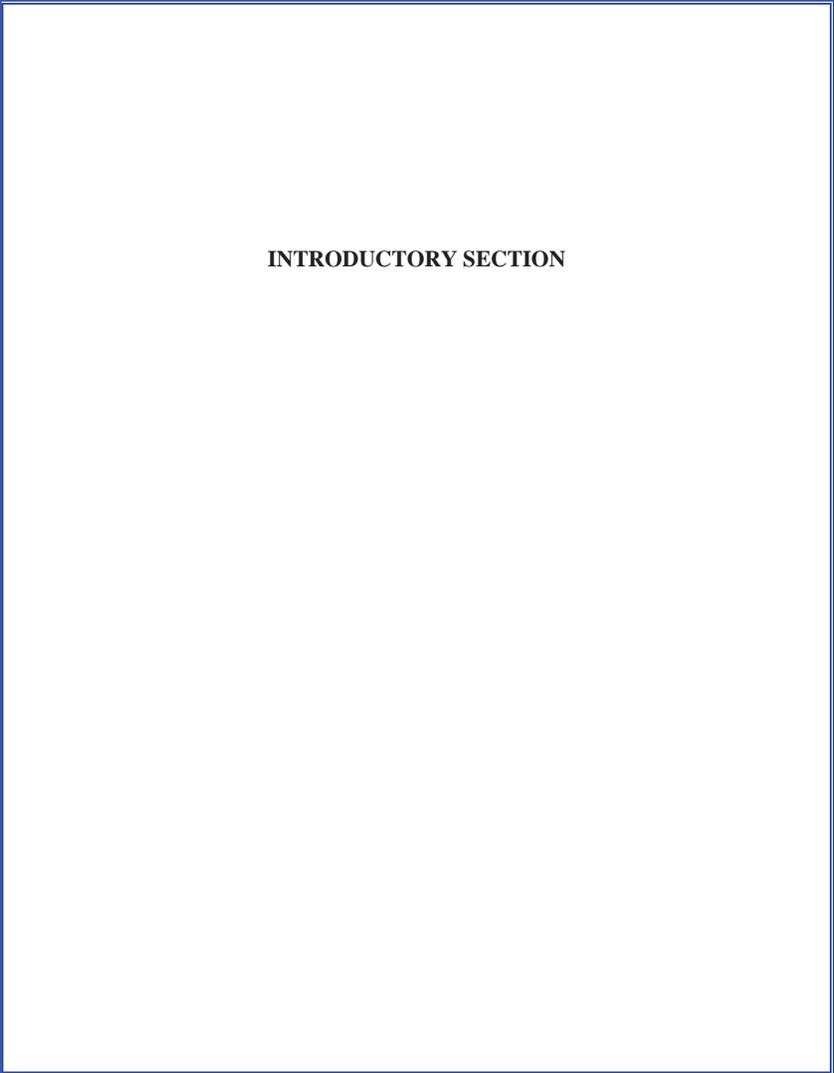
AUDIT COMMENTS AND FEDERAL GRANT PROGRAMS

Audit Comments:

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
Oregon Auditing Standards..... 173

Federal Grant Programs:

Report of Independent Certified Public
 Accountants on Internal Control Over Financial
 Reporting and Compliance and Other Matters
 Based on an Audit of Financial Statements
 Performed in Accordance with *Government*
Auditing Standards..... 175
 Report of Independent Certified Public
 Accountants on the County’s Compliance
 with Requirements That Could Have a Direct
 and Material Effect on Each Major Program
 and on Internal Control Over Compliance in
 Accordance with *OMB Circular A-133* 177
 Schedule of Expenditures of Federal Awards 179
 Notes to Schedule of Expenditures of Federal
 Awards..... 188
 Schedule of Findings and Questioned Costs 190
 Summary Schedule of Prior Audit Findings
 and Questioned Costs 192





Department of County Management
MULTNOMAH COUNTY OREGON
501 SE Hawthorne Blvd, Suite 531
Portland, Oregon 97214
(503) 988-3312 phone
(503) 988-3292 fax

November 22, 2011

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

We are pleased to submit the Comprehensive Annual Financial Report of Multnomah County, Oregon, for the fiscal year ended June 30, 2011, together with the opinion thereon of our independent certified public accountants, Moss Adams LLP. This report, required by Oregon Revised Statutes 297.425, is prepared by the Department of County Management. Also included are Audit Comments and Disclosures required under the Minimum Standards for Audits of Oregon Municipal Corporations Section of the Oregon Administrative Rules.

In addition, the County is required to have a comprehensive single audit of its Federal Assistance Programs in accordance with the Single Audit Act, Office of Management and Budget (OMB) Circular A-133 and the provisions of Government Auditing Standards promulgated by the U.S. Comptroller General as they pertain to financial and compliance audits. A report on the County's compliance with applicable Federal laws and regulations related to the Single Audit Act, OMB Circular A-133 is included with this report beginning on page 175.

This report is prepared in conformance with the guidelines for financial reporting developed by the Government Finance Officers Association of the United States and Canada and the principles established by the Governmental Accounting Standards Board (GASB), including all effective GASB pronouncements. It presents fairly the financial position of the various funds of the County at June 30, 2011, and the results of operations of such funds and the cash flows of the proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America (US GAAP). The report consists of management's representations concerning the finances of the County. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, County management has established a comprehensive internal control framework that is designed both to protect the County's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements. Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

US GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. Multnomah County's MD&A can be found immediately following the independent auditors' report. Unless otherwise noted, dollar amounts are expressed in thousands.

PROFILE OF MULTNOMAH COUNTY, OREGON

Multnomah 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 a population of 730,140 residents. The cities of Portland and Gresham are the largest incorporated cities in the County.

Multnomah County is governed according to its Home Rule Charter. The County's charter, adopted in January 1967, has had several subsequent amendments. The County is governed by a Board of County Commissioners consisting of four non-partisan members elected from designated districts within the County and the Chair of the Board, elected at large. The Board of County Commissioners conducts all legislative business of the County.

Multnomah 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. Certain sanitary and lighting services are provided as legally separate Service District Authorities, which function, in essence, as departments of the County and therefore are included in the County's financial statements as component units. Also included in the County's financial statements is information on the Library Foundation, a tax-exempt foundation whose primary purpose is to support the County's libraries through raising, receiving, administering and disbursing funds, grants, bequests and gifts for the benefit of the County libraries. 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 it is not included in the County's financial statements. Additional information on these legally separate entities can be found in note 1 of the notes to the financial statements.

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

Budget to actual comparisons are provided in this report for each individual governmental and proprietary fund for which an appropriated annual budget has been adopted. The General fund, Federal State Program special revenue fund and the Library special revenue fund budget to actual comparisons are provided on pages 40-42 as part of the basic financial statements for the governmental funds. For all other governmental funds with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 85.

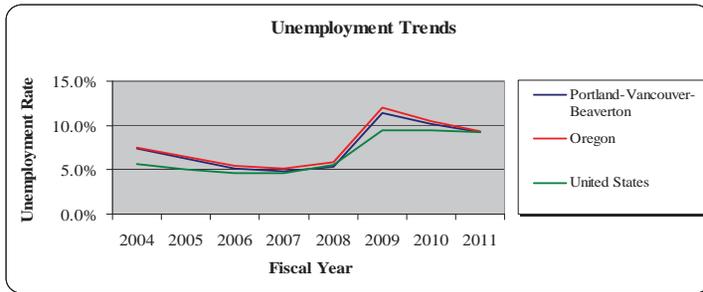
FACTORS AFFECTING FINANCIAL CONDITION

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

The Portland-Vancouver-Beaverton PMSA's (Primary Metropolitan Statistical Area) economy showed signs of stabilization during fiscal year 2011. Like the rest of the nation, the region continues to experience declining real estate values and frustratingly high levels of unemployment. The economic performance of the region has, historically, lagged the rest of the nation and tends to

exhibit more extreme highs and lows. Housing prices in the Portland-Vancouver-Beaverton PMSA, for example, did not fall as rapidly as in other parts of the country, but have now caught up with national trends. It is likely that the local economy will continue to see a slow recovery that is protracted and uneven for the foreseeable future.

The area's unemployment rate has remained elevated for the past three years. As of June 30, 2011 the Portland-Vancouver-Beaverton PMSA's unemployment rate was at 9.2%, down one percentage point from 10.2% a year ago, but still much higher than the 5.3% in 2008. The unemployment rate for the area is slightly better than the State of Oregon (at 9.4%) and matches the national average of 9.2%. The chart below compares the area's unemployment rate to the rates for the state and nation.

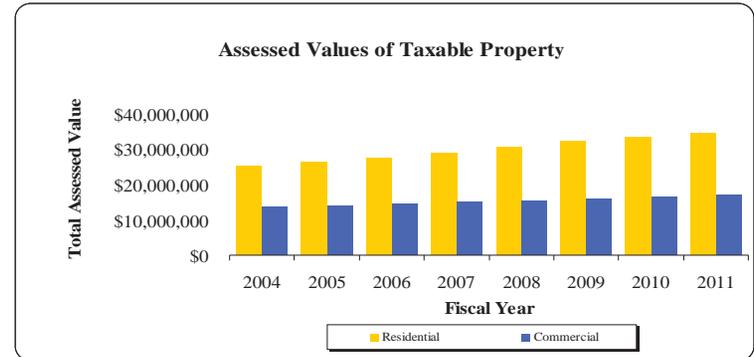


Financial outlook: Multnomah County has been fortunate to have weathered the economic recession better than many local governments. The County has closed significant budget gaps forecast in recent fiscal years while maintaining a wide array of health, social, and public safety services. Prudent financial planning, careful management of long term liabilities, and a low inflation environment left the County a modest and more manageable \$5.4 million General Fund budget gap for fiscal year 2012. This gap was closed through a management wage freeze, reorganizations, eliminating positions by increasing management span of control, drawing down beginning working capital in internal service funds, and higher business income tax collections. The current forecast assumes slow growth in employment and personal income over the next few years. Barring a “double dip” recession or unexpected significant reductions in State or Federal funding, the General Fund should be able to provide funding for the vast majority of current services in fiscal year 2013. The current five year forecast projects that expenditures will grow faster than revenues by \$3 to \$4.4 million per year from fiscal year 2014 to 2016.

The economic recession has had an impact on the County's revenue stream. The business income tax, in particular, has experienced significant volatility and declines since fiscal year 2008. However, the property tax, which accounts for approximately 65% of General Fund revenues, has remained relatively insulated from declining real estate values. Property taxes are governed by two state constitutional measures, Measure 5 and Measure 50, which set limits on the amount of tax that can be collected. In general, property taxable values cannot grow by more than 3% year over year. For the upcoming year, property tax collections are expected to grow by about 1.50% reflecting the constitutional growth limits combined with the fact that new construction is expected to remain at depressed levels.

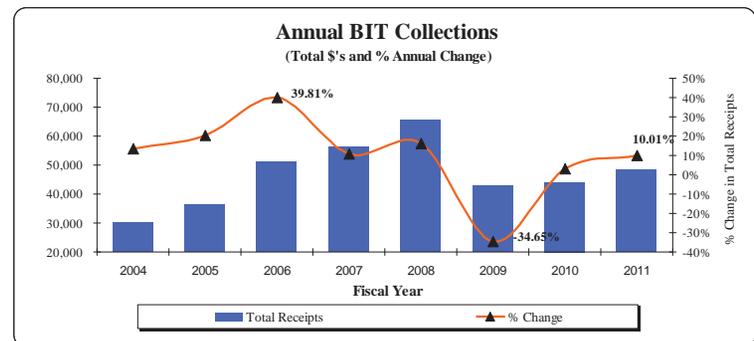
The following chart highlights the County's residential and commercial assessed (taxable) values over the past eight years. Residential properties have experienced a 41.8% increase in taxable property values over an eight year period compared to a 27.5% increase for commercial property values over the same period. Because assessed values remain below real market values for most

properties, property tax collections should be *relatively* inelastic despite falling real market values. It is important to note, though, that if real market values continue to decline there will eventually be an adverse impact on the rate of property tax growth.



Business income tax (BIT) is the second largest source of revenue in the General Fund and it is set at a rate of 1.45% of net income. BIT collections generally parallel the business cycle. Prior to the onset of the recession, fiscal year 2008 BIT collections were nearly \$66 million and had exhibited five years of double-digit growth. The following year they declined by nearly a third, with fiscal year 2009 collections coming in at just under \$43 million. For fiscal year 2011, collections have rebounded to nearly \$49 million.

The following chart highlights the volatility of BIT collections over the past eight years. Current forecasts assume slow to moderate growth in revenue, but collections are not expected to reach 2008 levels until fiscal year 2016 or 2017. The County has taken proactive measures to establish a separate contingency amount in the General fund to guard against further downturns in the BIT. For fiscal year 2012, this “BIT Stabilization Reserve” was set at \$4.9 million reflecting the difficulty of accurately forecasting this key revenue source.



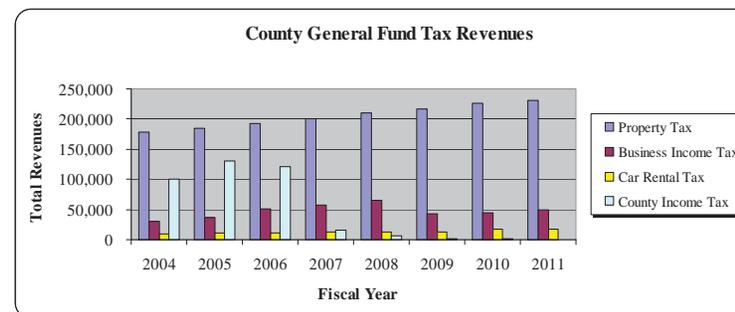
Motor vehicle rental taxes (MVRT) account for about 5% of ongoing General Fund revenues. In June, 2009 the Board increased the MVRT from 12.5% to 17.0% as part of balancing the fiscal year 2010 budget. The rate increase generated an additional \$4.2 million for the General Fund. MVRT collections are highly influenced by the economy. For example, MVRT collections declined for three consecutive years following the September 11, 2001 terrorist attacks. With the travel and tourism industry being particularly hard hit by the recession, tax collections declined by about 14.0% from fiscal year 2008 to fiscal year 2010. They rebounded by 3.7% in fiscal year 2011. The expectation is for MVRT to continue modest growth over the five year forecast period.

A number of years ago the County’s Budget Office identified a “structural deficit” in the General Fund. This is chiefly the result of property tax limitation measures passed by Oregon voters in 1990 and 1997. As noted earlier, property taxes cannot grow (with a few exceptions) by more than 3% a year. Since property taxes make up a large percentage of General Fund revenues, the property tax limits have the effect of constraining overall revenue growth. The volatility of the BIT also factors into this equation. Expenditures, on the other hand, typically tend to grow faster than revenues.

The resulting “structural deficit” is forecast at \$3.0 million to \$4.4 million per year, or roughly 1% of revenues over the next five years. This represents the ongoing gap that exists before any Board actions required to balance revenues and expenditures. It is an estimate that takes into account the rate of inflation, growth in employee benefits and long term fixed costs. Because the budget, by state statute, must be balanced it is likely that the County will need to trim program spending, allocate one-time sources of revenue, or some combination thereof to bring expenditures in line with revenues. The County will only draw down on budgeted reserves under very limited circumstances to meet ongoing operational requirements.

The State of Oregon provides a significant portion of the County’s funding, mostly recorded in the Federal and State Special Revenue fund. The State’s General fund is highly dependent upon personal income taxes, with approximately 85% of State General fund revenue attributable to this tax. Heading into the 2011 legislative session, the state projected a \$3.5 billion deficit for the 2011-2013 biennium, or roughly a 22% shortfall. In anticipation of significant reductions, the Board of County Commissioners set aside \$4.2 million of one-time-only County General funds to ramp down state programs and another \$1.6 of ongoing County General funds to allow the Board to prioritize critical programmatic needs in its fiscal year 2012 adopted budget. On September 15, 2011 the Board approved implementation of \$12.6 million in state reductions, offset by \$6.9 million in additional state funds (dedicated to specific programs) and \$3.8 million from the County’s General fund. The County expects further reductions after the February 2012 legislative session as well as for the second half of the biennium in fiscal year 2013.

In 2003 Multnomah County voters approved a temporary personal income tax of 1.25% on residents for fiscal years 2004, 2005, and 2006. The tax primarily provided support to the schools in the County but also provided support to the County’s health, human services, and public safety programs. Fiscal year 2006 was the final year the tax was imposed, and in fiscal year 2011 the County’s General fund recognized \$657 in collections on delinquent accounts as compared to \$905 in tax revenue in fiscal year 2010. The following graph highlights the County’s major tax sources.



Financial and budget policies. The County has established financial and budget policies which are reviewed and adopted annually by the Board of County Commissioners in connection with the budget process. Some of the goals of the financial policies include preserving capital through prudent budgeting and financial management, achieving a stable balance between the County’s ongoing financial commitments and the continuing revenues available to the County, and to leverage local dollars with Federal and State funding grants. Consistent application of these financial policies has helped ensure that the County has appropriately recorded and accounted for transactions in our financial statements.

The County’s adopted financial and budget policies generally provide for the County to use one time only resources for costs that will not recur in future years. However, the policies allow the use of one-time only resources when, in the short term, it would be more beneficial to allocate such resources to the highest priority public services than to restrict them to non-recurring costs. The result of this practice is to expand operational levels and public expectations beyond the capacity of the organization, thereby providing continuing funding which can lead to future budget shortfalls. The 2011 adopted budget includes approximately \$23.4 million of one-time only funds. The majority of these one-time only funds are used for one-time-only expenses, including: \$4.9 million for the business income tax reserve, \$1.5 million for radio replacement and emergency management communications, \$1.4 million for detention electronics replacement, \$4.2 million to ramp down state programs, and \$600 for consolidation of the assessment and recording customer service area. A complete list of the uses of one-time-only funds can be found on pages 17 and 18 of the Budget Director’s Message in the County’s fiscal year 2012 adopted budget.

By adopting the financial and budget policies, the Board acknowledges that, to avoid financial instability, continuing requirements should be insulated from temporary fluctuations. Therefore one of the goals of the Board is to fund and maintain a General fund reserve designated as unappropriated fund balance and set at 10% of budgeted “corporate” revenues (i.e., property taxes, business income taxes, motor vehicle rental tax, interest and investment earnings) of the General fund. The reserve is to be used for periods where revenues experience significant declines or used for non-recurring extreme emergencies such as disaster relief. Maintaining an appropriate reserve also helps the County maintain its favorable bond ratings. Moody’s Investor Services currently rates the County as Aaa, the highest possible rating, for general obligation debt and Aa1 (second highest) for full faith and credit debt. In addition, the County issued full faith and credit obligations in fiscal year 2011 and received a rating of AA from Standard & Poor’s, which is their second highest rating and again indicates that the County’s financial capacity to repay the debt obligations is very strong.

Long-term financial planning. The County's Chief Financial Officer and Budget Director work closely with the Board of County Commissioners and the Chair's Chief Operating Officer to develop short-term and long-term financial goals and to address the financial stability of the County. The County's Chief Financial Officer and Budget Director also meet with other local jurisdictions to confer on financial issues that either overlap or impact each entity.

Major initiatives. The "structural deficit," was a major focus for the County in closing an estimated \$45.9 million General fund shortfall in fiscal year 2009. However, Board actions taken over the past two years have significantly improved the County's financial condition. For the first time in recent years, the growth in economy-driven revenues, primarily the business income tax (BIT), and slower personal cost growth has eliminated the structural deficit. The ongoing structural deficit between General fund revenues and expenditures is approximately 2.0% annually.

The County's capital project initiatives include funding for improvements and construction on many of the County owned buildings, roads and Willamette River bridges. Included in the County's capital project plan is the replacement of an 85-year old Willamette River bridge, the Sellwood bridge. A regional funding plan is in place to secure the estimated \$290 million needed to fund the project. The cost includes the new bridge, an interchange where the bridge connects with Highway 43, right of way, design, and mitigating impacts to protected environmental resources. In addition, the 2009 State Legislature authorized the County to implement a Vehicle Registration Fee to provide revenue for replacement of the County's Sellwood Bridge. The Legislature also committed an appropriation of \$30,000 for improvements to the bridge interchange with state highway 43 which will limit the amount of local funds needed for the project. The Board is working with the County's federal representatives to secure an additional \$20,000 to offset construction costs. Other major non-routine capital projects include the construction of the new East County Courthouse and the relocation of the County's information technology data center to the new Courthouse. Financing for these projects has been secured and the total construction costs are estimated at \$25,000 with 2012 - 2013 targeted for occupancy.

AWARDS AND ACKNOWLEDGEMENTS

Awards. The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its comprehensive annual financial report (CAFR) for the year ended June 30, 2010. This was the twenty-sixth year that the County has received this prestigious award. In order to be awarded a Certificate of Achievement, the County published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

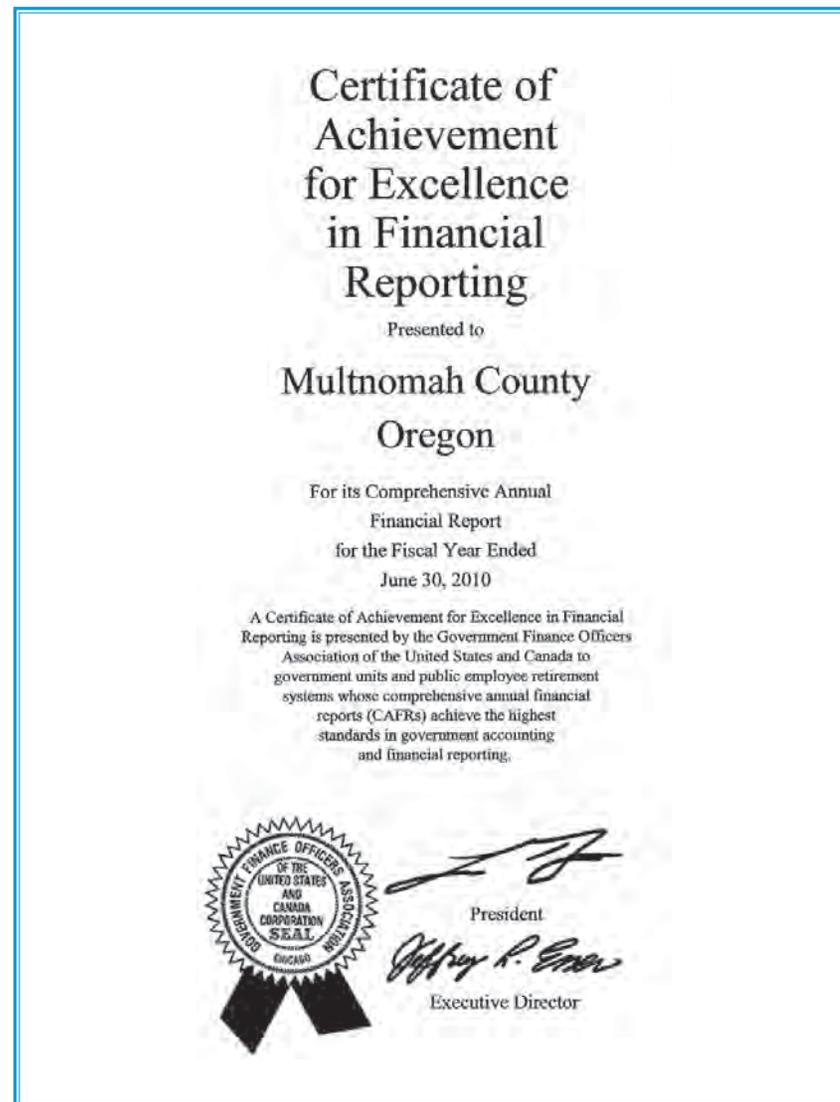
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements. The preparation of this report would not have been possible without the efficient and dedicated services of the employees in the Department of County Management who maintained the County's financial records and assisted in the preparation of this report. Special thanks are extended to the General Ledger Staff who were instrumental in preparing this report. Appreciation is also extended to the Chair of the Board, Board of County Commissioners, Department Directors, and other County personnel for their assistance and support in planning and conducting the financial operations of the County in a prudent manner.

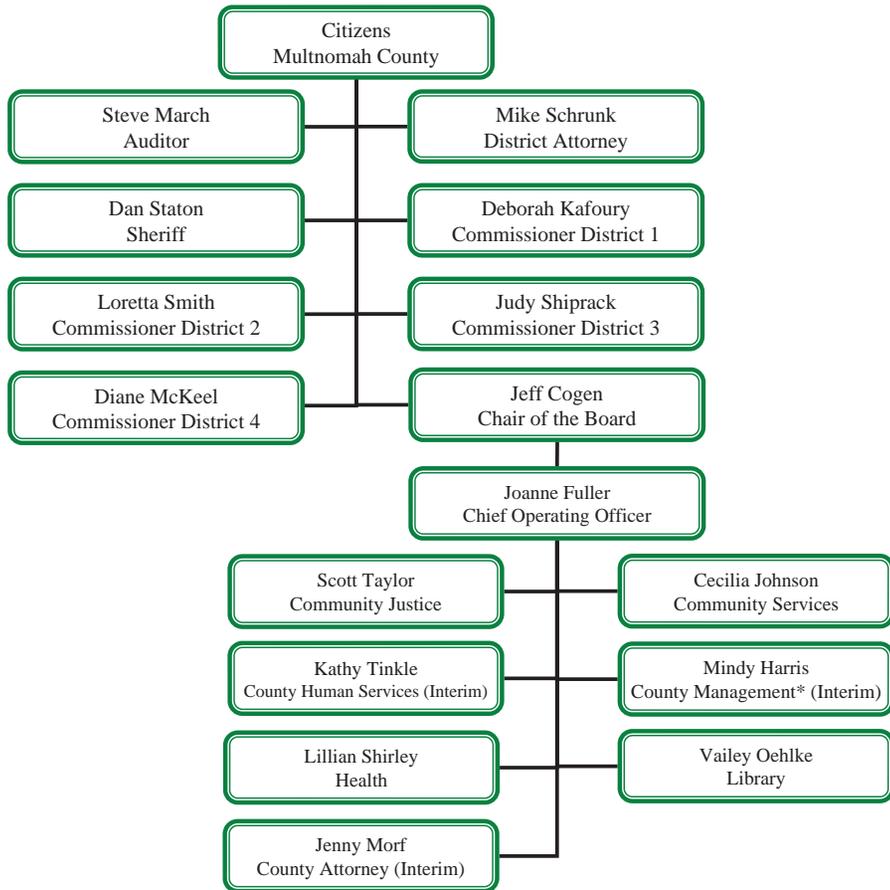
Respectfully Submitted,


Mindy Harris
Chief Financial Officer


Cara Fitzpatrick
Accounting Manager

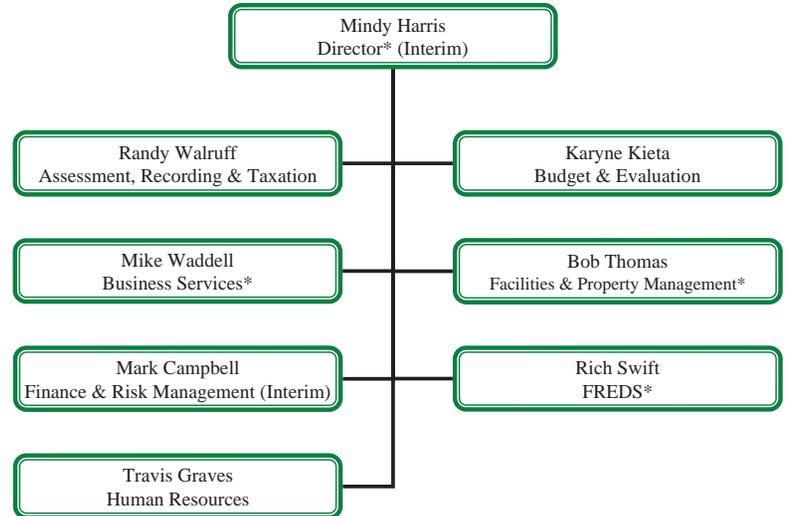


MULTNOMAH COUNTY, OREGON



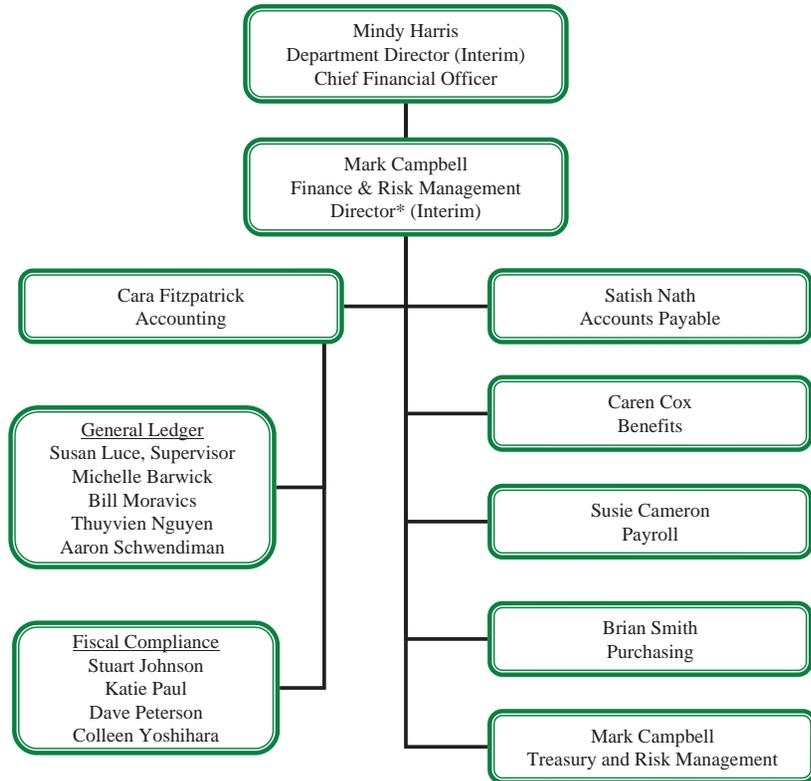
*As of July 1, 2011, the County implemented organizational changes affecting the structure of the Department of County Management.

MULTNOMAH COUNTY, OREGON
Department of County Management



*As of July 1, 2011, the County implemented organizational changes affecting the structure of the Department of County Management.

MULTNOMAH COUNTY, OREGON
Department of County Management
Finance & Risk Management Division



*As of July 1, 2011, the County implemented organizational changes affecting the structure of the Department of County Management.

MULTNOMAH COUNTY, OREGON
For the Year Ended June 30, 2011
Principal Officers

| <u>Title</u> | <u>Name</u> | <u>Term Expires</u> |
|--------------------------------------|---|---------------------|
| <u>Board of County Commissioners</u> | | |
| Chair of Board | Jeff Cogen 501 SE Hawthorne Blvd, 6 th Floor Portland, OR 97214 | 12/31/2014 |
| District No. 1 | Deborah Kafoury 501 SE Hawthorne Blvd, 6 th Floor Portland, OR 97214 | 12/31/2012 |
| District No. 2 | Loretta Smith 501 SE Hawthorne Blvd, 6 th Floor Portland, OR 97214 | 12/31/2014 |
| District No. 3 | Judy Shiprack 501 SE Hawthorne Blvd, 6 th Floor Portland, OR 97214 | 12/31/2012 |
| District No. 4 | Diane McKeel 501 SE Hawthorne Blvd, 6 th Floor Portland, OR 97214 | 12/31/2012 |
| <u>Other Elected Officers</u> | | |
| County Auditor | Steve March 501 SE Hawthorne Blvd, 6 th Floor Portland, OR 97214 | 12/31/2014 |
| County District Attorney | Michael D. Schrank 1021 SW Fourth Avenue Portland, OR 97204-1976 | 12/31/2012 |
| County Sheriff | Dan Staton 501 SE Hawthorne Blvd, 3 rd Floor Portland, OR 97214 | 12/31/2014 |
| <u>Other Appointed Officers</u> | | |
| Chief Financial Officer | Mindy Harris | Not elected |
| County Attorney | Jenny Morf (Interim) | Not elected |

REPORT OF INDEPENDENT AUDITORS

Board of Commissioners
Multnomah County, Oregon

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the respective budgetary comparisons for the General Fund, the Federal and State Program Fund, and the Library Fund of Multnomah County (the "County") as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of The Library Foundation, which represent 100% of the assets, net assets, and revenues of the discrete component unit. Those statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for The Library Foundation, is based on the report of other auditors.

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. The financial statements of The Library Foundation were not audited in accordance with *Government Auditing Standards*. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Multnomah County, as of June 30, 2011, and the respective changes in financial position and cash flows where applicable thereof, and the respective budgetary comparisons for the General Fund, the Federal and State Program Fund, and the Library Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

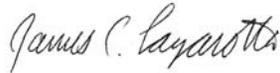
FINANCIAL SECTION

MOSS ADAMS LLP

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2011 on our consideration of the County'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 and OPEB information on pages 15 through 29 and 84 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 this information, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Multnomah County'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 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.



For Moss Adams LLP
Eugene, Oregon
November 22, 2011



Department of County Management
MULTNOMAH COUNTY OREGON
501 SE Hawthorne Blvd, Suite 531
Portland, Oregon 97214
(503) 988-3312 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, 2011. 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 1-7 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, 2011, by \$790,284 (*net assets*). Of this amount, \$23,541 is restricted for capital improvement projects, \$9,108 is restricted for improvements to roads, bridges and bike paths, \$7,831 is restricted for future years' debt service, and \$9,326 is restricted for various community support and other programs.
- Total net assets increased by \$57,572 or 8% in fiscal year 2011. The primary reasons for the increase over the prior year are discussed in more detail below.
- Health Services charges for services increased by \$6,821 or 10% over the prior year. Approximately \$5,000 of this increase can be attributed to increased Federally Qualified Health Centers (FQHC) wraparound billable Managed Care visits of 15% over the prior year, with 44% of the increased encounters a result of a new health clinic opened during fiscal year 2011. There was also a 1% increase in the prospective payment system (PPS) billable rate per visit increased in 2011, and a 9% Multicare Dental enrollment increase resulted in an additional \$619 in capitation revenue for the year. These increased revenues are offset by increased expenses of \$13,712, or 10%.
- Another significant increase in charges for services includes \$8,024 in Roads and Bridges, or 725%. The increase is a result of a new vehicle registration fee, established to provide funds for the replacement of the Sellwood Bridge. The \$19/year fee began in fiscal year 2011, and will be in place for 20 years to provide resources for construction and subsequent debt service requirements.
- Capital grants and contributions increased by \$13,530 over the prior year, or 469%. The increase is primarily attributable to significant improvements on the Broadway Bridge to add tracks for the Portland Streetcar. These improvements, totaling \$13,539 in fiscal year 2011, were performed by the City of Portland, and have been recognized as capital contributions on the Statement of Activities. The project was not yet complete as of June 30, 2011, so these improvements are included as construction in progress on the Statement of Net Assets.
- Net assets for business-type activities increased by \$3,758 or 22% in fiscal year 2011. The increase is primarily attributable to the Behavioral Health Managed Care fund where the total revenues exceeded total expenditures by \$3,450. The increase is due to a significant increase in the number of clients enrolled in the Department of County Human Services Verity mental health program. Total Verity enrollment increased by 20% over the prior year due to policy changes at the State for mental health enrollment. Also, changes in the methodology to calculate the liability for incurred but not reported

(IBNR) claims resulted in an overall net increase to net assets for the Behavioral Health Managed fund.

- Total assets for business-type activities increased by \$6,677 or 31% over the prior year and total liabilities increased by \$2,919 or 64% from fiscal year 2010. Both increases are directly attributable to the early receipt of a fiscal year 2012 allotment payment in the Behavioral Health Managed Care fund. The \$4,032 allotment payment for the Verity enrollment in the Oregon Health Plan (OHP) was received at the end of the fiscal year and increased deferred revenues and cash in the Behavioral Health Managed Care fund. The changes to the methodology for the calculation of the IBNR claims payable decreased total liabilities by \$1,008 in this fund.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$210,735, an increase of \$23,506 or 13%.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$44,576, or approximately 14% of both total General Fund expenditures and total "corporate" revenues of General Fund. Corporate revenues include Property Tax, Business Income Tax, Motor Vehicle Rental Tax, State Revenue Sharing, and Interest Earnings, revenues that are available for general use and over which the Board has complete discretion. This balance is consistent with the County's finance and budget policies requiring a 10% reserve.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, health and social services, public safety and justice, community services, roads and bridges, and libraries. The business-type activities of the County include sanitary sewer and street lighting districts, and a behavioral health managed care operation.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also a legally separate sanitary sewer district and a legally separate street lighting district, for which the County is financially accountable. The statements also include a legally separate, tax exempt foundation whose purpose is to support the County's libraries through raising, receiving, administering and

disbursing funds, grants, bequests and gifts for the benefit of the County libraries. Financial information for the two *blended component units* and one *discretely presented component unit* is reported separately from the financial information presented for the County itself.

The government-wide financial statements can be found on pages 30-32 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 23 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, the Federal State Program Fund, the Library fund, the PERS Pension Bond Fund and the Capital Improvement Fund, 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 33-39 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, and facilities management 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 43-45 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 page 46 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 126-127 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 47 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 85 of this report.

Required Supplementary Information (RSI)

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the County's progress in funding its other post employment healthcare benefits obligations. Required supplementary information can be found on page 84.

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 \$790,284 at the close of the most recent fiscal year.

Multnomah County's Net Assets

| | Governmental Activities | | Business- Type Activities | | Total | |
|---|----------------------------|------------|------------------------------|----------|------------|------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Current and other assets | \$ 503,996 | \$ 468,665 | \$24,924 | \$18,163 | \$ 528,920 | \$ 486,828 |
| Capital assets | 755,558 | 735,358 | 3,612 | 3,696 | 759,170 | 739,054 |
| Total assets | 1,259,554 | 1,204,023 | 28,536 | 21,859 | 1,288,090 | 1,225,882 |
| Long-term liabilities outstanding | 359,269 | 360,839 | 7 | 16 | 359,276 | 360,855 |
| Other liabilities | 131,055 | 127,768 | 7,475 | 4,547 | 138,530 | 132,315 |
| Total liabilities | 490,324 | 488,607 | 7,482 | 4,563 | 497,806 | 493,170 |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 637,922 | 620,544 | 3,612 | 3,696 | 641,534 | 624,240 |
| Restricted | 49,806 | 103,600 | - | - | 49,806 | 103,600 |
| Unrestricted | 81,502 | (8,728) | 17,442 | 13,600 | 98,944 | 4,872 |
| Total net assets | \$ 769,230 | \$ 715,416 | \$21,054 | \$17,296 | \$ 790,284 | \$ 732,712 |

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 \$641,534 as compared to \$624,240 a year ago. 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 \$49,806 or approximately 6% are restricted for capital projects, debt service, and various community support programs. Restricted net assets represent resources that are subject to external restrictions on how they may be used. The remaining balance is the County's unrestricted net assets of \$98,944 or approximately 13%. At the end of the current year, the County is able to report positive balances in the three categories of net assets for governmental and business-type activities.

Total net assets increased by \$57,572 during the current fiscal year. This increase is attributable to the factors discussed in the financial highlights section of management's discussion and analysis.

On the following page is a summary of the County's changes in net assets for fiscal years 2010 and 2011.

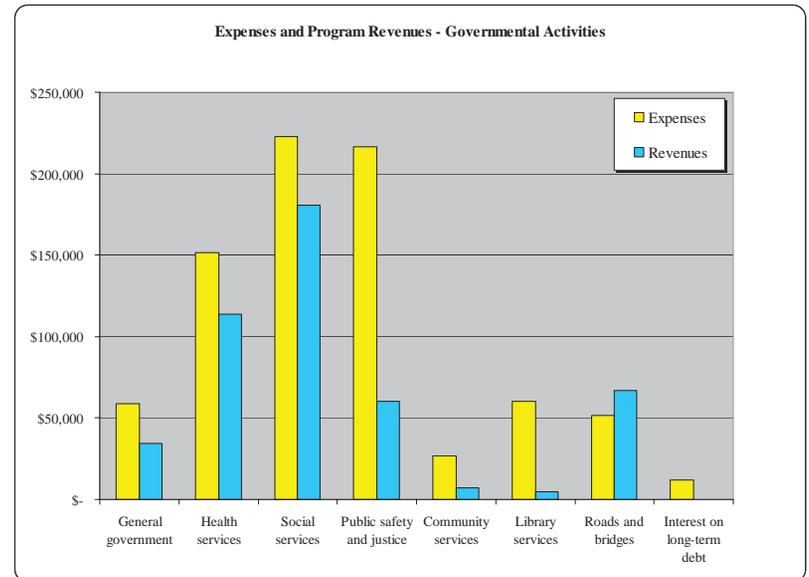
Multnomah County's Changes in Net Assets

| | Governmental Activities | | Business-type Activities | | Total | |
|--|-------------------------|------------------|--------------------------|-----------------|------------------|------------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$135,657 | \$115,554 | \$47,289 | \$44,081 | \$182,946 | \$159,635 |
| Operating grants and contributions | 316,218 | 299,735 | - | - | 316,218 | 299,735 |
| Capital grants and contributions | 16,415 | 2,885 | 36 | 133 | 16,451 | 3018 |
| General revenues: | | | | | | |
| Taxes: | | | | | | |
| Property taxes | 276,851 | 275,295 | - | - | 276,851 | 275,295 |
| Business income taxes | 48,570 | 44,150 | - | - | 48,570 | 44,150 |
| Other taxes | 48,350 | 43,997 | - | - | 48,350 | 43,997 |
| State government shared revenues | 7,423 | 7,768 | - | - | 7,423 | 7,768 |
| Grants and contributions not restricted to specific programs | 1 | 27 | - | - | 1 | 27 |
| Interest and investment earnings | 2,946 | 2,589 | 115 | 128 | 3,061 | 2,717 |
| Miscellaneous | 667 | 1,665 | 871 | 7 | 1,538 | 1,672 |
| Gain on sale of capital assets | 175 | 228 | - | - | 175 | 228 |
| Total revenues | 853,273 | 793,893 | 48,311 | 44,349 | 901,584 | 838,242 |
| Expenses: | | | | | | |
| General government | 58,642 | 59,572 | - | - | 58,642 | 59,572 |
| Health services | 151,327 | 137,615 | - | - | 151,327 | 137,615 |
| Social services | 222,515 | 224,928 | - | - | 222,515 | 224,928 |
| Public safety and justice | 216,403 | 210,079 | - | - | 216,403 | 210,079 |
| Community services | 26,683 | 22,796 | - | - | 26,683 | 22,796 |
| Library services | 60,343 | 56,548 | - | - | 60,343 | 56,548 |
| Roads and bridges | 51,772 | 49,571 | - | - | 51,772 | 49,571 |
| Interest on long-term debt | 11,774 | 12,800 | - | - | 11,774 | 12,800 |
| Dunthorpe-Riverdale Service District Number 1 | - | - | 486 | 516 | 486 | 516 |
| Mid County Service District Number 14 | - | - | 427 | 403 | 427 | 403 |
| Behavioral Health Managed Care | - | - | 43,640 | 39,207 | 43,640 | 39,207 |
| Total expenses | 799,459 | 773,909 | 44,553 | 40,126 | 844,012 | 814,035 |
| Increase (decrease) in net assets | 53,814 | 19,984 | 3,758 | 4,223 | 57,572 | 24,207 |
| Beginning net assets | 715,416 | 695,432 | 17,296 | 13,073 | 732,712 | 708,505 |
| Ending net assets | <u>\$769,230</u> | <u>\$715,416</u> | <u>\$21,054</u> | <u>\$17,296</u> | <u>\$790,284</u> | <u>\$732,712</u> |

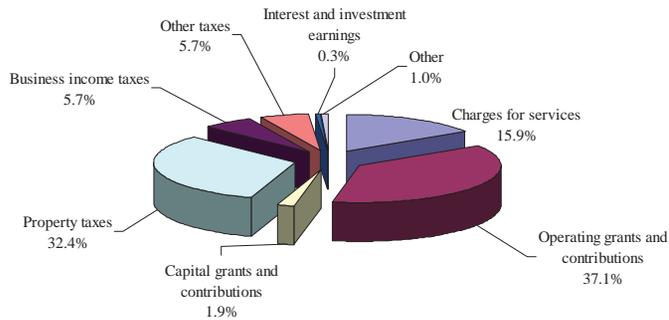
Governmental activities. Governmental activities increased the County's net assets by \$53,814; key elements of this increase are highlighted below:

- Fees, fines and charges for services increased by \$20,103 or 36%. The increase is related to Roads and Bridges which increased \$8,024 or 725% over the prior year, which represents the collection of a new vehicle registration fee dedicated to the construction of the Sellwood bridge replacement project. Also included in the increase is \$6,821 in Health Services, which was primarily the result of increased billable encounters in the County's health clinics. Approximately 44% of the increased encounters were a result of a new health clinic opened during fiscal year 2011 in the County's Rockwood neighborhood.
- Capital grants and contributions increased by \$13,530, or 469%. The increase is primary related to improvements to the Broadway bridge to install tracks for the Portland Streetcar, and represents work completed by the City of Portland.
- Business income taxes increased by \$4,420 or 10% from the prior year as the economy continues to rebound. Prior to fiscal year 2009, business income tax revenues grew at an average of 20% annually over the past five years. However, as the economic recession set in during fiscal year 2009, the County's business income tax revenues plummeted.

The graph below and on the following page, shows the County's Governmental Activities expenses and revenues by program area and revenue by sources.



Revenues by Source, Governmental Activities

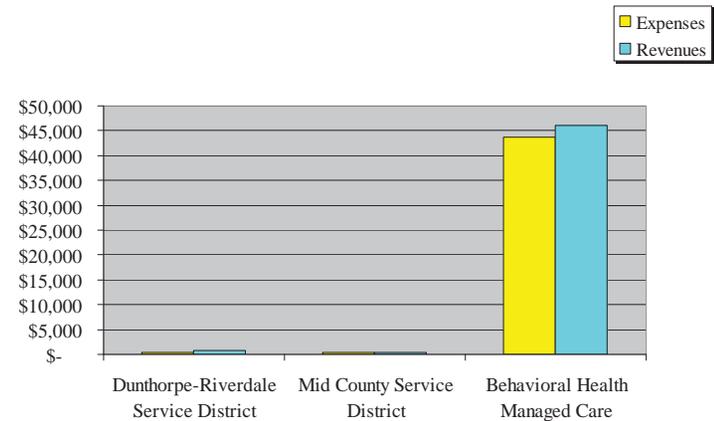


Business-type activities. Business-type activities increased the County's net assets by \$3,758, compared to an increase of \$4,223 in the prior year. The primary reasons for the current year's increase are:

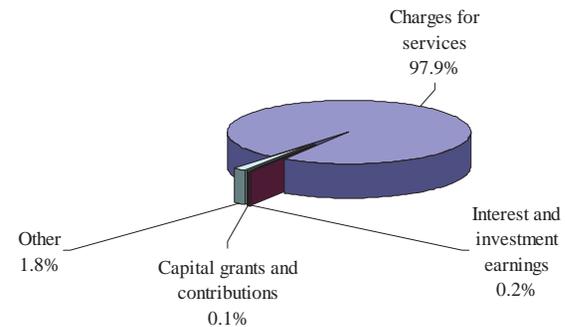
- The Behavioral Health Managed Care fund manages the insurance for Medicaid and Oregon Health Plan enrolled members within Multnomah County. Verity Integrated Behavioral Healthcare Systems works with the Oregon Health Plan to manage mental health services. Net assets in this fund increased by \$3,450 as compared to an increase of \$3,845 in the prior year. During fiscal year 2011, the enrollment in the Verity increased by approximately 20% as a result of policy changes at the State for enrollment.
- The Dunthorpe-Riverdale Service District's revenue source is primarily sewer assessments collected through property taxes. During fiscal year 2011 the District collected \$816 in fines, fees and charges for services which is essentially unchanged from the prior year's collection of \$809.
- The Mid County Service District's revenue source is primarily street lighting assessments collected through property taxes. During fiscal year 2011 the District collected \$363 in fines, fees and charges for services which is an increase of \$22 or 6% over the prior year collections of \$341. This increase is attributable to an increase in user fees from \$45 to \$48 per household.
- Interest revenue decreased by \$13 as interest rates fell from .57% in June 2010 to .53% in June 2011. Interest is allocated based on the average daily cash balance and the average monthly yield of the County's investment portfolio.

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

Expenses and Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$210,735, an increase of \$23,506 over the prior year. Approximately 31% or \$65,178 of this total amount constitutes *assigned and unassigned fund balances*, which is available for spending at the government's discretion. Unassigned fund balances are amounts available in the General Fund, while assigned fund balances are amounts available in other governmental funds. The remainder of fund balance is *unspendable, restricted, or committed* to indicate that it is not available for discretionary spending because it has already been dedicated to 1) to prepaid items and inventories (\$1,891), 2) to pay for ongoing capital projects (\$42,278), 3) to pay debt service (\$73,529), 3) to pay for improvements to roads, bridges or bike paths (\$18,108), or 4) to pay for various community support and other programs (\$9,751). Additional information on the County's fund balances can be found in note 3.G on page 76 of this report.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance was \$44,576 in the General Fund or approximately 98% of the total fund balance of \$45,717. As a measure of the General Fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Unreserved fund balance represents 13% of total General Fund expenditures.

The fund balance of the County's General Fund decreased by \$13,698 due to unrestricted Health Department clinic fees and the related expenditures that were reclassified from the Federal State Program Special Revenue fund to the General Fund in fiscal year 2011. The reclassification of the Health Department's program was related to the County's implementation of GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This decrease is offset by increases in property taxes of \$4,329 and business income taxes of \$4,420.

The Federal and State Program Special Revenue Fund has a total fund balance of \$8,172, of which \$439 is unspendable due to balances reported for prepaid items and inventories. The restricted balance of \$8,045 includes grants and other amounts received in advance that are restricted to specific purposes by external parties. In general, Federal revenues are closely matched with Federal expenditures. The remaining deficit balance of \$312 is reported as unassigned because the total unspendable and restricted amounts were greater than the total ending fund balance. Ending fund balance in the Federal and State Program fund increased over the prior year by \$2,230 or 38% primarily due to unspent revenues at year-end related to the State Mental Health Block grant in the Department of County Human Services.

The Library Special Revenue Fund reported a total fund balance of \$16,609, of which \$16,355 is assigned at year-end. This is a decrease of \$2,486 or 13% from the prior year. The decrease is primarily attributable to the Library's local option levy that expires June 30, 2012. Approximately 60% of Library operations are supported by a five year local option levy. The five year levy is designed to operate at a surplus in the early years and at a deficit as the levy nears the end of the five year period.

The PERS Pension Bond Fund is a debt service fund with a total fund balance of \$54,737 which is an increase of \$13,234 or 32% over the prior year's ending fund balance of \$41,503. The total fund balance is committed for future debt service. The increase in fund balance is due to an increase in the internal service rates charged to County departments as a part of personnel costs.

The Capital Improvement Fund is a capital project fund with a total fund balance of \$30,586, of which \$18,621 is restricted by external parties to specific capital projects. The remaining \$11,965 is committed by the Board to other capital projects. Ending fund balance in the Capital Improvement fund increased over the prior year by \$8,378 or 38% due to the issuance of debt for \$15,000 for the construction of a new East County Courthouse, with \$9,418 of these proceeds remaining unspent during fiscal year 2011.

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, \$765
- Mid County Service District Fund, \$252
- Behavioral Health Managed Care Fund, \$16,425

The total change in net assets for all proprietary funds was an increase of \$3,758. 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 adjustments necessary to bring the expenditure budget into agreement with the revised revenue budget account for some of the differences between the original General Fund budget and the final adopted budget. Total final adopted budgeted revenues were increased by \$1,932 and total final adopted budgeted expenditures were increased by \$2,824 from the original budgeted numbers. During the year the General Fund contingency was reduced by \$504 or 7% for the following reasons:

- District Attorney and Sheriff – \$406 was allocated for an investigation and search effort for a missing person. \$196 of this amount was added to the District Attorney's Office budget, and \$210 was added to the Sheriff's Office budget.
- Community Justice – \$117 was allocated for increased gang violence intervention programs in response to a significant increase in gang related problems.
- Human Services – Approximately \$482 was added to the budget for the Department County Human Services. Of this, \$61 was allocated to domestic violence emergency shelter beds, \$318 for additional homeless family shelter services and capacity through the Rapid Re-Housing Initiative, and \$103 for initiatives to help seniors receiving assistance through the Department's Aging and Disability Services division for assistance with dentures and extractions and support for bed bug treatments.
- Multiple Departments – Approximately \$501 increased the General Fund revenues as a result of additional grants and awards to various County Departments in restricted funds that allowed for indirect costs or an overhead allocation.

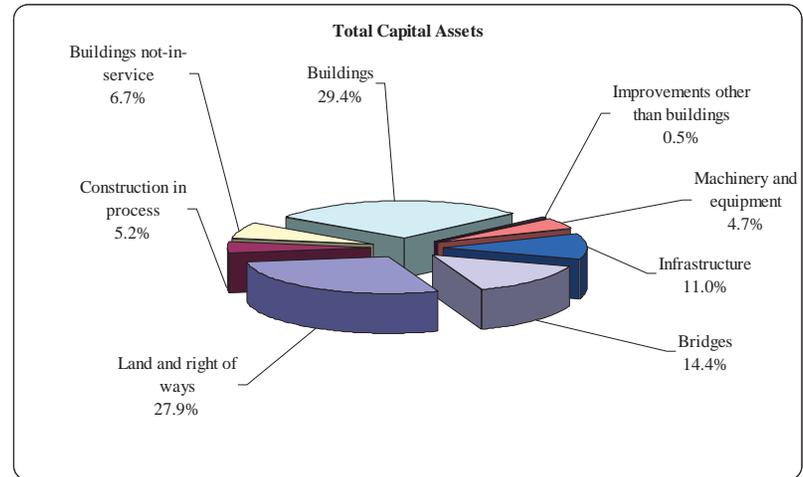
The contingency transactions account for increases in budgeted expenditures not related to increased revenues, and may be used only when approved by the Board for a specific purpose and department. There was no effect on the ending General Fund budgetary fund balance as a result of these budget amendments. The following list highlights department expenditures that had significant changes from the original budget to the final adopted budget or variances between the final adopted budget to actual expenditures in the General Fund:

- Human Services – The department's final budget exceeded the original budget by \$501. This increase is explained by the changes in the Human Services General Fund contingency as noted above. The department's final budget also exceeded actual spending by \$2,738 or 6%. The underspending was concentrated to contracts in the Aging & Disability Services division and Community Services division.

- Nondepartmental – The final budget exceeded the original budget for nondepartmental offices and agencies by \$1,301. This increase was to allow for the distribution of personal income tax collections to schools, for delinquent collections that have continued to be received on the expired tax. The final budget for nondepartmental offices and agencies exceeded the actual spending by \$1,763 or 8%, of which \$706 is related to the budget modification above, as final collections and the related distribution of the income tax revenues were not as high as expected.
- County Management – The department’s final budget exceeded actual spending by \$1,863 or 6%. The under-spending is due to a number of positions in the Division of Assessment, Recording and Taxation that were held open throughout the fiscal year.
- Health Services – The final budget in the Health Department exceeded actual spending by \$3,499 or 7%. This underspending is primarily related to increased fee collections in the Federal and State Program fund, which provided alternative resources for the Department’s expenditures and reduced spending in the General fund.

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, 2011, amounts to \$759,170 (net of accumulated depreciation). This investment in capital assets includes land, right of ways, buildings and improvements, machinery and equipment, internally developed software, 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 an increase of \$20,116 or approximately 3%. This increase is primarily related to several projects still under construction at the end of fiscal year 2011, including \$14,218 for the Broadway bridge, \$9,019 for the Sellwood bridge replacement, and \$7,135 for the new East County Courthouse. Additionally, buildings not-in-service, which represents a County jail facility whose construction was completed in fiscal year 2005. However, the County does not have sufficient resources to operate the facility.



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

| | Governmental Activities | | Business- Type Activities | | Total | |
|-----------------------------------|-------------------------|-------------------|---------------------------|-----------------|-------------------|-------------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Land and right of ways | \$ 212,029 | \$ 212,024 | \$ - | \$ - | \$ 212,029 | \$ 212,024 |
| Construction in process | 39,542 | 8,401 | - | 305 | 39,542 | 8,706 |
| Buildings not-in-service | 51,164 | 51,164 | - | - | 51,164 | 51,164 |
| Buildings | 223,379 | 227,121 | - | - | 223,379 | 227,121 |
| Improvements other than buildings | 433 | 283 | 3,612 | 3,391 | 4,045 | 3,674 |
| Machinery and equipment | 36,014 | 34,979 | - | - | 36,014 | 34,979 |
| Bridges | 83,587 | 85,825 | - | - | 83,587 | 85,825 |
| Infrastructure | 109,410 | 115,561 | - | - | 109,410 | 115,561 |
| Total capital assets | \$ 755,558 | \$ 735,358 | \$ 3,612 | \$ 3,696 | \$ 759,170 | \$ 739,054 |

The following chart indicates the County’s capital assets as of June, 30, 2011. Additional information on the County’s capital assets can be found in note 3.C on pages 66 – 67 of this report.

Long-term debt. At the end of the current fiscal year, the County had total debt outstanding of \$268,687. Of this amount, \$42,794 comprises debt backed by the general obligation bonds; \$218,330 represents debt backed by the full faith and credit bonds; \$3,414 comprises long term loan 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

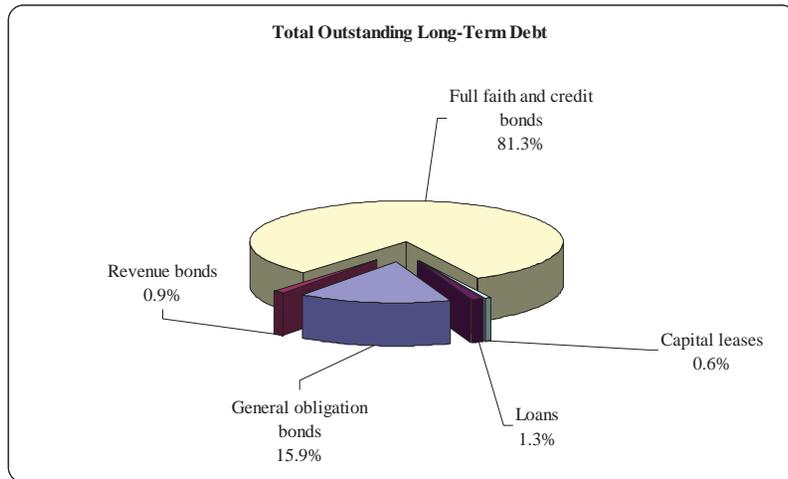
| | Governmental Activities | | Business- Type Activities | | Total | |
|-------------------------------|-------------------------|-------------------|---------------------------|-------------|-------------------|-------------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| General obligation bonds | \$ 42,794 | \$ 50,045 | \$ - | \$ - | \$ 42,794 | \$ 50,045 |
| Revenue bonds | 2,430 | 2,845 | - | - | 2,430 | 2,845 |
| Full faith and credit bonds | 218,330 | 220,352 | - | - | 218,330 | 220,352 |
| Capital leases | 1,719 | 1,020 | - | - | 1,719 | 1,020 |
| Loans | 3,414 | 2,132 | - | - | 3,414 | 2,132 |
| Total outstanding debt | \$ 268,687 | \$ 276,394 | \$ - | \$ - | \$ 268,687 | \$ 276,394 |

The County’s total debt decreased by \$7,707 or approximately 3% during the current fiscal year. In fiscal year 2011 the County issued \$15,000 in Full Faith and Credit bonds to finance the construction of the new East County Courthouse. Other changes to the County’s long-term debt during fiscal year 2011 consisted primarily of principal payments.

The County maintains an “Aaa” rating with a stable outlook 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 \$1,992,567, 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 \$798,436, which is in excess of the County's outstanding full faith and credit debt. The County is also subject to State statute on revenue bonds used to finance pension liabilities by 5% of the real market value of all taxable property within the County's boundaries. The current debt limitation for pension revenue bonds is \$4,935,745, which is also in excess of the County's outstanding pension revenue bonds.

The following chart indicates the County's long-term liabilities as of June 30, 2011. Additional information on the County's long-term liabilities can be found in note 3.F on pages 68 – 76 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 9.2% which is down one percentage point from 10.2% at the same time last year. The unemployment rate has remained near 10% since the onset of the economic recession in 2008. The consensus forecast has Oregon unemployment growing 2.1% in 2011 and 2.7% in 2012.
- Property tax revenues are the single largest source of revenue in the General Fund and it accounts for approximately 63% of ongoing revenues. Property tax revenues are not expected to be significantly different than the original budget estimates. Voter approved Property Tax measures, while they have limited revenue growth, have tended to make tax collections more stable and predictable from year to year.
- The forecast for fiscal year 2012 anticipates business income tax revenues will be slightly higher than fiscal year 2011 levels. Actual collections could be higher or they could be lower. Business income

tax (BIT) is highly sensitive to economic conditions and has been volatile since fiscal year 2008. Over the past five years tax collections have grown by as much as 40% and declined by as much as 35% on a year over year basis. The County has established a "BIT Stabilization Reserve" to help balance the difficulty of budgeting for this revenue source.

- Recording fees and the CAFFA grant are expected to increase by 7.3% which is attributable to refinancing activity as mortgage rates remain low.
- State shared revenues, including video lottery, Oregon Liquor Control, cigarette and amusement device taxes, are expected to increase by 16.2% in 2012. The increase is primarily in video lottery as a temporary state reduction expired in 2011 and consumer spending related to these revenues continues to grow.

All of these factors were considered in preparing the County's budget for fiscal year 2011-2012.

During the current fiscal year, unassigned fund balance in the General Fund increased to \$44,576. At this level, the County is able to fully fund the reserve account in the General Fund unappropriated fund balance as described in the Financial and Budget policies. The Finance and Budget policies state it is the goal of the Board to fund and maintain a General Fund budgeted reserve, designated as unappropriated fund balance and funded at approximately 10% of specifically identified revenues, "corporate" revenues, of the General Fund. In fiscal year 2011, reserves are equal to 10% of the "corporate" revenues of the General Fund. The fiscal year 2011-2012 budget fully funds the reserve in the General Fund.

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, 2011
(amounts expressed in thousands)

| | Primary Government | | Total | Component Unit |
|--|-------------------------|--------------------------|-------------------|------------------------|
| | Governmental Activities | Business-Type Activities | | The Library Foundation |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and investments | \$ 275,091 | \$ 24,857 | \$ 299,948 | \$ 16,671 |
| Receivables (net of allowance for uncollectibles): | | | | |
| Taxes | 21,077 | - | 21,077 | - |
| Accounts | 81,507 | 12 | 81,519 | 21 |
| Loans | 1,069 | - | 1,069 | - |
| Interest | 955 | - | 955 | - |
| Special assessments | 11 | 55 | 66 | - |
| Contracts | 3,598 | - | 3,598 | - |
| Contributions | - | - | - | 101 |
| Inventories | 3,112 | - | 3,112 | - |
| Prepaid items | 2,356 | - | 2,356 | 18 |
| Split interest and other agreements | - | - | - | 490 |
| Restricted cash and investments | 1,355 | - | 1,355 | - |
| Non-current assets: | | | | |
| Capital assets: | | | | |
| Land, right-of-way and construction in progress | 251,571 | - | 251,571 | - |
| Buildings-not in service, not depreciating | 51,164 | - | 51,164 | - |
| Other capital assets (net of accumulated depreciation) | 452,823 | 3,612 | 456,435 | 12 |
| Other assets, net of amortization | 113,865 | - | 113,865 | - |
| Total assets | <u>1,259,554</u> | <u>28,536</u> | <u>1,288,090</u> | <u>17,313</u> |
| LIABILITIES | | | | |
| Accounts payable | 67,150 | 3,426 | 70,576 | 318 |
| Claims and judgments payable | 11,698 | - | 11,698 | - |
| Accrued salaries and benefits | 8,445 | 8 | 8,453 | - |
| Accrued interest payable | 1,946 | - | 1,946 | - |
| Gift annuity payable | - | - | - | 6 |
| Unearned revenue | 7,311 | 4,032 | 11,343 | - |
| Due within one year: | | | | |
| Compensated absences | 7,010 | 9 | 7,019 | - |
| Bonds payable | 26,652 | - | 26,652 | - |
| Capital leases payable | 122 | - | 122 | - |
| Loans payable | 345 | - | 345 | - |
| Pollution remediation obligation | 376 | - | 376 | - |
| Noncurrent liabilities: | | | | |
| Due in more than one year: | | | | |
| Compensated absences | 18,676 | 7 | 18,683 | - |
| Bonds payable | 236,902 | - | 236,902 | - |
| Capital leases payable | 1,597 | - | 1,597 | - |
| Loans payable | 3,069 | - | 3,069 | - |
| Deferred lease obligation | 1,622 | - | 1,622 | - |
| Net other postemployment benefits obligation | 97,403 | - | 97,403 | - |
| Total liabilities | <u>490,324</u> | <u>7,482</u> | <u>497,806</u> | <u>324</u> |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 637,922 | 3,612 | 641,534 | 12 |
| Restricted | 49,806 | - | 49,806 | 7,323 |
| Unrestricted | 81,502 | 17,442 | 98,944 | 9,654 |
| Total net assets | <u>\$ 769,230</u> | <u>\$ 21,054</u> | <u>\$ 790,284</u> | <u>\$ 16,989</u> |

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, 2011
(amounts expressed in thousands)

| Functions/Programs | Program Revenues | | | | Net (Expenses) Revenues and Changes in Net Assets | | | |
|--|------------------|--------------------------------------|------------------------------------|----------------------------------|---|--------------------------|--------------|------------------------|
| | Expenses | Fees, Fines and Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | Component Unit |
| | | | | | Governmental Activities | Business-type Activities | Total | The Library Foundation |
| Primary government: | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government | \$ 58,642 | \$ 27,789 | \$ 4,956 | \$ 1,485 | \$ (24,412) | \$ - | \$ (24,412) | \$ - |
| Health services | 151,327 | 77,276 | 36,311 | 4 | (37,736) | - | (37,736) | - |
| Social services | 222,515 | 1,321 | 179,553 | - | (41,641) | - | (41,641) | - |
| Public safety and justice | 216,403 | 16,056 | 44,315 | 80 | (155,952) | - | (155,952) | - |
| Community services | 26,683 | 2,325 | 3,610 | 1,249 | (19,499) | - | (19,499) | - |
| Library | 60,343 | 1,759 | 3,189 | - | (55,395) | - | (55,395) | - |
| Roads and bridges | 51,772 | 9,131 | 44,284 | 13,597 | 15,240 | - | 15,240 | - |
| Interest on long-term debt | 11,774 | - | - | - | (11,774) | - | (11,774) | - |
| Total governmental activities | 799,459 | 135,657 | 316,218 | 16,415 | (331,169) | - | (331,169) | - |
| Business-type activities: | | | | | | | | |
| Dunthorpe-Riverdale Sanitary Service District No. 1 | 486 | 816 | - | 6 | - | 336 | 336 | - |
| Mid County Lighting Service District No. 14 | 427 | 363 | - | 30 | - | (34) | (34) | - |
| Behavioral health managed care | 43,640 | 46,110 | - | - | - | 2,470 | 2,470 | - |
| Total business-type activities | 44,553 | 47,289 | - | 36 | - | 2,772 | 2,772 | - |
| Total primary government | \$ 844,012 | \$ 182,946 | \$ 316,218 | \$ 16,451 | \$ (331,169) | \$ 2,772 | \$ (328,397) | - |
| Component unit: | | | | | | | | |
| The Library Foundation | \$ 2,190 | \$ 904 | \$ - | \$ - | - | - | - | (1,286) |
| General revenues: | | | | | | | | |
| Taxes: | | | | | | | | |
| Property taxes, levied for general purposes | | | | | \$ 268,605 | \$ - | \$ 268,605 | \$ - |
| Property taxes, levied for debt service | | | | | 8,246 | - | 8,246 | - |
| Personal income taxes | | | | | 683 | - | 683 | - |
| Business income taxes | | | | | 48,570 | - | 48,570 | - |
| Selective excise and use taxes | | | | | 46,167 | - | 46,167 | - |
| Payments in lieu of taxes | | | | | 1,500 | - | 1,500 | - |
| State government shared unrestricted revenues | | | | | 7,423 | - | 7,423 | - |
| Grants and contributions not restricted to specific programs | | | | | 1 | - | 1 | 837 |
| Interest and investment earnings | | | | | 2,946 | 115 | 3,061 | 2,022 |
| Miscellaneous | | | | | 667 | 871 | 1,538 | 3 |
| Gain on sale of capital assets | | | | | 175 | - | 175 | - |
| Total general revenues and special items | | | | | 384,983 | 986 | 385,969 | 2,862 |
| Change in net assets | | | | | 53,814 | 3,758 | 57,572 | 1,576 |
| Net assets - beginning | | | | | 715,416 | 17,296 | 732,712 | 15,413 |
| Net assets - ending | | | | | \$ 769,230 | \$ 21,054 | \$ 790,284 | \$ 16,989 |

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

MULTNOMAH COUNTY, OREGON
Balance Sheet
Governmental Funds
June 30, 2011
(amounts expressed in thousands)

| | General Fund | Federal and State Program Special Revenue Fund | Library Special Revenue Fund | PERS Pension Bond Debt Service Fund | Capital Improvement Capital Project Fund | Other Governmental Funds | Total Governmental Funds |
|-------------------------------------|-------------------|--|------------------------------------|---|--|--------------------------------|--------------------------------|
| ASSETS | | | | | | | |
| Cash and investments | \$ 52,075 | \$ 8 | \$ 17,583 | \$ 54,737 | \$ 32,227 | \$ 53,021 | \$ 209,651 |
| Receivables: | | | | | | | |
| Taxes | 16,724 | - | 2,098 | - | - | 2,255 | 21,077 |
| Accounts | 33,378 | 31,979 | 448 | - | 485 | 14,343 | 80,633 |
| Loans | - | 700 | - | - | - | - | 700 |
| Interest | 955 | - | - | - | - | - | 955 |
| Special assessments | 11 | - | - | - | - | - | 11 |
| Contracts | 1,407 | - | - | - | 205 | 1,622 | 3,234 |
| Due from other funds | 250 | - | - | - | - | - | 250 |
| Inventories | 515 | 628 | - | - | - | 523 | 1,666 |
| Prepaid items | 390 | 439 | 254 | - | - | 21 | 1,104 |
| Restricted cash and investments | - | 280 | - | - | - | 1,075 | 1,355 |
| Total assets | <u>\$ 105,705</u> | <u>\$ 34,034</u> | <u>\$ 20,383</u> | <u>\$ 54,737</u> | <u>\$ 32,917</u> | <u>\$ 72,860</u> | <u>\$ 320,636</u> |
| LIABILITIES | | | | | | | |
| Accounts payable | \$ 22,476 | \$ 19,400 | \$ 1,320 | \$ - | \$ 2,048 | \$ 15,634 | \$ 60,878 |
| Payroll payable | 4,087 | 2,593 | 704 | - | 2 | 312 | 7,698 |
| Due to other funds | - | 250 | - | - | - | - | 250 |
| Deferred revenue | 33,425 | 3,619 | 1,750 | - | 281 | 2,000 | 41,075 |
| Total liabilities | <u>59,988</u> | <u>25,862</u> | <u>3,774</u> | <u>-</u> | <u>2,331</u> | <u>17,946</u> | <u>109,901</u> |
| FUND BALANCES | | | | | | | |
| Nonspendable | 654 | 439 | 254 | - | - | 544 | 1,891 |
| Restricted | 487 | 8,045 | - | - | 18,621 | 22,276 | 49,429 |
| Committed | - | - | - | 54,737 | 11,965 | 27,535 | 94,237 |
| Assigned | - | - | 16,355 | - | - | 4,559 | 20,914 |
| Unassigned | 44,576 | (312) | - | - | - | - | 44,264 |
| Total fund balances | <u>45,717</u> | <u>8,172</u> | <u>16,609</u> | <u>54,737</u> | <u>30,586</u> | <u>54,914</u> | <u>210,735</u> |
| Total liabilities and fund balances | <u>\$ 105,705</u> | <u>\$ 34,034</u> | <u>\$ 20,383</u> | <u>\$ 54,737</u> | <u>\$ 32,917</u> | <u>\$ 72,860</u> | <u>\$ 320,636</u> |

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, 2011
(amounts expressed in thousands)

| | | |
|---|------------------|-------------------|
| Fund balances - governmental funds | | \$ 210,735 |
| 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 | 1,286,623 | |
| Less accumulated depreciation | <u>(538,074)</u> | 748,549 |
| Other long-term assets | | |
| Negative net pension asset | 113,292 | |
| Bond issuance costs | <u>573</u> | 113,865 |
| Accrued interest payable | | (1,946) |
| Net amount due from community based health organization for outstanding loan does not represent current financial resources and therefore is not reported in governmental funds | | 369 |
| 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 | (263,554) | |
| Capital leases payable | (1,719) | |
| Loans payable | <u>(3,414)</u> | (268,687) |
| Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds. | | (23,066) |
| Accrued personal income tax distributions are not due and payable in the current period and therefore are not reported in the funds. | | (256) |
| Pollution remediation obligation | | (376) |
| Net other postemployment benefits obligation | | (97,403) |
| Deferred revenue represents amounts that were not available to fund current expenditures and therefore are not reported in the governmental funds. | | |
| Clinic fees | 21,460 | |
| Property taxes | 12,050 | |
| Personal income taxes | <u>297</u> | 33,807 |
| 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. | | <u>53,639</u> |
| Net Assets of governmental activities | | <u>\$ 769,230</u> |

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

(This page intentionally left blank.)

MULTNOMAH COUNTY, OREGON
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011
(amounts expressed in thousands)

| | General Fund | Federal and State Program Special Revenue Fund | Library Special Revenue Fund | PERS Pension Bond Debt Service Fund | Capital Improvement Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|--|------------------|--|---------------------------------|---|---|--------------------------------|--------------------------------|
| REVENUES | | | | | | | |
| Taxes | \$ 299,124 | \$ - | \$ 38,475 | \$ - | \$ - | \$ 37,336 | \$ 374,935 |
| Intergovernmental | 14,751 | 256,711 | 507 | - | 1,211 | 44,764 | 317,944 |
| Licenses and permits | 9,137 | 986 | 144 | - | - | 13,268 | 23,535 |
| Charges for services | 15,760 | 46,798 | 1,615 | - | 379 | 4,323 | 68,875 |
| Interest | 727 | 1 | 119 | 258 | 152 | 229 | 1,486 |
| Other | 15,292 | 3,227 | 2,688 | 28,178 | 3,787 | 11,163 | 64,335 |
| Total revenues | <u>354,791</u> | <u>307,723</u> | <u>43,548</u> | <u>28,436</u> | <u>5,529</u> | <u>111,083</u> | <u>851,110</u> |
| EXPENDITURES | | | | | | | |
| Current: | | | | | | | |
| General government | 57,738 | - | - | - | 4,371 | 842 | 62,951 |
| Health services | 76,838 | 81,082 | - | - | - | 363 | 158,283 |
| Social services | 45,706 | 178,109 | - | - | - | - | 223,815 |
| Public safety and justice | 171,165 | 41,995 | - | - | - | 7,119 | 220,279 |
| Community services | - | 2,827 | - | - | - | 23,456 | 26,283 |
| Library services | - | - | 54,223 | - | - | - | 54,223 |
| Roads and bridges | - | - | - | - | - | 40,790 | 40,790 |
| Capital outlay | 1,210 | 1,480 | 6,904 | - | 8,819 | 14,391 | 32,804 |
| Debt service: | | | | | | | |
| Principal | - | - | - | 9,150 | - | 14,797 | 23,947 |
| Interest | 33 | - | - | 6,052 | - | 5,674 | 11,759 |
| Total expenditures | <u>352,690</u> | <u>305,493</u> | <u>61,127</u> | <u>15,202</u> | <u>13,190</u> | <u>107,432</u> | <u>855,134</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>2,101</u> | <u>2,230</u> | <u>(17,579)</u> | <u>13,234</u> | <u>(7,661)</u> | <u>3,651</u> | <u>(4,024)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Proceeds from issuance of debt | - | - | - | - | 15,000 | 1,282 | 16,282 |
| Issuance of capital lease | 815 | - | - | - | - | - | 815 |
| Proceeds from sale of capital assets | - | - | - | - | - | 24 | 24 |
| Transfers in | 3,249 | - | 15,093 | - | 1,039 | 14,140 | 33,521 |
| Transfers out | (19,863) | - | - | - | - | (3,249) | (23,112) |
| Total other financing sources (uses) | <u>(15,799)</u> | <u>-</u> | <u>15,093</u> | <u>-</u> | <u>16,039</u> | <u>12,197</u> | <u>27,530</u> |
| Net change in fund balances | (13,698) | 2,230 | (2,486) | 13,234 | 8,378 | 15,848 | 23,506 |
| Fund balances - beginning | 59,415 | 5,942 | 19,095 | 41,503 | 22,208 | 39,066 | 187,229 |
| Fund balances - ending | <u>\$ 45,717</u> | <u>\$ 8,172</u> | <u>\$ 16,609</u> | <u>\$ 54,737</u> | <u>\$ 30,586</u> | <u>\$ 54,914</u> | <u>\$ 210,735</u> |

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, 2011
(amounts expressed in thousands)

| | | |
|---|-----------------|----------|
| Net change in fund balances - total governmental funds | \$ | 23,506 |
| Amounts reported for governmental activities in the statement of activities 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 | 32,804 | |
| Current year depreciation expense | <u>(28,144)</u> | 4,660 |
| | | |
| Contributed and donated capital assets | 15,299 | |
| Issuance of capital lease | (815) | |
| Proceeds on sale of capital assets | (24) | |
| Gain on disposal of capital assets | 24 | |
| Loss on disposal of capital assets | <u>(464)</u> | 14,020 |
| | | |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. | | |
| Increase in deferred revenues - clinic fees | 21,460 | |
| Decrease in deferred revenues - property taxes | (407) | |
| Increase in deferred revenues - personal income taxes | <u>26</u> | 21,079 |
| | | |
| Proceeds from the issuance of debt provide current financial resources to governmental funds, but are an increase of long-term liabilities in the statement of net assets. | | |
| | | (16,282) |
| | | |
| 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 | | 1,117 |
| | | |
| 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. | | |
| Bond issuance costs | | 120 |
| Current year amortization expense | | (62) |
| | | |
| 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. | | |
| | | 23,947 |
| | | |
| Activities related to a loan provided to community based health organization. | | |
| Payments received from community based health organization | | (69) |

(continued)

| | | |
|---|-------------|------------------|
| (continued) | | |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | |
| Increase in long-term compensated absences | (1,454) | |
| Decrease in accrued interest expense | 243 | |
| Increase in personal income tax distribution liability | <u>(16)</u> | (1,227) |
| | | |
| Amortization expense on the net pension asset | | (6,152) |
| | | |
| Activities related to pollution remediation obligations: | | |
| Additions to pollution remediation obligation | (286) | |
| Pollution remediation activities incurred and paid within the fiscal year | <u>285</u> | (1) |
| | | |
| Current year expense for net other post-employment benefits obligation | | (7,355) |
| | | |
| 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. | | |
| | | <u>(3,228)</u> |
| | | |
| Change in net assets of governmental activities | | <u>\$ 53,814</u> |

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.
- **Library Fund** – a special revenue funds that accounts for the public library operations, including the serial property tax levy dedicated to library operations.
- **PERS Pension Bond Fund** – accounts for payment of principal and interest payments on pension obligation bonds that were issued to fund the County’s PERS unfunded liability. Revenues consist of charges to departments and interest. The schedule of revenues, expenditures, and changes in fund balances – budget and actual for the PERS Pension Bond debt service fund is on page 108.
- **Capital Improvement Fund** - accounts for the proceeds from the sale of County property and expenditures made to improve County property. The schedule of revenues, expenditures, and changes in fund balances – budget and actual for the Capital Improvement capital project fund is on page 114.

MULTNOMAH COUNTY, OREGON
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2011
(amounts expressed in thousands)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Favorable (Unfavorable) |
|---|------------------|------------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes: | | | | |
| Property | \$ 228,531 | \$ 228,531 | \$ 230,518 | \$ 1,987 |
| Payments in lieu of taxes | 1,275 | 1,275 | 1,602 | 327 |
| Business income | 42,263 | 42,263 | 48,570 | 6,307 |
| Personal income | 200 | 1,500 | 657 | (843) |
| Motor vehicle rental | 17,848 | 17,848 | 17,777 | (71) |
| Intergovernmental | 14,813 | 15,086 | 14,751 | (335) |
| Licenses and permits | 8,554 | 8,554 | 9,137 | 583 |
| Charges for services | 9,859 | 9,859 | 10,373 | 514 |
| Interest | 1,659 | 1,659 | 727 | (932) |
| Other: | | | | |
| Service reimbursements | 16,074 | 16,433 | 14,796 | (1,637) |
| Miscellaneous | 1,644 | 1,644 | 496 | (1,148) |
| Total revenues | <u>342,720</u> | <u>344,652</u> | <u>349,404</u> | <u>4,752</u> |
| EXPENDITURES | | | | |
| Community justice | 54,488 | 54,801 | 53,099 | 1,702 |
| Community services | 11,470 | 11,470 | 10,539 | 931 |
| County management | 29,576 | 29,576 | 27,713 | 1,863 |
| District attorney | 19,054 | 19,250 | 18,981 | 269 |
| Health services | 53,525 | 53,816 | 50,317 | 3,499 |
| Human services | 47,718 | 48,219 | 45,481 | 2,738 |
| Nondepartmental | 20,106 | 21,407 | 19,644 | 1,763 |
| Sheriff | 100,330 | 100,552 | 99,254 | 1,298 |
| Total expenditures | <u>336,267</u> | <u>339,091</u> | <u>325,028</u> | <u>14,063</u> |
| Excess of revenues over expenditures | <u>6,453</u> | <u>5,561</u> | <u>24,376</u> | <u>18,815</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 3,011 | 3,399 | 3,249 | (150) |
| Transfers out | (19,863) | (19,863) | (19,863) | - |
| Total other financing sources (uses) | <u>(16,852)</u> | <u>(16,464)</u> | <u>(16,614)</u> | <u>(150)</u> |
| Contingency | (7,233) | (6,729) | - | 6,729 |
| Net change in fund balances | <u>(17,632)</u> | <u>(17,632)</u> | <u>7,762</u> | <u>25,394</u> |
| Fund balances - beginning | <u>47,517</u> | <u>47,517</u> | <u>59,415</u> | <u>11,898</u> |
| Fund balances - ending | <u>\$ 29,885</u> | <u>\$ 29,885</u> | <u>67,177</u> | <u>\$ 37,292</u> |
| Reconciliation to GAAP Basis: | | | | |
| Issuance of capital lease | | | 815 | |
| Capital outlay related to capital lease | | | (815) | |
| Certain clinic fee revenues and related expenditures reported in the Federal and State Program Fund on a budgetary basis are considered unrestricted, and are reported in the general fund on a GAAP basis: | | | | |
| Revenues, available | | | 5,387 | |
| Expenditures | | | (26,847) | |
| Fund balance as reported on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, Page 36 | | | <u>\$ 45,717</u> | |

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, 2011
(amounts expressed in thousands)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Favorable (Unfavorable) |
|---|------------------|----------------|-----------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental | \$ 202,630 | \$ 206,610 | \$ 194,088 | \$ (12,522) |
| Licenses and permits | 478 | 1,123 | 986 | (137) |
| Charges for services | 70,806 | 72,149 | 73,645 | 1,496 |
| Interest | 7 | 7 | 1 | (6) |
| Other: | | | | |
| Non-governmental grants | 2,640 | 2,814 | 2,629 | (185) |
| Miscellaneous | 247 | 293 | 598 | 305 |
| Total revenues | <u>276,808</u> | <u>282,996</u> | <u>271,947</u> | <u>(11,049)</u> |
| EXPENDITURES | | | | |
| Community justice | 27,272 | 26,413 | 25,340 | 1,073 |
| Community services | 128 | 169 | 48 | 121 |
| County management | 24 | 75 | 54 | 21 |
| District attorney | 6,441 | 6,626 | 6,249 | 377 |
| Health services | 105,909 | 110,715 | 108,757 | 1,958 |
| Human services | 122,445 | 126,327 | 115,745 | 10,582 |
| Nondepartmental | 3,666 | 4,222 | 2,961 | 1,261 |
| Sheriff | 11,909 | 11,576 | 10,563 | 1,013 |
| Total expenditures | <u>277,794</u> | <u>286,123</u> | <u>269,717</u> | <u>16,406</u> |
| Excess (deficiency) of revenues over (under) expenditures | (986) | (3,127) | 2,230 | 5,357 |
| Contingency | - | (2,808) | - | 2,808 |
| Net change in fund balances | (986) | (5,935) | 2,230 | 8,165 |
| Fund balances - beginning | 986 | 5,935 | 5,942 | 7 |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>8,172</u> | <u>\$ 8,172</u> |
| Reconciliation to GAAP Basis: | | | | |
| Intergovernmental revenues for State payments to County service providers | | | 62,623 | |
| State payments to County service providers | | | (62,623) | |
| Certain clinic fee revenues and related expenditures are considered unrestricted, and are reported in the general fund on a GAAP basis: | | | | |
| Revenues, available | | | (5,387) | |
| Revenues, unavailable (reported as deferred revenue in general fund) | | | (21,460) | |
| Expenditures | | | 26,847 | |
| Fund balance as reported on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, Page 36 | | | <u>\$ 8,172</u> | |

The notes to the financial statements are an integral part of this statement.
41

MULTNOMAH COUNTY, OREGON
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Library Fund
For the Year Ended June 30, 2011
(amounts expressed in thousands)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Favorable (Unfavorable) |
|---|------------------|------------------|------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes - property | \$ 40,440 | \$ 40,440 | \$ 38,461 | \$ (1,979) |
| Payments in lieu of taxes | - | - | 14 | 14 |
| Intergovernmental | 497 | 479 | 507 | 28 |
| Licenses and permits | 160 | 160 | 144 | (16) |
| Charges for services | 1,450 | 1,450 | 1,615 | 165 |
| Interest | 489 | 489 | 119 | (370) |
| Other: | | | | |
| Non-governmental grants | 1,893 | 1,893 | 1,694 | (199) |
| Service reimbursements | 35 | 35 | 1 | (34) |
| Miscellaneous | 4 | 4 | 4 | - |
| Total revenues | <u>44,968</u> | <u>44,950</u> | <u>42,559</u> | <u>(2,391)</u> |
| EXPENDITURES | | | | |
| Library | 61,994 | 61,976 | 60,138 | 1,838 |
| Deficiency of revenues under expenditures | (17,026) | (17,026) | (17,579) | (553) |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | 15,093 | 15,093 | 15,093 | - |
| Total other financing sources | 15,093 | 15,093 | 15,093 | - |
| Contingency | (1,000) | (1,000) | - | 1,000 |
| Net change in fund balances | (2,933) | (2,933) | (2,486) | 447 |
| Fund balances - beginning | 17,342 | 17,342 | 19,095 | 1,753 |
| Fund balances - ending | <u>\$ 14,409</u> | <u>\$ 14,409</u> | <u>16,609</u> | <u>\$ 2,200</u> |
| Reconciliation to GAAP Basis: | | | | |
| In kind contributions | | | 989 | |
| Consumption of in kind contributions | | | (989) | |
| Fund balance as reported on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, Page 36 | | | <u>\$ 16,609</u> | |

The notes to the financial statements are an integral part of this statement.
42

PROPRIETARY FUNDS

The County utilizes eight Proprietary Funds made up of three Enterprise Funds and five Internal Service Funds. Internal Service Funds' statements begin on page 118.

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, 2011
(amounts expressed in thousands)

| | Business-type Activities - Enterprise Funds | | | | Governmental Activities - Internal Service Funds |
|--|--|-----------------------------------|--------------------------------------|-----------|---|
| | Dunthorpe- Riverdale Service District | Mid County Service District | Behavioral Health Managed Care | Total | |
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and investments | \$ 808 | \$ 284 | \$ 23,765 | \$ 24,857 | \$ 65,440 |
| Receivables (net of allowances for uncollectibles): | | | | | |
| Accounts | 12 | - | - | 12 | 874 |
| Special assessments | 38 | 17 | - | 55 | - |
| Inventories | - | - | - | - | 1,446 |
| Prepaid items | - | - | - | - | 1,252 |
| Total current assets | 858 | 301 | 23,765 | 24,924 | 69,012 |
| Noncurrent assets: | | | | | |
| Contracts Receivable | - | - | - | - | 364 |
| Construction in progress | - | - | - | - | 796 |
| Capital assets (net of accumulated depreciation) | 2,106 | 1,506 | - | 3,612 | 6,213 |
| Total assets | 2,964 | 1,807 | 23,765 | 28,536 | 76,385 |
| LIABILITIES | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | 93 | 49 | 3,284 | 3,426 | 6,016 |
| Claims and judgments payable | - | - | - | - | 11,698 |
| Payroll payable | - | - | 8 | 8 | 747 |
| Unearned revenue | - | - | 4,032 | 4,032 | 43 |
| Compensated absences | - | - | 9 | 9 | 671 |
| Total current liabilities | 93 | 49 | 7,333 | 7,475 | 19,175 |
| Noncurrent liabilities: | | | | | |
| Compensated absences | - | - | 7 | 7 | 1,949 |
| Incremental leases payable | - | - | - | - | 1,622 |
| Total noncurrent liabilities | - | - | 7 | 7 | 3,571 |
| Total liabilities | 93 | 49 | 7,340 | 7,482 | 22,746 |
| NET ASSETS | | | | | |
| Invested in capital assets | 2,106 | 1,506 | - | 3,612 | 7,009 |
| Unrestricted | 765 | 252 | 16,425 | 17,442 | 46,630 |
| Total net assets | \$ 2,871 | \$ 1,758 | \$ 16,425 | \$ 21,054 | \$ 53,639 |

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, 2011
(amounts expressed in thousands)

| | Business-type Activities - Enterprise Funds | | | | Governmental Activities - Internal Service Funds |
|---|--|-----------------------------------|---|-----------|---|
| | Dunthorpe- Riverdale Service District | Mid County Service District | Behavioral Health Managed Care | Total | |
| OPERATING REVENUES | | | | | |
| Charges for sales and services | \$ 811 | \$ 363 | \$ 46,110 | \$ 47,284 | \$ 157,759 |
| Insurance premiums | - | - | - | - | 8,440 |
| Experience ratings and other | 5 | - | 871 | 876 | 789 |
| Total operating revenues | 816 | 363 | 46,981 | 48,160 | 166,988 |
| OPERATING EXPENSES | | | | | |
| Cost of sales and services | 382 | 324 | 41,191 | 41,897 | 153,470 |
| Administration | 35 | 38 | 2,449 | 2,522 | 4,004 |
| Depreciation | 68 | 65 | - | 133 | 2,344 |
| Total operating expenses | 485 | 427 | 43,640 | 44,552 | 159,818 |
| Operating income (loss) | 331 | (64) | 3,341 | 3,608 | 7,170 |
| NONOPERATING REVENUES (EXPENSES) | | | | | |
| Interest revenue | 4 | 2 | 109 | 115 | 343 |
| Interest expense | (1) | - | - | (1) | - |
| Intergovernmental revenue | 6 | - | - | 6 | - |
| Gain on disposal of capital assets | - | - | - | - | 151 |
| Loss on disposal of capital assets | - | - | - | - | (29) |
| Capital contributions out | - | - | - | - | (548) |
| Total nonoperating revenues (expenses) | 9 | 2 | 109 | 120 | (83) |
| Income (loss) before contributions and transfers | 340 | (62) | 3,450 | 3,728 | 7,087 |
| Capital contributions in | - | 30 | - | 30 | 94 |
| Transfers in | - | - | - | - | 120 |
| Transfers out | - | - | - | - | (10,529) |
| Change in net assets | 340 | (32) | 3,450 | 3,758 | (3,228) |
| Total net assets - beginning | 2,531 | 1,790 | 12,975 | 17,296 | 56,867 |
| Total net assets - ending | \$ 2,871 | \$ 1,758 | \$ 16,425 | \$ 21,054 | \$ 53,639 |

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, 2011
(amounts expressed in thousands)

| | Business Type Activities - Enterprise Funds | | | | Governmental Activities - Internal Service Funds |
|--|---|--------------------------------------|---|-----------|---|
| | Dunthorpe - Riverdale Service District | Mid County Service District | Behavioral Health Managed Care | Total | |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | |
| Receipts from customers | \$ 905 | \$ 362 | \$ 51,108 | \$ 52,375 | \$ 167,328 |
| Payments to suppliers | (481) | (305) | (39,427) | (40,213) | (112,316) |
| Payments to employees | (19) | (23) | (3,809) | (3,851) | (39,911) |
| Internal activity - payments to other funds | (8) | (8) | (1,451) | (1,467) | (8,207) |
| Net cash provided by operating activities | 397 | 26 | 6,421 | 6,844 | 6,894 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | |
| Transfers in | - | - | - | - | 120 |
| Transfers out | - | - | - | - | (10,529) |
| Net cash used by noncapital and related financing activities | - | - | - | - | (10,409) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Purchases of capital assets | (19) | - | - | (19) | (3,537) |
| Internal loan repayment | (103) | - | - | (103) | 103 |
| Interest on debt | (1) | - | - | (1) | - |
| Capital grant proceeds | 6 | - | - | 6 | - |
| Proceeds on sales of capital assets | - | - | - | - | 151 |
| Net cash used by capital and related financing activities | (117) | - | - | (117) | (3,283) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Interest received | 4 | 2 | 109 | 115 | 343 |
| Net cash provided by investing activities | 4 | 2 | 109 | 115 | 343 |
| Net increase (decrease) in cash and cash equivalents | 284 | 28 | 6,530 | 6,842 | (6,455) |
| Balances at beginning of the year | 524 | 256 | 17,235 | 18,015 | 71,895 |
| Balances at end of the year | \$ 808 | \$ 284 | \$ 23,765 | \$ 24,857 | \$ 65,440 |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | | | | |
| Operating income (loss) | \$ 331 | \$ (64) | \$ 3,341 | \$ 3,608 | \$ 7,170 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Depreciation | 68 | 65 | - | 133 | 2,344 |
| Changes in assets and liabilities: | | | | | |
| Receivables, net | 89 | - | 95 | 184 | 203 |
| Inventories | - | - | - | - | 43 |
| Prepaid items | - | - | - | - | (54) |
| Contracts receivable | - | - | - | - | 136 |
| Accounts payable | (91) | 25 | (1,035) | (1,101) | (2,410) |
| Claims and judgments payable | - | - | - | - | (491) |
| Payroll payable | - | - | (3) | (3) | 58 |
| Unearned revenue | - | - | 4,032 | 4,032 | (2) |
| Compensated absences | - | - | (9) | (9) | (28) |
| Incremental leases payable | - | - | - | - | (75) |
| Total adjustments | 66 | 90 | 3,080 | 3,236 | (276) |
| Net cash provided by operating activities | \$ 397 | \$ 26 | \$ 6,421 | \$ 6,844 | \$ 6,894 |
| Noncash financing activities: | | | | | |
| Contributions of capital assets from government | \$ - | \$ - | \$ - | \$ - | \$ 94 |
| Contributions of capital assets to government | - | 30 | - | 30 | (548) |

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 funds included are:

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

MULTNOMAH COUNTY, OREGON
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011
(amounts expressed in thousands)

| | <u>Agency Funds</u> |
|---------------------------------|---------------------|
| ASSETS | |
| Cash and investments | \$ 19,727 |
| Taxes receivable | 50,290 |
| Restricted cash | 26 |
| Total assets | <u>70,043</u> |
| LIABILITIES | |
| Accounts payable | 11,440 |
| Due to other governmental units | 47,697 |
| Amounts held in trust | 10,906 |
| Total liabilities | <u>70,043</u> |
| NET ASSETS | |
| Total net assets | <u>\$ -</u> |

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

MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(dollar amounts expressed in thousands)

Note 1. Summary of Significant Accounting Policies

A. Reporting entity

Multnomah County, Oregon (County) was established in 1854 and is organized under the Oregon Revised Statutes (ORS), chapter 201.260, as a municipal corporation. The County is 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 No. 1 and the Mid County Lighting Service District No. 14 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.

Discretely presented component unit. The Library Foundation (TLF) is a legally separate, tax exempt component unit of the County. TLF's purpose is to support the County's libraries through raising, receiving, administering and disbursing funds, grants, bequests and gifts for the benefit of the County libraries. Although the County does not control the timing or amount of receipts from TLF, the majority of resources, or income thereon that TLF holds and invests are restricted to the County libraries' activities by the donors. TLF is a discretely presented component unit as the nature and relationship with the County is significant and to exclude TLF would cause the County's financial statements to be misleading.

MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(dollar amounts expressed in thousands)

TLF is a private non-profit organization that reports under the Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to TLF's financial information in the County's financial reporting entity for these differences. TLF is an organization that is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. A complete copy of The Library Foundation's financial statements can be obtained by contacting: The Library Foundation, 522 SW Fifth Ave, Suite 1103, Portland, Oregon, 97204.

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.

MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(dollar amounts expressed in thousands)

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

The *Library Fund* accounts for the public library operations.

The *PERS Pension Bond Fund* accounts for payment of principal and interest on general obligation bonds that were issued to fund the County's PERS unfunded liability. Revenues consist of charges to departments and interest.

The *Capital Improvement Fund* accounts for the proceeds derived from the sale of unrestricted property, interest income, and any service reimbursement or operating revenues from leased facilities. Expenditures are made for capital acquisitions or improvements.

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:

MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(dollar amounts expressed in thousands)

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 of Oregon 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 five internal service funds: Risk Management Fund, Fleet Management Fund, Information Technology Fund, Mail/Distribution Fund and the Facilities Management 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. 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

MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(dollar amounts expressed in thousands)

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).

MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(dollar amounts expressed in thousands)

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. Accounts receivables

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 was a 1.25% levy on the Oregon taxable income of Multnomah County residents reduced by an exemption amount. The revenues generated from the tax provided 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. As of fiscal year 2011, the County continues to collect delinquent accounts.

3. Inventories and prepaid items

Inventories of materials and supplies in the governmental funds are valued at average cost and is included in non-spendable classification of fund balances. 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.

MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(dollar amounts expressed in thousands)

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 into separate classifications indicating the extent to which the County is bound to honor constraints on the specific purposes for which those funds can be spent. The Finance and Budget Policies state the County will spend restricted resources first, followed by committed then assigned, with unassigned resources spent last.

Fund balance is reported as *Nonspendable* when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid items.

Fund balance is reported as *Restricted* when the constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Fund balance is reported as *Committed* when the Board of County Commissioners (BOCC) passes an ordinance or resolution that places specific constraints on how the resources may be used. The BOCC can modify or rescind the ordinance or resolution at any time through passage of an additional ordinance or resolution.

Resources that are constrained by the County’s intent to use them for a specific purpose, but are neither restricted nor committed, are reported as *Assigned* fund balance. The County has not established a policy regarding the assignment of funds, so this category of fund balance represents the residual amounts not otherwise reported as unspendable, restricted or committed in governmental funds outside of the General Fund.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that is not otherwise reported as unspendable, restricted or committed within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds.

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.

MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(dollar amounts expressed in thousands)

Net assets invested in capital assets, net of related debt represents total capital assets less accumulated depreciation less debt directly related to capital assets. This amount is reported on the Statement of Net Assets and in the financial statements for Proprietary Fund types.

Certain revenues derived from specific taxes or other earmarked revenue sources are considered restricted assets. Such revenues include dedicated property taxes, 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 land, right of ways, property, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, sewers, street lighting, and similar items), and 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 \$100 for infrastructure and software 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.

Capital assets are depreciated unless they are inexhaustible in nature, such as land and right of ways. 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 |

MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(dollar amounts expressed in thousands)

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

MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(dollar amounts expressed in thousands)

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 postemployment benefits obligation (net OPEB obligation)

The County implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* for fiscal year ending June 30, 2006. 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. Pollution Remediation Obligations

In fiscal year 2009 the County implemented Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. GASB 49 was retroactive, however the County did not report any obligations that required a restatement of beginning net assets. Under this accounting standard, when the County determines a pollution remediation obligation exists and management is able to make a reasonable and supportable estimation of expected outlays, a long-term liability is recorded.

In the County's Government-wide and Proprietary Fund Financial Statements on a full accrual basis, pollution remediation costs are reported in the *Statement of Revenues, Expenses and Changes in Fund Net Assets* as a program or operating expense (or as revenues for recoveries received after all remediation activities have been completed), special item or extraordinary item.

In the County's Governmental Fund Financial Statements on a modified accrual basis, expenditures and liabilities are recognized upon receipt of goods and services. Estimated

MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(dollar amounts expressed in thousands)

recoveries from insurers and other responsible parties reduce any associated pollution remediation expenditures when the recoveries are measurable and available.

12. Contributions and in-kind donations

Contributions of cash, property or equipment received from other governments are credited to contribution revenue and recorded in the government wide financial statements. The County also receives financial gifts and gifts in-kind from The Library Foundation. These in-kind donations from The Library Foundation are recorded at fair value upon receipt to contribution revenue in the government wide and fund financial statements.

13. 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.

14. Reclassifications

Certain amounts from the financial statements of the discretely presented component units have been reclassified to conform with the presentation requirements of the primary government's financial statements.

E. New accounting pronouncements and accounting standards

The following pronouncements have been issued by the Governmental Accounting Standards Board (GASB):

- 1. GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.** This statement establishes new categories for reporting fund balances and revises the definitions for governmental fund types. This statement is effective for Multnomah County for fiscal year ending June 30, 2011. Management began reviewing the requirements of this standard during the fiscal year ended June 30, 2010, and transferred the resources of the General Reserve Fund previously reported as a separate Special Revenue fund back into the General Fund as of June 30, 2010 as it did not meet the criteria to be reported as a separate special revenue fund. Implementing this standard had impacted the reporting of fund balance for governmental funds, with detail for the different classifications of fund balance as defined by the standard provided in note 3.G.
- 2. GASB Statement No. 59, Financial Instruments Omnibus.** This statement will improve existing financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. This statement is effective for Multnomah County for fiscal

MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(dollar amounts expressed in thousands)

year ending June 30, 2011. Management has reviewed the requirements of this standard and has determined there is no impact as the County does not own or invest in types of financial instruments addressed by the standard.

- 3. GASB Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53.** This statement will be effective for fiscal year ending June 30, 2012, and is intended to clarify whether an effective hedging relationship continues and hedge accounting should continue to be applied in certain circumstances related to interest rate and commodity swap agreements. Management has reviewed the requirements of this standard and has determined there is no impact as the County does not own or invest in the types of agreements addressed by the standard.

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 one supplemental budget and several other budgetary appropriations throughout the year.

B. Expenditures in excess of appropriations

Oregon state law requires disclosure of fund expenditures in excess of budgeted appropriations. For the year-ended June 30, 2011, expenditures exceeded appropriations in the Risk fund in the Department of County Management by \$14,708. During fiscal year 2011, the Risk fund provided significant resources to the Willamette River Bridges fund, a special revenue fund, via an internal loan approved by the Board to assist with the Sellwood Bridge construction project. These resources were transferred to the Willamette River Bridges fund, however the Risk fund's budgeted amounts were not

MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(dollar amounts expressed in thousands)

properly adjusted to reflect this transfer. As a result the County incurred a budget violation. This over expenditure was funded by available fund balance.

Note 3. 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."

Changes to Oregon Revised Statutes, Chapter 295 have resulted in the Office of the State Treasurer being given responsibility for overseeing collateralization of public funds held by depositories in Oregon. 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 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 via 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.

MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(dollar amounts expressed in thousands)

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. The Oregon Short-Term Fund financial statements and its portfolio rules can be obtained at www.ost.state.or.us. LGIP is not rated by any national rating service.

At year-end, the carrying amount of the County's deposits was \$62,952 and the bank balance was \$62,929. The bank balance was covered by federal depository insurance (FDIC) or by collateral held by one or more of the State's authorized collateral pool managers. The remaining balance of \$23 represents petty cash accounts that were uninsured and uncollateralized.

As of June 30, 2011, the County had the following unrestricted cash and investments:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Weighted Average Yield</u> | <u>Risk Concentration</u> | <u>Weighted Average Maturity (in months)</u> |
|---|-------------------|-------------------------------|---------------------------|--|
| US Agencies | \$ 176,160 | 0.53% | 55.2% | 11.5 |
| Corporate Debt | 24,894 | 0.83% | 7.8% | 6.6 |
| Bankers' Acceptances | 7,486 | 0.25% | 2.3% | < 1 |
| Local Government | | | | |
| Investment Pool | 48,209 | 0.50% | 15.0% | < 1 |
| Cash and Equivalents | <u>62,926</u> | 0.14% | <u>19.7%</u> | < 1 |
| Total unrestricted cash and investments | <u>\$ 319,675</u> | | <u>100%</u> | |

Portfolio weighted average maturity 6.9

As of June 30, 2011, the County had the following restricted cash and investments. Cash with Fiscal Agent and Miscellaneous Restricted Funds had weighted average maturities less than one month. The Pledged Investment had a weighted average maturity less than two months.

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Weighted Average Yield</u> | <u>Risk Concentration</u> |
|------------------------|-------------------|-------------------------------|---------------------------|
| Cash with Fiscal Agent | \$ 1,075 | 0.00% | 77.8% |
| US Agency | 280 | 0.05% | 20.3% |
| Misc Restricted Funds | 26 | 0.00% | 1.9% |
| | <u>\$ 1,381</u> | 0.05% | <u>100.0%</u> |

MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(dollar amounts expressed in thousands)

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 | \$ 275,091 | \$ 1,355 | \$ 276,446 |
| Business-type Activities | 24,857 | - | 24,857 |
| Fiduciary Funds | 19,727 | 26 | 19,753 |
| Total Cash and Investments | <u>\$ 319,675</u> | <u>\$ 1,381</u> | <u>\$ 321,056</u> |

At June 30, 2011, the County had the following corporate debt in its investment portfolio with the credit ratings noted by Standard & Poor's and Moody's respectively:

| Investment Type / Issuer | Fair Value | Credit Rating | Maturity |
|---|------------------|------------------|----------|
| Corporate note – Berkshire Hathaway | 4,212 | AA+/Aa2 | 09/15/12 |
| Corporate note – General Electric Credit Corp | 1,437 | AA+/Aa2 | 08/13/12 |
| Corporate note – Student Loan Marketing Assoc | 537 | N/A/Aaa | 08/01/12 |
| Corporate note – Wachovia Mortgage (WF Corp) (Rated by Fitch AA-) | 3,033 | N/A/AA2 | 09/28/11 |
| Corporate note FDIC insured – Goldman Sachs | 4,561 | AAA/Aaa | 07/15/11 |
| Corporate note FDIC insured – Oriental Bank & Trust (Rated by Fitch AAA) | 1,017 | AA+/N/A | 03/16/12 |
| Corporate note FDIC insured – Regions Bank | 4,301 | AA+/Aaa | 12/09/11 |
| Corporate note FDIC insured – Wells Fargo Corp | 5,796 | AA+/Aaa | 12/09/11 |
| Totals | <u>\$ 24,894</u> | | |

At June 30, 2011, the County had the following investments in US Government Agencies that were implicitly guaranteed by the US Government:

| Investment Type / Issuer | Fair Value | Credit Rating |
|--|------------------|------------------|
| Agency notes – Federal Home Loan Bank | \$ 69,429 | AAA |
| Agency notes – Federal Farm Credit Bank | 18,197 | AAA |
| Agency notes – Federal Home Loan Mortgage Corp | 31,363 | AAA |
| Agency notes – Federal National Mortgage Association | 42,166 | AAA |
| Agency notes – Federal Agricultural Mortgage | 15,005 | |
| Total | <u>\$176,160</u> | |

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:

MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(dollar amounts expressed in thousands)

| <u>Maturity</u> | <u>Cumulative Constraint</u> |
|--------------------|------------------------------|
| 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 not insured by an agency of the U.S. Government 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.
5. Investments guaranteed by an agency of the U.S. Government (e.g., the U.S. Treasury or the Federal Depository Insurance Corporation) may be owned without limit.

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.

The County manages custodial credit risk for deposits and investments in accordance with Oregon Revised Statutes and the County's investment policy. As of June 30, 2011, the County's bank balance of \$62,929 was not exposed to custodial credit risk.

MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(dollar amounts expressed in thousands)

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 noted on the following page. Included in General fund loans receivable balance is a loan from the County to a community based health organization. The loan agreement was executed in fiscal year 2008 in order to sustain operating costs for the health organization. As of June 30, 2011, the total loan receivable balance was \$1,229, netted with a related allowance for uncollectible accounts of \$860.

MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(dollar amounts expressed in thousands)

| MULTNOMAH COUNTY | | | | | | | | | |
|--|--------------|--------------------------------|--------------|--------------------------|------------------------|----------------|-------------------------------|--------------------------|------------|
| Accounts Receivable | | | | | | | | | |
| Governmental Activities | | | | | | | | | |
| | General Fund | Federal and State Program Fund | Library Fund | Capital Improvement Fund | Internal Service Funds | Nonmajor Funds | Total Governmental Activities | Business-type Activities | Total |
| Receivables: | | | | | | | | | |
| Taxes: | | | | | | | | | |
| Income | \$ 12,882 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 12,882 | \$ - | \$ 12,882 |
| Property | 12,271 | - | 2,098 | - | - | 468 | 14,837 | - | 14,837 |
| Other | 4,110 | - | - | - | - | 1,787 | 5,897 | - | 5,897 |
| Accounts | 33,642 | 32,797 | 448 | 485 | 874 | 14,343 | 82,589 | 12 | 82,601 |
| Loans | - | 700 | - | - | - | - | 700 | - | 700 |
| Interest | 955 | - | - | - | - | - | 955 | - | 955 |
| Special assessments | 11 | - | - | - | - | - | 11 | 58 | 69 |
| Contracts | 1,407 | - | - | 205 | 364 | 1,622 | 3,598 | - | 3,598 |
| Gross receivables | 65,278 | 33,497 | 2,546 | 690 | 1,238 | 18,220 | 121,469 | 70 | 121,539 |
| Less: allowance for discounts/uncollectibles | (12,803) | (818) | - | - | - | - | (13,621) | (3) | (13,624) |
| Net total receivables | \$ 52,475 | \$ 32,679 | \$ 2,546 | \$ 690 | \$ 1,238 | \$ 18,220 | \$ 107,848 | \$ 67 | \$ 107,915 |

64

MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(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 | \$ 12,836 | \$ - | \$ 12,836 |
| Allowance for doubtful accounts – personal income tax | (12,539) | - | (12,539) |
| Property taxes receivable (General Fund) | 9,971 | - | 9,971 |
| Property taxes receivable (other governmental funds) | 2,079 | - | 2,079 |
| Clinic fee revenues | 21,460 | - | 21,460 |
| Grant draws prior to meeting all eligibility Requirements | - | 2,368 | 2,368 |
| Loans receivable | - | 700 | 700 |
| Special assessments receivable | - | 11 | 11 |
| Contracts receivable | - | 2,900 | 2,900 |
| Contract revenue received in advance | - | 75 | 75 |
| Tax title land sales inventory | - | 586 | 586 |
| State vaccine inventory | - | 628 | 628 |
| Total deferred revenue for governmental funds | <u>\$ 33,807</u> | <u>\$ 7,268</u> | <u>\$ 41,075</u> |

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 \$43 in unearned revenue, resulting in total unearned revenue on the *Statement of Net Assets* of \$7,311.

MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(dollar amounts expressed in thousands)

C. Capital assets

Capital asset activity for the year ended June 30, 2011 was as follows:

Primary Government

| | Beginning Balance | Increases | Transfers | Decreases | Ending Balance |
|--|-------------------|------------------|----------------|-----------------|-------------------|
| Governmental activities: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 15,107 | \$ - | \$ - | \$ - | \$ 15,107 |
| Right-of-way | 196,917 | 5 | - | - | 196,922 |
| Construction in progress | 8,401 | 35,502 | (4,334) | (27) | 39,542 |
| Buildings-not in service | 51,164 | - | - | - | 51,164 |
| Total capital assets, not being depreciated | <u>271,589</u> | <u>35,507</u> | <u>(4,334)</u> | <u>(27)</u> | <u>302,735</u> |
| Capital assets, being depreciated: | | | | | |
| Buildings | 368,147 | 2,056 | 3,543 | (846) | 372,900 |
| Improvements other than buildings | 461 | 55 | 111 | - | 627 |
| Machinery and equipment | 112,632 | 10,286 | 680 | (8,441) | 115,157 |
| Bridges | 154,855 | 293 | - | (141) | 155,007 |
| Infrastructure | 363,525 | 2,988 | - | - | 366,513 |
| Total capital assets being depreciated | <u>999,620</u> | <u>15,678</u> | <u>4,334</u> | <u>(9,428)</u> | <u>1,010,204</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings | (141,026) | (9,042) | - | 547 | (149,521) |
| Improvements other than buildings | (178) | (16) | - | - | (194) |
| Machinery and equipment | (77,653) | (9,896) | - | 8,406 | (79,143) |
| Bridges | (69,030) | (2,394) | - | 4 | (71,420) |
| Infrastructure | (247,964) | (9,139) | - | - | (257,103) |
| Total accumulated depreciation | <u>(535,851)</u> | <u>(30,487)</u> | <u>-</u> | <u>8,957</u> | <u>(557,381)</u> |
| Total capital assets being depreciated, net | <u>463,769</u> | <u>(14,809)</u> | <u>4,334</u> | <u>(471)</u> | <u>452,823</u> |
| Governmental activities capital assets, net | <u>\$ 735,358</u> | <u>\$ 20,698</u> | <u>-</u> | <u>\$ (498)</u> | <u>\$ 755,558</u> |
| Business-type activities: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Construction in progress | \$ 305 | \$ - | \$ (305) | \$ - | \$ - |
| Total capital assets, not being depreciated | <u>305</u> | <u>-</u> | <u>(305)</u> | <u>-</u> | <u>-</u> |
| Capital assets, being depreciated: | | | | | |
| Improvements other than buildings | 5,984 | 49 | 305 | - | 6,338 |
| Total capital assets being depreciated | <u>5,984</u> | <u>49</u> | <u>305</u> | <u>-</u> | <u>6,338</u> |
| Less accumulated depreciation for: | | | | | |
| Improvements other than buildings | (2,593) | (133) | - | - | (2,726) |
| Total accumulated depreciation | <u>(2,593)</u> | <u>(133)</u> | <u>-</u> | <u>-</u> | <u>(2,726)</u> |
| Total capital assets being depreciated, net | <u>3,391</u> | <u>(84)</u> | <u>305</u> | <u>-</u> | <u>3,612</u> |
| Business-type activities capital assets, net | <u>\$ 3,696</u> | <u>\$ (84)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,612</u> |

MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(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 | \$11,883 |
| Health services | 94 |
| Social services | 118 |
| Public safety & justice | 659 |
| Community services | 388 |
| Library | 6,593 |
| Roads and bridges | 10,752 |
| Total depreciation expense – governmental activities | <u>\$ 30,487</u> |
| Business-type activities: | |
| Sewer | \$ 68 |
| Lighting | 65 |
| Total depreciation expense – business-type activities | <u>\$ 133</u> |

D. Other assets

Other assets, net of accumulated amortization at June 30, 2011 consist of the following:

| | |
|----------------------------|-------------------|
| Bond issuance costs | \$ 573 |
| Negative net pension asset | 113,292 |
| | <u>\$ 113,865</u> |

Amortization expense in the statement of activities on bond issuance costs and the negative net pension asset were \$62 and \$6,152, respectively for the year ended June 30, 2011.

E. Interfund receivables, payables, and transfers

Due from / to other funds:

The County records “due from” and “due to” 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 amount payable to the General Fund is related to providing interim working capital financing for federal reimbursement grants. This balance is

MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(dollar amounts expressed in thousands)

collected in the subsequent year. The composition of the interfund balance as of June 30, 2011 is as follows:

| | | |
|-------------------------|--------------------------------|---------------|
| <u>Receivable Funds</u> | <u>Payable Funds</u> | <u>Amount</u> |
| General Fund | Federal and State Program Fund | \$ 250 |

Interfund Transfers:

Following are the County’s interfund transfers for the year ended June 30, 2011. Significant transfers include \$15,093 from the General Fund to the Library Fund to supplement the Library’s operations and \$9,000 from the Risk Management Internal Service Fund to the Willamette River Bridge Special Revenue Fund for an internal loan to meet the short term cash flow needs for the Sellwood Bridge replacement project.

| | <u>Transfers in:</u> | | | | | |
|--------------------------|----------------------|---------------------|---------------------------------|---------------------------------|-------------------------------|----------------------------|
| | <u>General Fund</u> | <u>Library Fund</u> | <u>Capital Improvement Fund</u> | <u>Other Governmental Funds</u> | <u>Internal Service Funds</u> | <u>Total transfers out</u> |
| Transfers out: | | | | | | |
| General Fund | \$ - | \$15,093 | \$ 150 | \$ 4,500 | \$120 | \$ 19,863 |
| Other Governmental Funds | 3,249 | - | - | - | - | 3,249 |
| Internal Service Funds | - | - | 889 | 9,640 | - | 10,529 |
| Total transfers in: | <u>\$3,249</u> | <u>\$15,093</u> | <u>\$1,039</u> | <u>\$ 14,140</u> | <u>\$ 120</u> | <u>\$ 33,641</u> |

F. Long-term liabilities

General Obligation Bonds

In March 2010, the County issued \$45,175 in General Obligation Refunding bonds, Series 2010 at a premium of \$4,870, with interest rates from 3.00% - 5.00%. These bonds were issued to refund previously issued General Obligation debt. At June 30, 2011 the outstanding balance on the Series 2010 bonds was \$38,620 and the balance on the unamortized premium was \$4,174.

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:

MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(dollar amounts expressed in thousands)

| <u>Purpose</u> | <u>Interest Rates</u> | <u>Amount</u> |
|-------------------------|-----------------------|------------------|
| Governmental activities | 3.00-5.00% | <u>\$ 38,620</u> |

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

| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> |
|----------------------------|------------------|-----------------|
| 2012 | \$ 6,825 | \$ 1,645 |
| 2013 | 6,860 | 1,303 |
| 2014 | 7,210 | 951 |
| 2015 | 6,155 | 617 |
| 2016 | 5,665 | 349 |
| 2017 | 5,905 | 118 |
| Total | <u>\$ 38,620</u> | <u>\$ 4,983</u> |
| Premium on long-term debt | 4,174 | |
| Total | <u>\$ 42,794</u> | |

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 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 agreement with Port City Development (Port City), a 501(c)(3) non profit agency. The future lease payments from Port City are pledged revenues for the debt service on these bonds. The term of the agreement with Port City for future pledged revenues is through fiscal year 2034, and the outstanding balance on these future lease payments at June 30, 2011 was \$1,616. During fiscal year 2011 Port City paid \$36 towards the outstanding balance on this lease agreement. The total principal and interest paid on the bonds during the fiscal year were \$150 and \$48 respectively. The outstanding balance on the bonds was \$880 at June 30, 2011. The debt matures in fiscal year 2016.

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. In fiscal year 2006 the Oregon Food Bank satisfied their commitment to pledge future lease payments and no longer has any commitment to the County for this debt issue. The total principal and interest paid during the fiscal year were \$265 and \$85 respectively. The outstanding balance on the debt was \$1,550 at June 30, 2011. The debt matures in fiscal year 2016.

MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(dollar amounts expressed in thousands)

Revenue bonds outstanding at year-end are as follows:

| <u>Purpose</u> | <u>Interest Rates</u> | <u>Amount</u> |
|-------------------------|-----------------------|-----------------|
| Governmental activities | 4.45-5.20% | <u>\$ 2,430</u> |

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

| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> |
|----------------------------|------------------|-----------------|
| 2012 | \$ 435 | \$ 113 |
| 2013 | 460 | 91 |
| 2014 | 485 | 66 |
| 2015 | 510 | 41 |
| 2016 | 540 | 14 |
| Total | <u>\$ 2,430</u> | <u>\$ 325</u> |

Full Faith and Credit Bonds

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, 2011, \$142,223 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, 2011, \$3,185 of these bonds were outstanding.

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, 2011 the unamortized premium on the debt was \$2,884. The 2004 issue refunded \$27,985 of outstanding Full Faith and Credit Bonds, Series 2000 with interest rates from 5.00% to 5.50% and \$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. The Series 2000 and Series 1999 have since been paid off in full. At June 30, 2011 the deferred charge was \$2,203. At June 30, 2011, \$48,260 of these bonds were outstanding. On March 31, 2010, the County issued \$9,800 in Full Faith and Credit Obligations, Series 2010 at a premium of \$573, with interest rates from 2.00% - 3.00%. The obligations were issued to finance the replacement cost of the County's data center, provide for

MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(dollar amounts expressed in thousands)

telephone enhancements, deferred facilities maintenance and assist with a project to automate the movement of library materials. At June 30, 2011, the balance on the unamortized premium was \$491 and \$8,490 on the debt was outstanding.

On December 14, 2010, the County issued \$15,000 in Full Faith and Credit Obligations, Series 2010B at a discount of \$30 with interest rates from 4.00% to 4.70%. The proceeds from the sale of the obligations will be used to finance the construction costs for the East County Courthouse. At June 30, 2011 the entire debt issue was outstanding.

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

| Purpose | Interest Rates | Amount |
|-------------------------|----------------|------------|
| Governmental activities | 1.50-7.74% | \$ 217,158 |

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

| Year Ending June 30 | Principal | Interest |
|--------------------------------|------------|------------|
| 2012 | \$ 18,805 | \$ 8,630 |
| 2013 | 12,924 | 15,439 |
| 2014 | 12,932 | 16,066 |
| 2015 | 12,074 | 16,756 |
| 2016 | 12,895 | 15,169 |
| 2017 – 2021 | 91,812 | 55,802 |
| 2022 – 2026 | 31,628 | 135,309 |
| 2027 – 2030 | 24,088 | 142,854 |
| Total, before deferred charge | 217,158 | \$ 406,025 |
| Deferred charge, net | (2,203) | |
| Premium on long-term debt, net | 3,375 | |
| Total | \$ 218,330 | |

The full faith and credit bonds are included in the bonds payable line item on the *Statement of Net Assets*.

| Full faith and credit bonds | Long-term | Current | Total |
|-----------------------------|------------|-----------|------------|
| Maturities | \$ 198,353 | \$ 18,805 | \$ 217,158 |
| Deferred charge | (1,944) | (259) | (2,203) |
| Premium on long-term debt | 2,954 | 421 | 3,375 |
| Total | \$ 199,363 | \$ 18,967 | \$ 218,330 |

MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(dollar amounts expressed in thousands)

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. During fiscal year 2011, the County entered into a seven year capital lease agreement to rent space in a warehouse for the Sheriff's Office. Total assets acquired through capital leases are as follows:

| Asset | Governmental Activities |
|--------------------------------|-------------------------|
| Buildings | \$ 78,765 |
| Less: Accumulated depreciation | (31,569) |
| Total | \$ 41,196 |

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

| Purpose | Interest Rates | Amount |
|-------------------------|----------------|----------|
| Governmental activities | 2.50-4.90% | \$ 1,719 |

Future minimum lease payments are as follows:

| Year Ending June 30 | Governmental | |
|---------------------|--------------|----------|
| | Principal | Interest |
| 2012 | \$ 122 | \$ 130 |
| 2013 | 129 | 123 |
| 2014 | 135 | 118 |
| 2015 | 142 | 111 |
| 2016 | 149 | 103 |
| 2017 – 2021 | 287 | 437 |
| 2022 – 2026 | 262 | 329 |
| 2027 – 2031 | 436 | 154 |
| 2032 | 57 | 2 |
| Total | \$ 1,719 | \$ 1,507 |

Loans Payable

In fiscal year 2009, the County entered into a loan with another governmental agency for the purpose of making capital improvements to the County road system. The loan obligation outstanding at year-end are as follows:

| Purpose | Interest Rates | Amount |
|-------------------------|----------------|----------|
| Governmental activities | 3.98% | \$ 3,414 |

MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(dollar amounts expressed in thousands)

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

| Year Ending June 30 | Principal | Interest |
|---------------------|-----------------|---------------|
| 2012 | \$ 345 | \$ 68 |
| 2013 | 291 | 122 |
| 2014 | 303 | 111 |
| 2015 | 315 | 99 |
| 2016 | 327 | 86 |
| 2017 – 2021 | 1,833 | 223 |
| Total | <u>\$ 3,414</u> | <u>\$ 709</u> |

Pollution Remediation Obligations

Pollution remediation obligations address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, including pre-cleanup activities, cleanup activities, government oversight and enforcement-related activities, and postremediation monitoring. Included in the current year's additions and reductions are pollution remediation activities related to various properties where the County is responsible for cleanup costs. The year-end liability for pollution remediation includes estimates for site cleanup costs on four County owned properties. In two of the four sites, subsurface contamination was discovered. Contaminated soil is present at both sites, and contaminated ground water is being monitored and treated as necessary at one location. Both sites are subject to DEQ regulation and oversight at this time. At a third site, the County has commenced an investigation of property it owns that is a former landfill site, to assess if potential methane and leachate issues warrant further remedial action under applicable state or other regulations. A fourth site involves concrete tanks containing sludge and traces of hazardous waste and asbestos. In each of the four sites, the County legally obligated itself to commence cleanup or monitoring. The pollution remediation activities were paid by a capital project fund and an internal service fund.

In addition, the County is addressing pollution remediation concerns in connection with the construction of a new County bridge, the Sellwood Bridge project. Any pollution remediation costs incurred with the construction of the Sellwood Bridge project will be capitalized with the bridge. Management estimates any pollution remediation costs for the Sellwood Bridge project to be immaterial to the total construction cost for the bridge.

The calculation for the June 30, 2011 pollution remediation obligation is an estimate determined by management using the expected cash flow techniques and applying probabilities to the pollution remediation activities. The County's pollution remediation obligation is an estimate that is subject to changes resulting from price increases and decreases, changes in technology as well as changes in applicable laws and regulations. The current pollution remediation obligation does not provide for any recoveries that could reduce the liability. Changes in the County's pollution remediation obligation are noted in the schedule below and the liability is recorded on the *Statement of Net Assets*.

MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(dollar amounts expressed in thousands)

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2011 was as follows:

| | Beginning Balance | Additions | Adjustments & Reductions | Ending Balance | Due Within One Year |
|---------------------------------|----------------------|------------------|-----------------------------|-------------------|------------------------|
| <u>Governmental Activities</u> | | | | | |
| General Obligation Bonds | \$ 50,045 | \$ - | \$ 7,251 | \$ 42,794 | \$ 7,251 |
| Revenue Bonds | 2,845 | - | 415 | 2,430 | 435 |
| Full Faith and Credit Bonds | 220,352 | 15,000 | 17,022 | 218,330 | 18,966 |
| Capital Leases | 1,020 | 815 | 116 | 1,719 | 122 |
| Loans Payable | 2,132 | 1,282 | - | 3,414 | 345 |
| Long-term debt before | | | | | |
| Other long-term liabilities | 276,394 | 17,097 | 24,804 | 268,687 | 27,119 |
| Pollution Remediation | | | | | |
| Obligations | 375 | 286 | 285 | 376 | 376 |
| Compensated Absences | 24,260 | 28,866 | 27,440 | 25,686 | 7,010 |
| Governmental activity | | | | | |
| long-term liabilities | <u>\$ 301,029</u> | <u>\$ 46,249</u> | <u>\$ 52,529</u> | <u>\$ 294,749</u> | <u>\$ 34,505</u> |
| <u>Business-Type Activities</u> | | | | | |
| Compensated Absences | <u>\$ 25</u> | <u>\$ 3</u> | <u>\$ 12</u> | <u>\$ 16</u> | <u>\$ 9</u> |

Conduit Financing

Multnomah County Conduit Financing

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, 2011, \$7,590 of the Higher Education Variable Rate Demand Revenue Bonds were outstanding.

On October 21, 2008, the County issued \$6,400 in Higher Education Revenue Bonds. The proceeds of the bonds were used to provide financing for Pacific Northwest College of Art (PNCA) for costs of acquisition, construction, additions, renovations and improvements to buildings used by the PNCA to accommodate new programs and enrollment growth. 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

MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(dollar amounts expressed in thousands)

indenture and payments are made by PNCA. 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, 2011, \$6,074 of the Higher Education Revenue Bonds were outstanding.

The County's total conduit debt at June 30, 2011 was \$13,664. 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). The Authority issues hospital revenue bonds for construction and improvements to health facilities in Multnomah County. The proceeds of these bonds issues were used by health care facilities to finance various capital projects and refund outstanding bonds. The debt has 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. The obligors 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 respective health care facility. 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. A summary of the Authority's conduit debt is as follows:

| <u>Obligor (Health Care Facility), debt issue, terms</u> | Original Amount | Balance June 30, 2011 |
|--|--------------------|-----------------------------|
| Terwilliger Plaza, Hospital Revenue and Refunding Bonds, Series 1999, due serially through December 1, 2029 | \$ 26,000 | \$ 21,500 |
| Providence Health System, Revenue Bonds, Series 2004, due serially through October 1, 2024 | 100,000 | 95,995 |
| Terwilliger Plaza, Revenue Bonds, Series 2006, due serially through December 1, 2036 | 39,765 | 18,280 |
| Pacific Mirabella (at South Waterfront Project), Variable Rate Demand Revenue Bonds, Series 2008A and 2008B, due serially through September 30, 2048 | 221,645 | 173,985 |
| Oregon Baptist (Retirement Homes Project), Variable Rate Demand Revenue and Refunding Bonds, Series 2009, entire principal due November 1, 2034 | 7,050 | 6,735 |

MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(dollar amounts expressed in thousands)

| | | |
|---|-------------------|-------------------|
| Adventist Health System/West, Revenue Bonds, Series 2009A, due September 1, 2021 and September 1, 2040 | 66,535 | 66,535 |
| Holladay Park Plaza, Revenue and Refunding Bonds, Variable Rate Demand Revenue Refunding Bonds, Series 2010A, due serially through December 1, 2040 | 14,460 | 14,460 |
| | <u>\$ 475,455</u> | <u>\$ 397,490</u> |

G. Fund balances and net assets

Fund balances, Governmental funds

On the *Balance Sheet – Governmental Funds*, the fund balances are reported in the aggregate in the classifications defined by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balances by classification for the year ended June 30, 2011 were as follows:

| <u>Fund balances</u> | General Fund | Federal and State Program Fund | Library Fund | PERS Bond Fund | Capital Improve- ment Fund | Other Govern- mental Funds | Total Govern- mental Funds |
|--|-----------------|---|-----------------|----------------------|----------------------------------|-------------------------------------|-------------------------------------|
| Nonspendable: | | | | | | | |
| Inventories | \$ 264 | \$ - | \$ - | \$ - | \$ - | \$ 523 | \$ 787 |
| Prepaid items | 390 | 439 | 254 | - | - | 21 | 1,104 |
| Restricted: | | | | | | | |
| Capital projects, buildings | - | - | - | - | 18,621 | - | 18,621 |
| Capital projects, information technology | - | - | - | - | - | 4,920 | 4,920 |
| Community support programs | - | 8,045 | - | - | - | 794 | 8,839 |
| Debt service | - | - | - | - | - | 7,454 | 7,454 |
| Document storage and retrieval | 487 | - | - | - | - | - | 487 |
| Road, bridge and bike path improvements | - | - | - | - | - | 9,108 | 9,108 |
| Committed: | | | | | | | |
| Capital projects, buildings | - | - | - | - | 11,965 | 3,387 | 15,352 |
| Capital projects, information technology | - | - | - | - | - | 3,385 | 3,385 |
| Community support programs | - | - | - | - | - | 425 | 425 |
| Debt service | - | - | - | 54,737 | - | 11,338 | 66,075 |
| Road, bridge and bike path improvements | - | - | - | - | - | 9,000 | 9,000 |
| Assigned: | | | | | | | |
| Capital projects, buildings | - | - | - | - | - | 1,550 | 1,550 |
| Capital projects, information technology | - | - | - | - | - | 415 | 415 |
| Community support programs | - | - | - | - | - | 251 | 251 |
| Debt service | - | - | - | - | - | 434 | 434 |
| Library operations | - | - | 16,355 | - | - | - | 16,355 |
| Road, bridge and bike path improvements | - | - | - | - | - | 1,909 | 1,909 |
| Unassigned | 44,576 | (312) | - | - | - | - | 44,264 |
| Total fund balances | <u>\$45,717</u> | <u>\$ 8,172</u> | <u>\$16,609</u> | <u>\$54,737</u> | <u>\$ 30,586</u> | <u>\$ 54,914</u> | <u>\$ 210,735</u> |

MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(dollar amounts expressed in thousands)

Net assets

On the government-wide *Statement of Net Assets*, the net assets are reported in one of three classifications as *Invested in capital assets, net of related debt, Restricted, or Unrestricted*. Net assets by classification as of June 30, 2011 are:

| | Primary Government | | Total | Component Unit |
|---|-------------------------|--------------------------|-------------------|------------------------|
| | Governmental Activities | Business-Type Activities | | The Library Foundation |
| Net assets | | | | |
| Invested in capital assets, net of related debt | \$ 637,922 | \$ 3,612 | \$ 641,534 | \$ 12 |
| Restricted for: | | | | |
| Nonexpendable – Library operations | - | - | - | 4,042 |
| Expendable: | | | | |
| Capital projects, buildings | 18,621 | - | 18,621 | - |
| Capital projects, information technology | 4,920 | - | 4,920 | - |
| Community support programs | 8,839 | - | 8,839 | - |
| Debt service | 7,831 | - | 7,831 | - |
| Document storage and retrieval | 487 | - | 487 | - |
| Library operations | - | - | - | 3,281 |
| Road, bridge and bike path improvements | 9,108 | - | 9,108 | - |
| Unrestricted | 81,502 | 17,442 | 98,944 | 9,654 |
| Total net assets | <u>\$ 769,230</u> | <u>\$ 21,054</u> | <u>\$ 790,284</u> | <u>\$ 16,989</u> |

Note 4. 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, 2011, 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

MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(dollar amounts expressed in thousands)

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. The County's excess insurance coverage policies cover claims in excess of \$750 for workers' compensation and \$1,000 for all liability 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 6/30/11 | Fiscal Year Ended 6/30/10 |
|---|------------------------------|------------------------------|
| Unpaid claims, beginning of fiscal year | \$ 12,189 | \$ 12,861 |
| Incurred claims (including IBNRs) | 27,991 | 27,325 |
| Actuarial adjustment | (3,117) | (3,765) |
| Claim payments | (25,365) | (24,232) |
| Unpaid claims, end of fiscal year | <u>\$ 11,698</u> | <u>\$ 12,189</u> |

B. 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, 2011.

MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(dollar amounts expressed in thousands)

| Year ended June 30 | |
|------------------------|------------------|
| 2012 | 5,154 |
| 2013 | 5,503 |
| 2014 | 4,375 |
| 2015 | 3,665 |
| 2016 | 3,042 |
| 2017 – 2021 | 2,327 |
| 2022 – 2026 | 15 |
| Total minimum payments | <u>\$ 24,081</u> |

The County recorded \$4,832 in rent expense for the year ended June 30, 2011.

The County has entered into various construction and non-construction contracts at fiscal year-end. The commitments noted below are evidenced by signed purchase orders or contracts which were entered into prior to June 30, 2011.

| Construction Commitment Description | Fiscal Year Ended 6/30/11 |
|-------------------------------------|------------------------------|
| Buildings | \$ 14,686 |
| Bridges | 26,946 |
| Roads | 6,903 |
| Sewer | 289 |
| Total outstanding contracts | <u>\$ 48,824</u> |

C. Postemployment 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 for postemployment healthcare insurance for eligible retirees and their spouses through the County's group health insurance plans, which covers 50% of the premium cost for retirees who meet certain eligibility requirements. Benefit provisions are established through negotiations between the County and representatives of collective bargaining units. The County's postemployment medical plan does not issue a publicly available financial report.

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 offers retirees a health benefit equal to half of their monthly premium and retirees are required to pay the other half. The benefit is generally offered 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 1.75% of

MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(dollar amounts expressed in thousands)

annual covered payroll to fund this retiree benefit. At June 30, 2011, there were 654 retirees that were receiving the postemployment healthcare benefit. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2011, the County contributed \$7,334 to the plan. Of this amount, \$3,554 was explicitly contributed as part of the contractual obligation described above. The remaining \$3,780 represents the implicit subsidy derived from active employee contributions.

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, 2011, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

| | |
|--|------------------|
| Annual required contribution (ARC) | \$ 14,193 |
| Interest on net OPEB obligation | 3,602 |
| Adjustment to annual required contribution | <u>(3,106)</u> |
| Annual OPEB cost (expense) | 14,689 |
| Contributions made | <u>(7,334)</u> |
| Increase in net OPEB obligation | 7,355 |
| Net OPEB obligation - beginning of year | <u>90,048</u> |
| Net OPEB obligation - end of year | <u>\$ 97,403</u> |

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and three preceding years were as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|----------------------|---------------------|--|------------------------|
| 6/30/08 | 14,902 | 18% | \$ 70,136 |
| 6/30/09 | 12,232 | 18% | 80,173 |
| 6/30/10 | 12,313 | 20% | 90,048 |
| 6/30/11 | 14,689 | 50% | 97,403 |

Funded status and funding progress. As of the most recent actuarial report, January 1, 2011, the actuarial accrued liability for benefits was \$154,498 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$154,498.

MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(dollar amounts expressed in thousands)

The covered payroll (annual payroll of active employees covered by the plan) was \$270,516 for fiscal year 2011 and the ratio of the UAAL to the covered payroll was 57%.

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, 2011), the projected 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 4.0% was used in the most recent actuarial valuation for the closed period. The actuarial report incorporates the projected effect of the healthcare reform law, The Patient Protection and Affordable Care Act (PPACA), passed into law in March 2010. A significant item in the law begins in 2018 when the County's plan may be subject to a 40% excise tax on the value of benefits provided above a certain dollar level. Because of some uncertainties in the excise tax component, the calculation of a precise obligation for this tax is impossible at this time. The report also states health care costs rates are trending down from 8.4% in 2011 to 7.1% in 2016 for the major medical component, which is representative for the overall plan. The report includes assumptions for inflation at 2.75%, annual payroll growth of 3.75% and 1.00% real wage growth. The County's unfunded actuarial accrued liability is re-determined each valuation and amortized over a 30 year open period as a level percentage of payroll. The remaining amortization period at June 30, 2011 is 30 years.

MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(dollar amounts expressed in thousands)

D. 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 and maintains a defined contribution plan for substantially all County employees for the purpose of individual voluntary retirement savings. There are three different tiers of membership based on the individual's original hire date with an Oregon PERS employer.

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 and represents a blended rate for all three different tiers of membership. The County is also required to contribute at an actuarially determined rate; the current rate is 13.4% of annual covered payroll. In addition to the funding requirements, the County also charges an internal rate of 6.75% of payroll to departments to fund the repayment of the pension obligation bonds issued in 1999.

Annual pension cost. For 2011, the County's annual pension cost of \$34,233 for PERS was equal to the County's required and actual contributions. The required contribution was determined as part of the December 31, 2009 actuarial valuation using the projected

MULTNOMAH COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(dollar amounts expressed in thousands)

unit credit 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 2.75% per year, (c) projected wage growth, excluding seniority / merit raises, of 3.75% per year and (d) trending healthcare costs from 7.0% in 2010 to 4.5% in 2029. 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, 2009, was 20 years.

Three Year Trend Information for PERS:

| Fiscal Year Ended | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|----------------------|------------------------------|----------------------------------|---------------------------|
| 6/30/09 | \$ 42,368 | 100% | \$ - |
| 6/30/10 | 34,550 | 100% | - |
| 6/30/11 | 34,233 | 100% | - |

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. Contributions are made through salary withholdings from participating employees up to the amounts specified in the Code. No contributions are required from the County. As of June 30, 2011, 3,055 individuals were participating in the 457 plan. 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, 2011, the amount deferred and investment earnings thereon, adjusted to fair market value, amount to \$207,854. The amounts accumulated under the Plan including investment earnings, are excluded from the financial statements of the County.

REQUIRED SUPPLEMENTARY INFORMATION

MULTNOMAH COUNTY, OREGON
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2011
(dollar amounts expressed in thousands)

Other Postemployment Healthcare Benefits
Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial 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] |
|--------------------------|-------------------------------|---|------------------------------------|--------------------|---------------------|---|
| 01/01/07 | \$ - | \$ 122,905 | \$ 122,905 | 0% | \$246,343 | 50% |
| 01/01/09 | \$ - | \$ 122,605 | \$ 122,605 | 0% | \$263,090 | 47% |
| 01/01/11 ¹ | \$ - | \$ 154,498 | \$ 154,498 | 0% | \$270,516 | 57% |

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

¹ The January 1, 2011 actuarial valuation included notable changes from the previous valuations. The discount rate used decreased from 4.5% to 4.0%. The 2011 valuation also provided for an excise tax of 40% based on the projected effect of the healthcare reform law. As a result the plan experienced a significant increase in the actuarial accrued liability from the previous valuations.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

- Strategic Investment Program Fund
- Road Fund
- Emergency Communications Fund
- Bicycle Path Construction Fund
- Recreation Fund
- County School Fund
- Animal Control Fund
- Willamette River Bridges Fund
- Special Excise Tax Fund
- Land Corner Preservation Fund
- Inmate Welfare Fund
- Justice Services Special Operations Fund

Debt Service Funds

- Revenue Bond Fund
- Capital Debt Retirement Fund
- General Obligation Bond Fund

Capital Projects Funds

- Financed Projects Fund
- Capital Acquisition Fund
- Asset Preservation Fund

MULTNOMAH COUNTY, OREGON
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2011
 (amounts expressed in thousands)

| | Total Nonmajor Special Revenue Funds | Total Nonmajor Debt Service Funds | Total Nonmajor Capital Projects Funds | Total Nonmajor Governmental Funds |
|-------------------------------------|--|---|---|---|
| ASSETS | | | | |
| Cash and investments | \$ 19,562 | \$ 18,060 | \$ 15,399 | \$ 53,021 |
| Receivables: | | | | |
| Taxes | 1,787 | 468 | - | 2,255 |
| Accounts | 14,343 | - | - | 14,343 |
| Contracts | 6 | 1,616 | - | 1,622 |
| Inventories | 523 | - | - | 523 |
| Prepaid items | - | - | 21 | 21 |
| Restricted assets: | | | | |
| Cash with fiscal agent | - | 1,075 | - | 1,075 |
| Total assets | <u>\$ 36,221</u> | <u>\$ 21,219</u> | <u>\$ 15,420</u> | <u>\$ 72,860</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 13,895 | \$ - | \$ 1,739 | \$ 15,634 |
| Payroll payable | 310 | - | 2 | 312 |
| Deferred revenue | 6 | 1,993 | 1 | 2,000 |
| Total liabilities | <u>14,211</u> | <u>1,993</u> | <u>1,742</u> | <u>17,946</u> |
| FUND BALANCES | | | | |
| Nonspendable | 523 | - | 21 | 544 |
| Restricted | 9,902 | 7,454 | 4,920 | 22,276 |
| Committed | 9,425 | 11,338 | 6,772 | 27,535 |
| Assigned | 2,160 | 434 | 1,965 | 4,559 |
| Total fund balances | <u>22,010</u> | <u>19,226</u> | <u>13,678</u> | <u>54,914</u> |
| Total liabilities and fund balances | <u>\$ 36,221</u> | <u>\$ 21,219</u> | <u>\$ 15,420</u> | <u>\$ 72,860</u> |

MULTNOMAH COUNTY, OREGON
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2011
 (amounts expressed in thousands)

| | Total Nonmajor Special Revenue Funds | Total Nonmajor Debt Service Funds | Total Nonmajor Capital Projects Funds | Total Nonmajor Governmental Funds |
|--|--|---|---|---|
| REVENUES | | | | |
| Taxes | \$ 29,054 | \$ 8,282 | \$ - | \$ 37,336 |
| Intergovernmental | 44,764 | - | - | 44,764 |
| Licenses and permits | 13,268 | - | - | 13,268 |
| Charges for services | 4,214 | 36 | 73 | 4,323 |
| Interest | 80 | 85 | 64 | 229 |
| Other | 413 | 8,462 | 2,288 | 11,163 |
| Total revenues | <u>91,793</u> | <u>16,865</u> | <u>2,425</u> | <u>111,083</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 136 | 52 | 654 | 842 |
| Health services | 363 | - | - | 363 |
| Public safety and justice | 7,119 | - | - | 7,119 |
| Community services | 21,876 | - | 1,580 | 23,456 |
| Roads and bridges | 40,790 | - | - | 40,790 |
| Capital outlay | 13,201 | - | 1,190 | 14,391 |
| Debt service: | | | | |
| Principal | - | 14,797 | - | 14,797 |
| Interest | 150 | 5,524 | - | 5,674 |
| Total expenditures | <u>83,635</u> | <u>20,373</u> | <u>3,424</u> | <u>107,432</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>8,158</u> | <u>(3,508)</u> | <u>(999)</u> | <u>3,651</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from issuance of debt | 1,282 | - | - | 1,282 |
| Proceeds from sale of capital assets | 24 | - | - | 24 |
| Transfers in | 9,005 | - | 5,135 | 14,140 |
| Transfers out | (3,249) | - | - | (3,249) |
| Total other financing sources (uses) | <u>7,062</u> | <u>-</u> | <u>5,135</u> | <u>12,197</u> |
| Net change in fund balances | 15,220 | (3,508) | 4,136 | 15,848 |
| Fund balances - beginning | 6,790 | 22,734 | 9,542 | 39,066 |
| Fund balances - ending | <u>\$ 22,010</u> | <u>\$ 19,226</u> | <u>\$ 13,678</u> | <u>\$ 54,914</u> |

NONMAJOR SPECIAL REVENUE FUNDS

These funds account for revenue derived from specific taxes or other earmarked revenue sources, including state gas tax, grants, and charges for services 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 the expenditures. The modified accrual basis of accounting is used to record revenues and expenditures. Funds included are:

- **Strategic Investment Program Fund** - accounts primarily for monies received from corporations receiving property tax abatements and paying fees for specific purposes as a part of the reduced tax agreement to be used for community service.
- **Road Fund** - accounts for revenues primarily from State motor vehicle fees and County gasoline taxes. Expenditures consist of construction, repair, maintenance, and operation of County highways and roads.
- **Emergency Communications Fund** - accounts for monies received from the State which are designated for an emergency communication network in conjunction with the City of Portland.
- **Bicycle Path Construction Fund** - accounts for revenue and expenditures for bicycle paths. Revenue is one percent of State motor vehicle fees.
- **Recreation Fund** - accounts for State revenues and the pass through disbursements to Metro for the operation of parks.
- **County School Fund** - accounts for forest reserve yield revenues from the State of Oregon which are apportioned to the County school districts.
- **Animal Control Fund** - accounts for revenues from dog and cat licenses, control fees and transfers to the General Fund which are utilized for animal control activities.
- **Willamette River Bridges Fund** - 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.
- **Special Excise Tax Fund** - accounts for a transient lodging tax and motor vehicle tax collection to be used for convention center expenditures.
- **Land Corner Preservation Fund** - accounts for the collection of fees on all recordings of real property transactions and surveying activity. The fund makes expenditures to maintain public land corners.
- **Inmate Welfare Fund** - accounts for the proceeds from the sale of commissary items. Expenditures are made for supplies for inmates in County jails.
- **Justice Services Special Operations Fund** - accounts for revenues and expenditures dedicated to justice services in the community justice department, district attorney's office, and sheriff's office.

(This page intentionally left blank.)

MULTNOMAH COUNTY, OREGON
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2011
 (amounts expressed in thousands)

| | Strategic Investment Program | Road | Emergency Communications | Bicycle Path Construction | Recreation |
|-------------------------------------|------------------------------------|-----------------|-----------------------------|------------------------------|--------------|
| ASSETS | | | | | |
| Cash and investments | \$ - | \$ 3,651 | \$ - | \$ 271 | \$ 63 |
| Receivables: | | | | | |
| Taxes | - | - | - | - | - |
| Accounts | - | 4,967 | - | - | - |
| Contracts | - | 6 | - | - | - |
| Inventories | - | 523 | - | - | - |
| Total assets | <u>\$ -</u> | <u>\$ 9,147</u> | <u>\$ -</u> | <u>\$ 271</u> | <u>\$ 63</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ - | \$ 7,211 | \$ - | \$ 10 | \$ 63 |
| Payroll payable | - | 140 | - | - | - |
| Deferred revenue | - | 6 | - | - | - |
| Total liabilities | <u>-</u> | <u>7,357</u> | <u>-</u> | <u>10</u> | <u>63</u> |
| FUND BALANCES | | | | | |
| Nonspendable | - | 523 | - | - | - |
| Restricted | - | - | - | 261 | - |
| Committed | - | - | - | - | - |
| Assigned | - | 1,267 | - | - | - |
| Total fund balances | <u>-</u> | <u>1,790</u> | <u>-</u> | <u>261</u> | <u>-</u> |
| Total liabilities and fund balances | <u>\$ -</u> | <u>\$ 9,147</u> | <u>\$ -</u> | <u>\$ 271</u> | <u>\$ 63</u> |

| | County School | Animal Control | Willamette River Bridges | Special Excise Tax | Land Corner Preservation | Inmate Welfare | Justice Services Special Operations | Total |
|--|------------------|-------------------|--------------------------------|-----------------------|-----------------------------|-------------------|--|------------------|
| | \$ 1 | \$ 814 | \$ 12,464 | \$ 980 | \$ 852 | \$ 65 | \$ 401 | \$ 19,562 |
| | - | - | - | 1,786 | 1 | - | - | 1,787 |
| | - | 6 | 8,802 | - | - | 41 | 527 | 14,343 |
| | - | - | - | - | - | - | - | 6 |
| | - | - | - | - | - | - | - | 523 |
| | <u>\$ 1</u> | <u>\$ 820</u> | <u>\$ 21,266</u> | <u>\$ 2,766</u> | <u>\$ 853</u> | <u>\$ 106</u> | <u>\$ 928</u> | <u>\$ 36,221</u> |
| | \$ - | \$ 9 | \$ 3,518 | \$ 2,456 | \$ 14 | \$ 65 | \$ 549 | \$ 13,895 |
| | - | - | 86 | - | 12 | 12 | 60 | 310 |
| | - | - | - | - | - | - | - | 6 |
| | <u>-</u> | <u>9</u> | <u>3,604</u> | <u>2,456</u> | <u>26</u> | <u>77</u> | <u>609</u> | <u>14,211</u> |
| | - | - | - | - | - | - | - | 523 |
| | 1 | 751 | 8,020 | - | 827 | - | 42 | 9,902 |
| | - | - | 9,000 | 310 | - | 29 | 86 | 9,425 |
| | - | 60 | 642 | - | - | - | 191 | 2,160 |
| | <u>1</u> | <u>811</u> | <u>17,662</u> | <u>310</u> | <u>827</u> | <u>29</u> | <u>319</u> | <u>22,010</u> |
| | <u>\$ 1</u> | <u>\$ 820</u> | <u>\$ 21,266</u> | <u>\$ 2,766</u> | <u>\$ 853</u> | <u>\$ 106</u> | <u>\$ 928</u> | <u>\$ 36,221</u> |

MULTNOMAH COUNTY, OREGON
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2011
(amounts expressed in thousands)

| | Strategic Investment Program | Road | Emergency Communications | Bicycle Path Construction | Recreation |
|---|------------------------------------|----------|-----------------------------|------------------------------|------------|
| REVENUES | | | | | |
| Taxes | \$ - | \$ 7,551 | \$ - | \$ - | \$ 64 |
| Intergovernmental | - | 29,182 | 181 | 65 | - |
| Licenses and permits | - | 60 | - | - | - |
| Charges for services | - | 246 | - | - | - |
| Interest | - | 62 | - | 1 | - |
| Other: | | | | | |
| Service reimbursements | - | - | - | - | - |
| Miscellaneous | - | 21 | - | - | - |
| Total revenues | - | 37,122 | 181 | 66 | 64 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | - | - | - | - | - |
| Health services | - | - | - | - | - |
| Public safety and justice | - | - | - | - | - |
| Community services | - | - | 181 | 7 | 64 |
| Roads and bridges | - | 35,542 | - | - | - |
| Capital outlay | - | 1,896 | - | 24 | - |
| Debt service, interest | - | - | - | - | - |
| Total expenditures | - | 37,438 | 181 | 31 | 64 |
| Excess of revenues over (under) expenditures | - | (316) | - | 35 | - |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Proceeds from issuance of debt | - | 1,282 | - | - | - |
| Proceeds from sale of capital assets | - | 10 | - | - | - |
| Transfers in | - | - | - | - | - |
| Transfers out | (161) | - | - | - | - |
| Total other financing sources (uses) | (161) | 1,292 | - | - | - |
| Net change in fund balances | (161) | 976 | - | 35 | - |
| Fund balances - beginning | 161 | 814 | - | 226 | - |
| Fund balances - ending | \$ - | \$ 1,790 | \$ - | \$ 261 | \$ - |

| | County School | Animal Control | Willamette River Bridges | Special Excise Tax | Land Corner Preservation | Inmate Welfare | Justice Services Special Operations | Total |
|--|------------------|-------------------|--------------------------------|-----------------------|-----------------------------|-------------------|--|-----------|
| | \$ 166 | \$ - | \$ - | \$ 21,273 | \$ - | \$ - | \$ - | \$ 29,054 |
| | 19 | 73 | 15,102 | - | - | - | 142 | 44,764 |
| | - | 1,773 | 8,224 | - | - | - | 3,211 | 13,268 |
| | 1 | 103 | 5 | - | 596 | 1,210 | 2,053 | 4,214 |
| | - | 4 | - | 5 | 6 | - | 2 | 80 |
| | - | - | - | - | - | - | 119 | 119 |
| | - | 188 | 33 | - | - | 1 | 51 | 294 |
| | 186 | 2,141 | 23,364 | 21,278 | 602 | 1,211 | 5,578 | 91,793 |
| | - | - | - | - | - | - | - | 136 |
| | - | 136 | - | - | - | - | - | 363 |
| | - | - | - | - | - | - | 363 | 7,119 |
| | - | - | - | - | - | 1,359 | 5,760 | 21,876 |
| | 187 | - | - | 21,437 | - | - | - | 40,790 |
| | - | - | 4,441 | - | 807 | - | - | 13,201 |
| | - | - | 11,237 | - | - | - | 44 | 150 |
| | - | - | 150 | - | - | - | - | 83,635 |
| | 187 | 136 | 15,828 | 21,437 | 807 | 1,359 | 6,167 | 8,158 |
| | (1) | 2,005 | 7,536 | (159) | (205) | (148) | (589) | 1,282 |
| | - | - | - | - | - | - | - | 24 |
| | - | - | - | - | 4 | - | 10 | 9,005 |
| | - | - | 9,000 | - | 5 | - | - | (3,249) |
| | - | (2,238) | (850) | - | - | - | - | 7,062 |
| | - | (2,238) | 8,150 | - | 9 | - | 10 | 15,220 |
| | (1) | (233) | 15,686 | (159) | (196) | (148) | (579) | 6,790 |
| | 2 | 1,044 | 1,976 | 469 | 1,023 | 177 | 898 | 22,010 |
| | \$ 1 | \$ 811 | \$ 17,662 | \$ 310 | \$ 827 | \$ 29 | \$ 319 | \$ 22,010 |

MULTNOMAH COUNTY, OREGON
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Strategic Investment Program Fund
 For the Year Ended June 30, 2011
 (amounts expressed in thousands)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Favorable (Unfavorable) |
|-----------------------------|------------------|-------------|-------------------|---|
| | Original | Final | | |
| OTHER FINANCING USES | | | | |
| Transfers out | (161) | (161) | (161) | - |
| Fund balances - beginning | 161 | 161 | 161 | - |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

MULTNOMAH COUNTY, OREGON
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Road Fund
 For the Year Ended June 30, 2011
 (amounts expressed in thousands)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Favorable (Unfavorable) |
|--|------------------|----------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes: | | | | |
| Gasoline | \$ 7,200 | \$ 7,200 | \$ 7,052 | \$ (148) |
| Forest reserve yield | 497 | 497 | 499 | 2 |
| Intergovernmental | 33,014 | 33,014 | 29,182 | (3,832) |
| Licenses and permits | 75 | 75 | 60 | (15) |
| Charges for services | 785 | 785 | 246 | (539) |
| Interest | 75 | 75 | 62 | (13) |
| Other: | | | | |
| Service reimbursements | 665 | 665 | - | (665) |
| Miscellaneous | 101 | 101 | 21 | (80) |
| Total revenues | <u>42,412</u> | <u>42,412</u> | <u>37,122</u> | <u>(5,290)</u> |
| EXPENDITURES | | | | |
| Community services | 39,429 | 39,429 | 37,438 | 1,991 |
| Excess (deficiency) of revenues over (under) expenditures | <u>2,983</u> | <u>2,983</u> | <u>(316)</u> | <u>(3,299)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from issuance of debt | 1,200 | 1,200 | 1,282 | 82 |
| Proceeds from sale of capital assets | - | - | 10 | 10 |
| Transfers out | (5,668) | (5,668) | - | 5,668 |
| Total other financing sources (uses) | <u>(4,468)</u> | <u>(4,468)</u> | <u>1,292</u> | <u>5,760</u> |
| Net change in fund balances | (1,485) | (1,485) | 976 | 2,461 |
| Fund balances - beginning | 1,485 | 1,485 | 814 | (671) |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,790</u> | <u>\$ 1,790</u> |

MULTNOMAH COUNTY, OREGON
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Emergency Communications Fund
 For the Year Ended June 30, 2011
 (amounts expressed in thousands)

| | Budgeted Amounts | | Actual | Variance with Final Budget Favorable (Unfavorable) |
|-----------------------------|------------------|--------|--------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental | \$ 250 | \$ 250 | \$ 181 | \$ (69) |
| EXPENDITURES | | | | |
| Sheriff | 250 | 250 | 181 | 69 |
| Net change in fund balances | - | - | - | - |
| Fund balances - beginning | - | - | - | - |
| Fund balances - ending | \$ - | \$ - | \$ - | \$ - |

MULTNOMAH COUNTY, OREGON
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Bicycle Path Construction Fund
 For the Year Ended June 30, 2011
 (amounts expressed in thousands)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Favorable (Unfavorable) |
|--|------------------|-------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental | \$ - | \$ - | \$ 65 | \$ 65 |
| Interest | 2 | 2 | 1 | (1) |
| Total revenues | 2 | 2 | 66 | 64 |
| EXPENDITURES | | | | |
| Community services | 90 | 90 | 31 | 59 |
| Excess (deficiency) of revenues over (under) expenditures | (88) | (88) | 35 | 123 |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | 68 | 68 | - | (68) |
| Total other financing sources | 68 | 68 | - | (68) |
| Contingency | (340) | (340) | - | 340 |
| Net change in fund balances | (360) | (360) | 35 | 395 |
| Fund balances - beginning | 360 | 360 | 226 | (134) |
| Fund balances - ending | \$ - | \$ - | \$ 261 | \$ 261 |

MULTNOMAH COUNTY, OREGON
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Recreation Fund
 For the Year Ended June 30, 2011
 (amounts expressed in thousands)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Favorable (Unfavorable) |
|-----------------------------|------------------|--------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes - Gasoline | \$ 102 | \$ 102 | \$ 64 | \$ (38) |
| EXPENDITURES | | | | |
| County management | 102 | 102 | 64 | 38 |
| Net change in fund balances | - | - | - | - |
| Fund balances - beginning | - | - | - | - |
| Fund balances - ending | \$ - | \$ - | \$ - | \$ - |

MULTNOMAH COUNTY, OREGON
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 County School Fund
 For the Year Ended June 30, 2011
 (amounts expressed in thousands)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Favorable (Unfavorable) |
|------------------------------|------------------|--------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes - Forest reserve yield | \$ 170 | \$ 170 | \$ 166 | \$ (4) |
| Intergovernmental | 20 | 20 | 19 | (1) |
| Charges for services | - | - | 1 | 1 |
| Interest | 1 | 1 | - | (1) |
| Total revenues | 191 | 191 | 186 | (5) |
| EXPENDITURES | | | | |
| Nondepartmental | 192 | 192 | 187 | 5 |
| Net change in fund balances | (1) | (1) | (1) | - |
| Fund balances - beginning | 1 | 1 | 2 | 1 |
| Fund balances - ending | \$ - | \$ - | \$ 1 | \$ 1 |

MULTNOMAH COUNTY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Animal Control Fund
For the Year Ended June 30, 2011
(amounts expressed in thousands)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Favorable (Unfavorable) |
|--------------------------------------|------------------|--------------|----------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental | \$ 65 | \$ 65 | \$ 73 | \$ 8 |
| Licenses and permits | 1,720 | 1,720 | 1,773 | 53 |
| Charges for services | 140 | 140 | 103 | (37) |
| Interest | 10 | 10 | 4 | (6) |
| Other - Miscellaneous | 204 | 204 | 188 | (16) |
| Total revenues | <u>2,139</u> | <u>2,139</u> | <u>2,141</u> | <u>2</u> |
| EXPENDITURES | | | | |
| Community services | 668 | 668 | 136 | 532 |
| Excess of revenues over expenditures | <u>1,471</u> | <u>1,471</u> | <u>2,005</u> | <u>534</u> |
| OTHER FINANCING USES | | | | |
| Transfers out | (1,850) | (2,238) | (2,238) | - |
| Total other financing uses | (1,850) | (2,238) | (2,238) | - |
| Contingency | (174) | (174) | - | 174 |
| Net change in fund balances | (553) | (941) | (233) | 708 |
| Fund balances - beginning | 553 | 941 | 1,044 | 103 |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 811</u> | <u>\$ 811</u> |

MULTNOMAH COUNTY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Willamette River Bridges Fund
For the Year Ended June 30, 2011
(amounts expressed in thousands)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Favorable (Unfavorable) |
|---|-------------------|-------------------|------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental | \$ 12,932 | \$ 12,932 | \$ 15,102 | \$ 2,170 |
| Licenses and permits | 6,000 | 6,000 | 8,224 | 2,224 |
| Charges for services | - | - | 5 | 5 |
| Interest | 424 | 424 | - | (424) |
| Other: | | | | |
| Service reimbursements | 26 | 26 | - | (26) |
| Miscellaneous | 5 | 5 | 33 | 28 |
| Total revenues | <u>19,387</u> | <u>19,387</u> | <u>23,364</u> | <u>3,977</u> |
| EXPENDITURES | | | | |
| Community services | 65,957 | 65,957 | 15,828 | 50,129 |
| Excess (deficiency) of revenues over (under) expenditures | <u>(46,570)</u> | <u>(46,570)</u> | <u>7,536</u> | <u>54,106</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from issuance of debt | 150,000 | 150,000 | - | (150,000) |
| Transfers in | 5,600 | 30,600 | 9,000 | (21,600) |
| Transfers out | (1,000) | (1,000) | (850) | 150 |
| Total other financing sources (uses) | 154,600 | 179,600 | 8,150 | (171,450) |
| Contingency | (8,661) | (8,661) | - | 8,661 |
| Net change in fund balances | 99,369 | 124,369 | 15,686 | (108,683) |
| Fund balances - beginning | 876 | 876 | 1,976 | 1,100 |
| Fund balances - ending | <u>\$ 100,245</u> | <u>\$ 125,245</u> | <u>\$ 17,662</u> | <u>\$ (107,583)</u> |

MULTNOMAH COUNTY, OREGON
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Special Excise Tax Fund
 For the Year Ended June 30, 2011
 (amounts expressed in thousands)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Favorable (Unfavorable) |
|-----------------------------|------------------|---------------|----------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 18,800 | \$ 21,300 | \$ 21,273 | \$ (27) |
| Interest | 4 | 4 | 5 | 1 |
| Total revenues | <u>18,804</u> | <u>21,304</u> | <u>21,278</u> | <u>(26)</u> |
| EXPENDITURES | | | | |
| Nondepartmental | 19,014 | 21,514 | 21,437 | 77 |
| Net change in fund balances | (210) | (210) | (159) | 51 |
| Fund balances - beginning | 210 | 210 | 469 | 259 |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 310</u> | <u>\$ 310</u> |

MULTNOMAH COUNTY, OREGON
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Land Corner Preservation Fund
 For the Year Ended June 30, 2011
 (amounts expressed in thousands)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Favorable (Unfavorable) |
|---|------------------|-------------|----------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Charges for services | \$ 700 | \$ 700 | \$ 596 | \$ (104) |
| Interest | 30 | 30 | 6 | (24) |
| Other - Service reimbursements | 135 | 135 | - | (135) |
| Total revenues | <u>865</u> | <u>865</u> | <u>602</u> | <u>(263)</u> |
| EXPENDITURES | | | | |
| Community services | 1,238 | 1,238 | 807 | 431 |
| Deficiency of revenues under expenditures | (373) | (373) | (205) | 168 |
| OTHER FINANCING SOURCES | | | | |
| Proceeds from sale of capital assets | - | - | 4 | 4 |
| Transfers in | - | 5 | 5 | - |
| Total other financing sources | - | 5 | 9 | 4 |
| Contingency | (447) | (452) | - | 452 |
| Net change in fund balances | (820) | (820) | (196) | 624 |
| Fund balances - beginning | 820 | 820 | 1,023 | 203 |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 827</u> | <u>\$ 827</u> |

MULTNOMAH COUNTY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Inmate Welfare Fund
For the Year Ended June 30, 2011
(amounts expressed in thousands)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Favorable (Unfavorable) |
|-----------------------------|------------------|--------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Charges for services | \$ 1,272 | \$ 1,272 | \$ 1,210 | \$ (62) |
| Interest | 10 | 10 | - | (10) |
| Other - Miscellaneous | 2 | 2 | 1 | (1) |
| Total revenues | <u>1,284</u> | <u>1,284</u> | <u>1,211</u> | <u>(73)</u> |
| EXPENDITURES | | | | |
| Community justice | 2 | 2 | 1 | 1 |
| Sheriff | 1,382 | 1,459 | 1,358 | 101 |
| Total expenditures | <u>1,384</u> | <u>1,461</u> | <u>1,359</u> | <u>102</u> |
| Net change in fund balances | (100) | (177) | (148) | 29 |
| Fund balances - beginning | 100 | 177 | 177 | - |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 29</u> | <u>\$ 29</u> |

MULTNOMAH COUNTY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Justice Services Special Operations Fund
For the Year Ended June 30, 2011
(amounts expressed in thousands)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Favorable (Unfavorable) |
|--|------------------|--------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental | \$ 67 | \$ 67 | \$ 142 | \$ 75 |
| Licenses and permits | 4,253 | 4,253 | 3,211 | (1,042) |
| Charges for services | 2,842 | 3,490 | 2,053 | (1,437) |
| Interest | 16 | 16 | 2 | (14) |
| Other: | | | | |
| Service reimbursements | 211 | 211 | 119 | (92) |
| Miscellaneous | 2 | 37 | 51 | 14 |
| Total revenues | <u>7,391</u> | <u>8,074</u> | <u>5,578</u> | <u>(2,496)</u> |
| EXPENDITURES | | | | |
| Community justice | 2,659 | 2,659 | 2,389 | 270 |
| District attorney | 159 | 159 | 50 | 109 |
| Health services | 1,893 | 1,910 | 363 | 1,547 |
| Sheriff | 3,486 | 4,246 | 3,365 | 881 |
| Total expenditures | <u>8,197</u> | <u>8,974</u> | <u>6,167</u> | <u>2,807</u> |
| Deficiency of revenues under expenditures | <u>(806)</u> | <u>(900)</u> | <u>(589)</u> | <u>311</u> |
| OTHER FINANCING SOURCES | | | | |
| Proceeds from sale of capital assets | - | - | 10 | 10 |
| Net change in fund balances | (806) | (900) | (579) | 321 |
| Fund balances - beginning | 806 | 900 | 898 | (2) |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 319</u> | <u>\$ 319</u> |

DEBT SERVICE FUNDS

These funds account for the retirement of general obligation bonds, certificates of participation (capitalized leases) and other lease-purchase arrangements. The modified accrual basis of accounting is used. Funds included are:

Major Fund

- **PERS Pension Bond Fund** – accounts for payment of principal and interest payments on pension obligation bonds that were issued to fund the County’s PERS unfunded liability. Revenues consist of charges to departments and interest.

Nonmajor Funds

- **Revenue Bond Fund** – accounts for payment of principal and interest on bonds to be issued to construct various facilities. The revenues are derived from the lease payments on the facilities and interest.
- **Capital Debt Retirement Fund** – accounts for lease-purchase and full faith and credit principal and interest payments for buildings and major pieces of equipment acquired by the issuance of certificates of participation, lease-purchase arrangements and full faith and credit bonds. Revenues consist of certificates of participation proceeds, bond proceeds, service reimbursements and cash transfers from other County funds.
- **General Obligation Bond Fund** – accounts for payment of principal and interest on general obligation bonds. Revenue is derived from property taxes and interest.

MULTNOMAH COUNTY, OREGON
Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2011
(amounts expressed in thousands)

| | Revenue Bond | Capital Debt Retirement | General Obligation Bond | Total |
|-------------------------------------|-----------------|-------------------------------|-------------------------------|------------------|
| ASSETS | | | | |
| Cash and investments | \$ 1,112 | \$ 9,585 | \$ 7,363 | \$ 18,060 |
| Receivables: | | | | |
| Taxes | - | - | 468 | 468 |
| Contracts | 1,616 | - | - | 1,616 |
| Restricted assets: | | | | |
| Cash with fiscal agent | - | 1,075 | - | 1,075 |
| Total assets | <u>\$ 2,728</u> | <u>\$ 10,660</u> | <u>\$ 7,831</u> | <u>\$ 21,219</u> |
| LIABILITIES | | | | |
| Deferred revenue | \$ 1,616 | - | \$ 377 | \$ 1,993 |
| Total liabilities | <u>1,616</u> | <u>-</u> | <u>377</u> | <u>1,993</u> |
| FUND BALANCES | | | | |
| Restricted | - | - | 7,454 | 7,454 |
| Committed | 678 | 10,660 | - | 11,338 |
| Assigned | 434 | - | - | 434 |
| Total fund balances | <u>1,112</u> | <u>10,660</u> | <u>7,454</u> | <u>19,226</u> |
| Total liabilities and fund balances | <u>\$ 2,728</u> | <u>\$ 10,660</u> | <u>\$ 7,831</u> | <u>\$ 21,219</u> |

MULTNOMAH COUNTY, OREGON
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Debt Service Funds
 For the Year Ended June 30, 2011
 (amounts expressed in thousands)

| | Revenue Bond | Capital Debt Retirement | General Obligation Bond | Total |
|--------------------------------|-----------------|-------------------------------|-------------------------------|------------------|
| REVENUES | | | | |
| Taxes | \$ - | \$ - | \$ 8,279 | \$ 8,279 |
| Payments in lieu of taxes | - | - | 3 | 3 |
| Charges for services | 36 | - | - | 36 |
| Interest | 7 | 43 | 35 | 85 |
| Other - service reimbursements | - | 8,462 | - | 8,462 |
| Total revenues | <u>43</u> | <u>8,505</u> | <u>8,317</u> | <u>16,865</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 5 | 47 | - | 52 |
| Debt service: | | | | |
| Principal | 415 | 7,827 | 6,555 | 14,797 |
| Interest | 133 | 3,472 | 1,919 | 5,524 |
| Total expenditures | <u>553</u> | <u>11,346</u> | <u>8,474</u> | <u>20,373</u> |
| Net change in fund balances | (510) | (2,841) | (157) | (3,508) |
| Fund balances - beginning | 1,622 | 13,501 | 7,611 | 22,734 |
| Fund balances - ending | <u>\$ 1,112</u> | <u>\$ 10,660</u> | <u>\$ 7,454</u> | <u>\$ 19,226</u> |

MULTNOMAH COUNTY, OREGON
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Revenue Bond Fund
 For the Year Ended June 30, 2011
 (amounts expressed in thousands)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Favorable (Unfavorable) |
|-----------------------------|------------------|-----------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Charges for services | \$ 35 | \$ 35 | \$ 36 | \$ 1 |
| Interest | 33 | 33 | 7 | (26) |
| Total revenues | <u>68</u> | <u>68</u> | <u>43</u> | <u>(25)</u> |
| EXPENDITURES | | | | |
| Nondepartmental | 556 | 556 | 553 | 3 |
| Net change in fund balances | (488) | (488) | (510) | (22) |
| Fund balances - beginning | 1,625 | 1,625 | 1,622 | (3) |
| Fund balances - ending | <u>\$ 1,137</u> | <u>\$ 1,137</u> | <u>\$ 1,112</u> | <u>\$ (25)</u> |

MULTNOMAH COUNTY, OREGON
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Capital Debt Retirement Fund
 For the Year Ended June 30, 2011
 (amounts expressed in thousands)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Favorable (Unfavorable) |
|--------------------------------|------------------|------------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Interest | \$ 289 | \$ 289 | \$ 43 | \$ (246) |
| Other - service reimbursements | 16,063 | 16,063 | 8,462 | (7,601) |
| Total revenues | <u>16,352</u> | <u>16,352</u> | <u>8,505</u> | <u>(7,847)</u> |
| EXPENDITURES | | | | |
| Nondepartmental | 19,193 | 19,193 | 11,346 | 7,847 |
| Net change in fund balances | (2,841) | (2,841) | (2,841) | - |
| Fund balances - beginning | 14,430 | 14,430 | 13,501 | (929) |
| Fund balances - ending | <u>\$ 11,589</u> | <u>\$ 11,589</u> | <u>\$ 10,660</u> | <u>\$ (929)</u> |

MULTNOMAH COUNTY, OREGON
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 General Obligation Bond Fund
 For the Year Ended June 30, 2011
 (amounts expressed in thousands)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Favorable (Unfavorable) |
|-----------------------------|------------------|-----------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes - property | \$ 8,190 | \$ 8,190 | \$ 8,279 | \$ 89 |
| Payments in lieu of taxes | - | - | 3 | 3 |
| Interest | 149 | 149 | 35 | (114) |
| Total revenues | <u>8,339</u> | <u>8,339</u> | <u>8,317</u> | <u>(22)</u> |
| EXPENDITURES | | | | |
| Nondepartmental | 9,253 | 9,253 | 8,474 | 779 |
| Net change in fund balances | (914) | (914) | (157) | 757 |
| Fund balances - beginning | 7,456 | 7,456 | 7,611 | 155 |
| Fund balances - ending | <u>\$ 6,542</u> | <u>\$ 6,542</u> | <u>\$ 7,454</u> | <u>\$ 912</u> |

MULTNOMAH COUNTY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
PERS Pension Bond Fund
For the Year Ended June 30, 2011
(amounts expressed in thousands)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Favorable (Unfavorable) |
|--------------------------------|------------------|-----------|----------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Interest | \$ 840 | \$ 840 | \$ 258 | \$ (582) |
| Other - service reimbursements | 18,000 | 18,000 | 28,178 | 10,178 |
| Total revenues | 18,840 | 18,840 | 28,436 | 9,596 |
| EXPENDITURES | | | | |
| Nondepartmental | 15,227 | 15,227 | 15,202 | 25 |
| Net change in fund balances | 3,613 | 3,613 | 13,234 | 9,621 |
| Fund balances - beginning | 42,000 | 42,000 | 41,503 | (497) |
| Fund balances - ending | \$ 45,613 | \$ 45,613 | \$ 54,737 | \$ 9,124 |

CAPITAL PROJECTS FUNDS

These funds account for expenditures on major construction projects, proceeds from certificates of participation issued to finance capital acquisitions, proceeds from the sale of County property, revenue bond proceeds and library and public safety general obligation bond proceeds. The modified accrual basis of accounting is used to record revenues and expenditures. Funds included are:

Major Fund

- **Capital Improvement Fund** - accounts for the proceeds from the sale of County property and expenditures made to improve County property.

Nonmajor Funds

- **Financed Projects Fund** - accounts for purchases and construction of capital acquisition by entering into lease/purchase agreements.
- **Capital Acquisition Fund** - accounts for purchase of personal computers and capital purchases with economic payoffs of less than five years.
- **Asset Preservation Fund** - accounts for the expenditures for building scheduled maintenance projects such as boiler replacement, carpet replacement, roof replacement, etc. Resources are derived from an asset preservation fee that is part of the facilities charges assessed to building tenants.

MULTNOMAH COUNTY, OREGON
 Combining Balance Sheet
 Nonmajor Capital Projects Funds
 June 30, 2011
 (amounts expressed in thousands)

| | Financed Projects | Capital Acquisition | Asset Preservation | Total |
|-------------------------------------|-------------------|---------------------|--------------------|------------------|
| ASSETS | | | | |
| Cash and investments | \$ 4,257 | \$ 6,003 | \$ 5,139 | \$ 15,399 |
| Prepaid items | 21 | - | - | 21 |
| Total assets | <u>\$ 4,278</u> | <u>\$ 6,003</u> | <u>\$ 5,139</u> | <u>\$ 15,420</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 521 | \$ 1,016 | \$ 202 | \$ 1,739 |
| Payroll payable | 2 | - | - | 2 |
| Deferred revenue | - | 1 | - | 1 |
| Total liabilities | <u>523</u> | <u>1,017</u> | <u>202</u> | <u>1,742</u> |
| FUND BALANCES | | | | |
| Nonspendable | 21 | - | - | 21 |
| Restricted | - | 4,920 | - | 4,920 |
| Committed | 3,385 | - | 3,387 | 6,772 |
| Assigned | 349 | 66 | 1,550 | 1,965 |
| Total fund balances | <u>3,755</u> | <u>4,986</u> | <u>4,937</u> | <u>13,678</u> |
| Total liabilities and fund balances | <u>\$ 4,278</u> | <u>\$ 6,003</u> | <u>\$ 5,139</u> | <u>\$ 15,420</u> |

MULTNOMAH COUNTY, OREGON
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Capital Projects Funds
 For the Year Ended June 30, 2011
 (amounts expressed in thousands)

| | Financed Projects | Capital Acquisition | Asset Preservation | Total |
|---|-------------------|---------------------|--------------------|------------------|
| REVENUES | | | | |
| Charges for services | \$ - | \$ 26 | \$ 47 | \$ 73 |
| Interest | 11 | 32 | 21 | 64 |
| Other: | | | | |
| Service reimbursements | - | - | 2,286 | 2,286 |
| Miscellaneous | - | - | 2 | 2 |
| Total revenues | <u>11</u> | <u>58</u> | <u>2,356</u> | <u>2,425</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | - | 654 | - | 654 |
| Community services | 576 | - | 1,004 | 1,580 |
| Capital outlay | 539 | 426 | 225 | 1,190 |
| Total expenditures | <u>1,115</u> | <u>1,080</u> | <u>1,229</u> | <u>3,424</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(1,104)</u> | <u>(1,022)</u> | <u>1,127</u> | <u>(999)</u> |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | 4,500 | - | 635 | 5,135 |
| Net change in fund balances | 3,396 | (1,022) | 1,762 | 4,136 |
| Fund balances - beginning | 359 | 6,008 | 3,175 | 9,542 |
| Fund balances - ending | <u>\$ 3,755</u> | <u>\$ 4,986</u> | <u>\$ 4,937</u> | <u>\$ 13,678</u> |

MULTNOMAH COUNTY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Financed Projects Fund
For the Year Ended June 30, 2011
(amounts expressed in thousands)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Favorable (Unfavorable) |
|--|------------------|---------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Interest | \$ 6 | \$ 6 | \$ 11 | \$ 5 |
| EXPENDITURES | | | | |
| County management | 5,100 | 5,100 | 1,115 | 3,985 |
| Deficiency of revenues under expenditures | (5,094) | (5,094) | (1,104) | 3,990 |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | 4,500 | 4,500 | 4,500 | - |
| Total other financing sources | 4,500 | 4,500 | 4,500 | - |
| Contingency | (6) | (6) | - | 6 |
| Net change in fund balances | (600) | (600) | 3,396 | 3,996 |
| Fund balances - beginning | 600 | 600 | 359 | (241) |
| Fund balances - ending | \$ - | \$ - | \$ 3,755 | \$ 3,755 |

MULTNOMAH COUNTY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Capital Acquisition Fund
For the Year Ended June 30, 2011
(amounts expressed in thousands)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Favorable (Unfavorable) |
|--|------------------|---------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Charges for services | \$ - | \$ - | \$ 26 | \$ 26 |
| Interest | 7 | 7 | 32 | 25 |
| Total revenues | 7 | 7 | 58 | 51 |
| EXPENDITURES | | | | |
| Nondepartmental | 6,000 | 6,000 | 1,080 | 4,920 |
| Deficiency of revenues under expenditures | (5,993) | (5,993) | (1,022) | 4,971 |
| Contingency | (7) | (7) | - | 7 |
| Net change in fund balances | (6,000) | (6,000) | (1,022) | 4,978 |
| Fund balances - beginning | 6,000 | 6,000 | 6,008 | 8 |
| Fund balances - ending | \$ - | \$ - | \$ 4,986 | \$ 4,986 |

MULTNOMAH COUNTY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Asset Preservation Fund
For the Year Ended June 30, 2011
(amounts expressed in thousands)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Favorable (Unfavorable) |
|--|------------------|----------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Charges for services | \$ - | \$ - | \$ 47 | \$ 47 |
| Interest | 25 | 25 | 21 | (4) |
| Other: | | | | |
| Service reimbursements | - | 2,257 | 2,286 | 29 |
| Miscellaneous | - | - | 2 | 2 |
| Total revenues | <u>25</u> | <u>2,282</u> | <u>2,356</u> | <u>74</u> |
| EXPENDITURES | | | | |
| County management | <u>4,928</u> | <u>5,331</u> | <u>1,229</u> | <u>4,102</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(4,903)</u> | <u>(3,049)</u> | <u>1,127</u> | <u>4,176</u> |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | <u>2,489</u> | <u>635</u> | <u>635</u> | <u>-</u> |
| Net change in fund balances | <u>(2,414)</u> | <u>(2,414)</u> | <u>1,762</u> | <u>4,176</u> |
| Fund balances - beginning | <u>2,914</u> | <u>2,914</u> | <u>3,175</u> | <u>261</u> |
| Fund balances - ending | <u>\$ 500</u> | <u>\$ 500</u> | <u>\$ 4,937</u> | <u>\$ 4,437</u> |

MULTNOMAH COUNTY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Capital Improvement Fund
For the Year Ended June 30, 2011
(amounts expressed in thousands)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Favorable (Unfavorable) |
|--|------------------|-----------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental | \$ 1,700 | \$ 1,850 | \$ 1,211 | \$ (639) |
| Charges for services | 2,281 | 2,281 | 379 | (1,902) |
| Interest | 260 | 260 | 152 | (108) |
| Other: | | | | |
| Non-governmental grants | - | - | 343 | 343 |
| Service reimbursements | - | 3,574 | 3,413 | (161) |
| Miscellaneous | - | - | 31 | 31 |
| Total revenues | <u>4,241</u> | <u>7,965</u> | <u>5,529</u> | <u>(2,436)</u> |
| EXPENDITURES | | | | |
| County management | <u>47,333</u> | <u>48,580</u> | <u>13,190</u> | <u>35,390</u> |
| Deficiency of revenues under expenditures | <u>(43,092)</u> | <u>(40,615)</u> | <u>(7,661)</u> | <u>32,954</u> |
| OTHER FINANCING SOURCES | | | | |
| Proceeds from issuance of debt | <u>15,000</u> | <u>15,000</u> | <u>15,000</u> | <u>-</u> |
| Transfers in | <u>3,516</u> | <u>1,039</u> | <u>1,039</u> | <u>-</u> |
| Total other financing sources | <u>18,516</u> | <u>16,039</u> | <u>16,039</u> | <u>-</u> |
| Net change in fund balances | <u>(24,576)</u> | <u>(24,576)</u> | <u>8,378</u> | <u>32,954</u> |
| Fund balances - beginning | <u>24,576</u> | <u>24,576</u> | <u>22,208</u> | <u>(2,368)</u> |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 30,586</u> | <u>\$ 30,586</u> |

ENTERPRISE FUNDS

The County's Enterprise Funds are listed below.

- **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 capitated services.

MULTNOMAH COUNTY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Dunthorpe-Riverdale Service District No. 1 Fund
For the Year Ended June 30, 2011
(amounts expressed in thousands)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Favorable (Unfavorable) |
|--|------------------|--------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Assessments - sewer: | | | | |
| Current | \$ 792 | \$ 792 | \$ 781 | \$ (11) |
| Prior | 10 | 10 | 18 | 8 |
| Charges for services | 3 | 3 | 16 | 13 |
| Intergovernmental | - | - | 6 | 6 |
| Interest | 8 | 8 | 4 | (4) |
| Total revenues | 813 | 813 | 825 | 12 |
| EXPENDITURES | | | | |
| Community services | 758 | 758 | 540 | 218 |
| Excess of revenues over expenditures | 55 | 55 | 285 | 230 |
| Contingency | (50) | (50) | - | 50 |
| Net change in fund balances | 5 | 5 | 285 | 280 |
| Fund balances - beginning | 345 | 345 | 449 | 104 |
| Fund balances - ending | \$ 350 | \$ 350 | 734 | \$ 384 |
| Reconciliation to GAAP basis: | | | | |
| Invested in capital assets | | | 2,106 | |
| Deferred revenue on assessments | | | 33 | |
| Allowance for uncollectible accounts, assessments | | | (2) | |
| Net assets as reported on the Statement of Revenues, Expenses and Changes in Fund Net Assets, page 44 | | | \$ 2,871 | |

MULTNOMAH COUNTY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Mid County Service District No. 14 Fund
For the Year Ended June 30, 2011
(amounts expressed in thousands)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Favorable (Unfavorable) |
|--|------------------|---------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Assessments - street lighting: | | | | |
| Current | \$ 358 | \$ 358 | \$ 354 | \$ (4) |
| Prior | 6 | 6 | 8 | 2 |
| Interest | 3 | 3 | 2 | (1) |
| Total revenues | <u>367</u> | <u>367</u> | <u>364</u> | <u>(3)</u> |
| EXPENDITURES | | | | |
| Community services | 425 | 425 | 362 | 63 |
| Excess (deficiency) of revenues over (under) expenditures | (58) | (58) | 2 | 60 |
| Contingency | (25) | (25) | - | 25 |
| Net change in fund balances | (83) | (83) | 2 | 85 |
| Fund balances - beginning | 221 | 221 | 236 | 15 |
| Fund balances - ending | <u>\$ 138</u> | <u>\$ 138</u> | <u>238</u> | <u>\$ 100</u> |
| Reconciliation to GAAP basis: | | | | |
| Invested in capital assets | | | 1,506 | |
| Deferred revenue on assessments | | | 15 | |
| Allowance for uncollectible accounts, assessments | | | (1) | |
| Net assets as reported on the Statement of Revenues, Expenses and Changes in Fund Net Assets, page 44 | | | <u>\$ 1,758</u> | |

MULTNOMAH COUNTY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Behavioral Health Managed Care Fund
For the Year Ended June 30, 2011
(amounts expressed in thousands)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Favorable (Unfavorable) |
|---|------------------|-----------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental: | | | | |
| Federal, state and local | \$ 42,742 | \$ 45,931 | \$ 46,110 | \$ 179 |
| Interest | 148 | 148 | 109 | (39) |
| Other - miscellaneous | - | - | 871 | 871 |
| Total revenues | <u>42,890</u> | <u>46,079</u> | <u>47,090</u> | <u>1,011</u> |
| EXPENDITURES | | | | |
| Human services | 42,742 | 45,931 | 43,640 | 2,291 |
| Excess of revenues over expenditures | 148 | 148 | 3,450 | 3,302 |
| Contingency | (5,000) | (5,000) | - | 5,000 |
| Net change in fund balances | (4,852) | (4,852) | 3,450 | 8,302 |
| Fund balances - beginning | 14,825 | 14,825 | 12,975 | (1,850) |
| Fund balances - ending | <u>\$ 9,973</u> | <u>\$ 9,973</u> | <u>\$ 16,425</u> | <u>\$ 6,452</u> |

INTERNAL SERVICE FUNDS

These funds account for activities and services performed primarily for other organizational units within the County. Charges to the County agencies are calculated to recover costs and maintain capital. The County accounts for certain expenditures of the Internal Service Funds for budgetary purposes on the modified accrual basis of accounting. For financial reporting purposes the accrual basis of accounting is used. Such differences relate primarily to the methods of accounting for depreciation and capital outlay. Funds included are:

- **Risk Management Fund** - accounts for the County's risk management activities including insurance coverage.
- **Fleet Management Fund** - accounts for the County's motor vehicle fleet operations and electronics.
- **Information Technology Fund** - accounts for the County's data processing and telephone service operations.
- **Mail / Distribution Fund** - accounts for the County's mail / distribution, central stores and records management operations.
- **Facilities Management Fund** - accounts for the management of all County owned and leased property.

MULTNOMAH COUNTY, OREGON
Combining Statement of Net Assets
Internal Service Funds
June 30, 2011
(amounts expressed in thousands)

| | Government Activities - Internal Service Funds | | | | | Total Internal Service Funds |
|---|--|---------------------|---------------------------|------------------------|--------------------------|---------------------------------------|
| | Risk Management | Fleet Management | Information Technology | Mail / Distribution | Facilities Management | |
| ASSETS | | | | | | |
| Current assets: | | | | | | |
| Cash and investments | \$ 38,024 | \$ 3,752 | \$ 15,921 | \$ 1,599 | \$ 6,144 | \$ 65,440 |
| Accounts receivable | 1 | 294 | 73 | 253 | 253 | 874 |
| Inventories | - | 516 | 114 | 644 | 172 | 1,446 |
| Prepaid items | 528 | - | 689 | - | 35 | 1,252 |
| Total current assets | <u>38,553</u> | <u>4,562</u> | <u>16,797</u> | <u>2,496</u> | <u>6,604</u> | <u>69,012</u> |
| Noncurrent assets: | | | | | | |
| Contracts receivable | - | - | - | - | 364 | 364 |
| Construction in progress | - | - | 796 | - | - | 796 |
| Capital assets (net of accumulated depreciation) | 1 | 2,738 | 3,448 | 6 | 20 | 6,213 |
| Total assets | <u>\$ 38,554</u> | <u>\$ 7,300</u> | <u>\$ 21,041</u> | <u>\$ 2,502</u> | <u>\$ 6,988</u> | <u>\$ 76,385</u> |
| LIABILITIES | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable | \$ 1,548 | \$ 335 | \$ 1,897 | \$ 383 | \$ 1,853 | \$ 6,016 |
| Claims and judgments payable | 11,698 | - | - | - | - | 11,698 |
| Payroll payable | 81 | 48 | 378 | 34 | 206 | 747 |
| Unearned revenue | 40 | - | 3 | - | - | 43 |
| Compensated absences | 74 | 47 | 377 | 28 | 145 | 671 |
| Total current liabilities | <u>13,441</u> | <u>430</u> | <u>2,655</u> | <u>445</u> | <u>2,204</u> | <u>19,175</u> |
| Noncurrent liabilities: | | | | | | |
| Compensated absences | 288 | 126 | 1,020 | 77 | 438 | 1,949 |
| Incremental leases payable | - | - | - | - | 1,622 | 1,622 |
| Total noncurrent liabilities | <u>288</u> | <u>126</u> | <u>1,020</u> | <u>77</u> | <u>2,060</u> | <u>3,571</u> |
| Total liabilities | <u>13,729</u> | <u>556</u> | <u>3,675</u> | <u>522</u> | <u>4,264</u> | <u>22,746</u> |
| NET ASSETS | | | | | | |
| Invested in capital assets | 1 | 2,738 | 4,244 | 6 | 20 | 7,009 |
| Unrestricted | 24,824 | 4,006 | 13,122 | 1,974 | 2,704 | 46,630 |
| Total net assets | <u>\$ 24,825</u> | <u>\$ 6,744</u> | <u>\$ 17,366</u> | <u>\$ 1,980</u> | <u>\$ 2,724</u> | <u>\$ 53,639</u> |

MULTNOMAH COUNTY, OREGON
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2011
(amounts expressed in thousands)

| | Government Activities - Internal Service Funds | | | | | Total Internal Service Funds |
|---|--|---------------------|---------------------------|------------------------|--------------------------|---------------------------------------|
| | Risk Management | Fleet Management | Information Technology | Mail / Distribution | Facilities Management | |
| OPERATING REVENUES | | | | | | |
| Charges for services | \$ 80,603 | \$ 6,511 | \$ 33,076 | \$ 5,954 | \$ 31,615 | \$ 157,759 |
| Insurance premiums | 8,440 | - | - | - | - | 8,440 |
| Experience ratings and other | 699 | 39 | 2 | 4 | 45 | 789 |
| Total operating revenues | <u>89,742</u> | <u>6,550</u> | <u>33,078</u> | <u>5,958</u> | <u>31,660</u> | <u>166,988</u> |
| OPERATING EXPENSES | | | | | | |
| Cost of sales and services | 79,907 | 5,921 | 31,520 | 5,454 | 30,668 | 153,470 |
| Administration | 882 | 441 | 1,279 | 506 | 896 | 4,004 |
| Depreciation | 5 | 1,206 | 1,115 | 12 | 6 | 2,344 |
| Total operating expenses | <u>80,794</u> | <u>7,568</u> | <u>33,914</u> | <u>5,972</u> | <u>31,570</u> | <u>159,818</u> |
| Operating income (loss) | <u>8,948</u> | <u>(1,018)</u> | <u>(836)</u> | <u>(14)</u> | <u>90</u> | <u>7,170</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | | | |
| Interest revenue | 187 | 19 | 96 | 8 | 33 | 343 |
| Gain on disposal of capital assets | - | 130 | 21 | - | - | 151 |
| Loss on disposal of capital assets | (27) | (2) | - | - | - | (29) |
| Capital contributions out | - | - | (548) | - | - | (548) |
| Total nonoperating revenues (expenses) | <u>160</u> | <u>147</u> | <u>(431)</u> | <u>8</u> | <u>33</u> | <u>(83)</u> |
| Income (loss) before contributions and transfers | 9,108 | (871) | (1,267) | (6) | 123 | 7,087 |
| Capital contributions in | - | 94 | - | - | - | 94 |
| Transfers in | - | - | - | - | 120 | 120 |
| Transfers out | (9,000) | (6) | - | - | (1,523) | (10,529) |
| Change in net assets | 108 | (783) | (1,267) | (6) | (1,280) | (3,228) |
| Total net assets - beginning | <u>24,717</u> | <u>7,527</u> | <u>18,633</u> | <u>1,986</u> | <u>4,004</u> | <u>56,867</u> |
| Total net assets - ending | <u>\$ 24,825</u> | <u>\$ 6,744</u> | <u>\$ 17,366</u> | <u>\$ 1,980</u> | <u>\$ 2,724</u> | <u>\$ 53,639</u> |

MULTNOMAH COUNTY, OREGON
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2011
(amounts expressed in thousands)

| | Governmental Activities - Internal Service Funds | | | | | Total Internal Service Funds |
|--|--|---------------------|---------------------------|------------------------|--------------------------|---------------------------------------|
| | Risk Management | Fleet Management | Information Technology | Mail / Distribution | Facilities Management | |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | | |
| Receipts from customers | \$ 89,792 | \$ 6,521 | \$ 33,101 | \$ 5,955 | \$ 31,959 | \$ 167,328 |
| Payments to suppliers | (76,199) | (2,790) | (9,321) | (3,065) | (20,941) | (112,316) |
| Payments to employees | (6,373) | (2,541) | (20,919) | (1,856) | (8,222) | (39,911) |
| Internal activity - payments to other funds | (798) | (1,007) | (2,301) | (918) | (3,183) | (8,207) |
| Net cash provided by (used in) operating activities | <u>6,422</u> | <u>183</u> | <u>560</u> | <u>116</u> | <u>(387)</u> | <u>6,894</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | |
| Transfers in | - | - | - | - | 120 | 120 |
| Transfers out | (9,000) | (6) | - | - | (1,523) | (10,529) |
| Net cash used in noncapital and related financing activities | <u>(9,000)</u> | <u>(6)</u> | <u>-</u> | <u>-</u> | <u>(1,403)</u> | <u>(10,409)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | |
| Purchases of capital assets | - | (532) | (3,005) | - | - | (3,537) |
| Internal loan repayment | 103 | - | - | - | - | 103 |
| Proceeds on sales of capital assets | - | 130 | 21 | - | - | 151 |
| Net cash provided by (used in) capital and related financing activities | <u>103</u> | <u>(402)</u> | <u>(2,984)</u> | <u>-</u> | <u>-</u> | <u>(3,283)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Interest received | 187 | 19 | 96 | 8 | 33 | 343 |
| Net cash provided by investing activities | <u>187</u> | <u>19</u> | <u>96</u> | <u>8</u> | <u>33</u> | <u>343</u> |
| Net increase (decrease) in cash and cash equivalents | (2,288) | (206) | (2,328) | 124 | (1,757) | (6,455) |
| Balances at beginning of the year | 40,312 | 3,958 | 18,249 | 1,475 | 7,901 | 71,895 |
| Balances at the end of the year | <u>\$ 38,024</u> | <u>\$ 3,752</u> | <u>\$ 15,921</u> | <u>\$ 1,599</u> | <u>\$ 6,144</u> | <u>\$ 65,440</u> |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | | | | | |
| Operating income (loss) | \$ 8,948 | \$ (1,019) | \$ (836) | \$ (14) | \$ 90 | \$ 7,169 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | | | | |
| Depreciation | 5 | 1,206 | 1,115 | 12 | 6 | 2,344 |
| Changes in assets and liabilities: | | | | | | |
| Receivables | 51 | (30) | 22 | (3) | 163 | 203 |
| Inventories | - | (25) | 94 | (15) | (11) | 43 |
| Prepaid items | (15) | - | (38) | - | (1) | (54) |
| Contracts receivable | - | - | - | - | 136 | 136 |
| Accounts payable | (2,037) | 51 | 116 | 135 | (675) | (2,410) |
| Claims and judgments payable | (491) | - | - | - | - | (491) |
| Payroll payable | (4) | (3) | 26 | 2 | 37 | 58 |
| Unearned revenue | (2) | - | - | - | - | (2) |
| Compensated absences | (33) | 2 | 61 | (1) | (57) | (28) |
| Incremental leases payable | - | - | - | - | (75) | (75) |
| Total adjustments | <u>(2,526)</u> | <u>1,201</u> | <u>1,396</u> | <u>130</u> | <u>(477)</u> | <u>(276)</u> |
| Net cash provided by (used in) operating activities | <u>\$ 6,422</u> | <u>\$ 182</u> | <u>\$ 560</u> | <u>\$ 116</u> | <u>\$ (387)</u> | <u>\$ 6,893</u> |
| Noncash financing activities: | | | | | | |
| Contributions of capital assets from government funds | \$ - | \$ 94 | \$ - | \$ - | \$ - | \$ 94 |
| Contributions of capital assets to governmental funds | - | - | (548) | - | - | (548) |

MULTNOMAH COUNTY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Risk Management Fund
For the Year Ended June 30, 2011
(amounts expressed in thousands)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Favorable (Unfavorable) |
|--|------------------|------------------|------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Charges for services | \$ 6,935 | \$ 6,935 | \$ 9,252 | \$ 2,317 |
| Interest | 468 | 468 | 187 | (281) |
| Other: | | | | |
| Service reimbursements | 83,483 | 83,916 | 79,854 | (4,062) |
| Experience ratings and other | 454 | 454 | 739 | 285 |
| Total revenues | <u>91,340</u> | <u>91,773</u> | <u>90,032</u> | <u>(1,741)</u> |
| EXPENDITURES | | | | |
| County management | 87,299 | 62,732 | 77,440 | (14,708) |
| Nondepartmental | 3,681 | 3,681 | 3,349 | 332 |
| Total expenditures | <u>90,980</u> | <u>66,413</u> | <u>80,789</u> | <u>(14,376)</u> |
| Excess (deficiency) of revenues over (under) expenditures | 360 | 25,360 | 9,243 | (16,117) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Cash transfers out | - | (25,000) | (9,000) | 16,000 |
| Total other financing uses | - | (25,000) | (9,000) | 16,000 |
| Contingency | (2,000) | (2,000) | - | 2,000 |
| Net change in fund balances | (1,640) | (1,640) | 243 | 1,883 |
| Fund balances - beginning | 23,508 | 23,508 | 24,581 | 1,073 |
| Fund balances - ending | <u>\$ 21,868</u> | <u>\$ 21,868</u> | <u>24,824</u> | <u>\$ 2,956</u> |
| Reconciliation to GAAP basis: | | | | |
| Invested in capital assets | | | <u>1</u> | |
| Net Assets as reported on the Statement of Revenues, Expenses and Changes in Fund Net Assets, page 119 | | | <u>\$ 24,825</u> | |

MULTNOMAH COUNTY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Fleet Management Fund
For the Year Ended June 30, 2011
(amounts expressed in thousands)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Favorable (Unfavorable) |
|--|------------------|--------------|-----------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Charges for services | \$ 1,021 | \$ 1,021 | \$ 873 | \$ (148) |
| Interest | 50 | 50 | 19 | (31) |
| Other: | | | | |
| Miscellaneous | 55 | 55 | 39 | (16) |
| Service reimbursements | 5,669 | 5,672 | 5,638 | (34) |
| Total revenues | <u>6,795</u> | <u>6,798</u> | <u>6,569</u> | <u>(229)</u> |
| EXPENDITURES | | | | |
| County management | 10,565 | 10,562 | 6,893 | 3,669 |
| Deficiency of revenues under expenditures | (3,770) | (3,764) | (324) | 3,440 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from sale of assets | 130 | 130 | 130 | - |
| Transfers out | - | (6) | (6) | - |
| Total other financing sources (uses) | 130 | 124 | 124 | - |
| Contingency | (752) | (752) | - | 752 |
| Net change in fund balances | (4,392) | (4,392) | (200) | 4,192 |
| Fund balances - beginning | 4,392 | 4,392 | 4,206 | (186) |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>4,006</u> | <u>\$ 4,006</u> |
| Reconciliation to GAAP basis: | | | | |
| Invested in capital assets | | | <u>2,738</u> | |
| Net Assets as reported on the Statement of Revenues, Expenses and Changes in Fund Net Assets, page 119 | | | <u>\$ 6,744</u> | |

MULTNOMAH COUNTY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Information Technology Fund
For the Year Ended June 30, 2011
(amounts expressed in thousands)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Favorable (Unfavorable) |
|--|------------------|-----------------|------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Charges for services | \$ 533 | \$ 533 | \$ 515 | \$ (18) |
| Interest | 125 | 125 | 96 | (29) |
| Other: | | | | |
| Miscellaneous | - | - | 2 | 2 |
| Service reimbursements | 32,734 | 32,743 | 32,560 | (183) |
| Total revenues | <u>33,392</u> | <u>33,401</u> | <u>33,173</u> | <u>(228)</u> |
| EXPENDITURES | | | | |
| Nondepartmental | 45,901 | 45,910 | 35,803 | 10,107 |
| Deficiency of revenues under expenditures | <u>(12,509)</u> | <u>(12,509)</u> | <u>(2,630)</u> | <u>9,879</u> |
| OTHER FINANCING SOURCES | | | | |
| Proceeds from sale of capital assets | - | - | 21 | 21 |
| Total other financing sources | - | - | 21 | 21 |
| Contingency | (1,811) | (1,811) | - | 1,811 |
| Net changes in fund balances | (14,320) | (14,320) | (2,609) | 11,711 |
| Fund balances - beginning | 14,320 | 14,320 | 15,731 | 1,411 |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>13,122</u> | <u>\$ 13,122</u> |
| Reconciliation to GAAP basis: | | | | |
| Invested in capital assets | | | 4,244 | |
| Net Assets as reported on the Statement of Revenues, Expenses and Changes in Fund Net Assets, page 119 | | | <u>\$ 17,366</u> | |

MULTNOMAH COUNTY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Mail/Distribution Fund
For the Year Ended June 30, 2011
(amounts expressed in thousands)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Favorable (Unfavorable) |
|--|------------------|--------------|-----------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Charges for services | \$ 3,386 | \$ 3,386 | \$ 2,741 | \$ (645) |
| Interest | 15 | 15 | 8 | (7) |
| Other: | | | | |
| Miscellaneous | 35 | 35 | 4 | (31) |
| Service reimbursements | 3,273 | 3,272 | 3,213 | (59) |
| Total revenues | <u>6,709</u> | <u>6,708</u> | <u>5,966</u> | <u>(742)</u> |
| EXPENDITURES | | | | |
| County management | 7,354 | 7,353 | 5,960 | 1,393 |
| Excess (deficiency) of revenues over (under) expenditures | (645) | (645) | 6 | 651 |
| Contingency | <u>(772)</u> | <u>(772)</u> | - | 772 |
| Net changes in fund balances | (1,417) | (1,417) | 6 | 1,423 |
| Fund balances - beginning | 1,417 | 1,417 | 1,968 | 551 |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>1,974</u> | <u>\$ 1,974</u> |
| Reconciliation to GAAP basis: | | | | |
| Invested in capital assets | | | 6 | |
| Net Assets as reported on the Statement of Revenues, Expenses and Changes in Fund Net Assets, page 119 | | | <u>\$ 1,980</u> | |

MULTNOMAH COUNTY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Facilities Management Fund
For the Year Ended June 30, 2011
(amounts expressed in thousands)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget favorable (unfavorable) |
|---|------------------|---------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Charges for services | \$ 2,966 | \$ 2,966 | \$ 2,952 | \$ (14) |
| Interest | 60 | 60 | 33 | (27) |
| Other: | | | | |
| Miscellaneous | 1,229 | 1,229 | 53 | (1,176) |
| Service reimbursements | 38,280 | 32,470 | 28,791 | (3,679) |
| Total revenues | <u>42,535</u> | <u>36,725</u> | <u>31,829</u> | <u>(4,896)</u> |
| EXPENDITURES | | | | |
| County management | 37,766 | 36,288 | 31,564 | 4,724 |
| Excess of revenues over expenditures | <u>4,769</u> | <u>437</u> | <u>265</u> | <u>(172)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 120 | 120 | 120 | - |
| Transfers out | (5,855) | (1,523) | (1,523) | - |
| Total other financing sources (uses) | (5,735) | (1,403) | (1,403) | - |
| Contingency | (534) | (534) | - | 534 |
| Net change in fund balances | (1,500) | (1,500) | (1,138) | 362 |
| Fund balances - beginning | 1,500 | 1,500 | 3,478 | 1,978 |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>2,340</u> | <u>\$ 2,340</u> |
| Reconciliation to GAAP basis: | | | | |
| Long-term contracts receivable | | | 364 | |
| Invested in capital assets | | | <u>20</u> | |
| Net Assets as reported on the Statement of Revenues, Expenses and Changes in Fund Net Assets, page 119 | | | <u>\$ 2,724</u> | |

AGENCY FUNDS

These funds account for resources received and held by the County in a purely custodial 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 funds included are:

- **Sundry Taxing Bodies Fund** – accounts for the collection of property taxes for all governmental entities located in Multnomah County and the disbursement of the collections to such entities.
- **Department and Offices Agency Fund** – accounts for the collection and disbursement of various monies held by Multnomah County in a fiduciary capacity.
- **Public Guardian Fund** – accounts for receipts and disbursements for individuals who are not capable of handling their own financial affairs.
- **Visitors' Facilities Trust Fund** – accounts for collection and disbursement of Motor Vehicle Rental Tax and Transient Lodging Tax used for visitor facilities.

MULTNOMAH COUNTY, OREGON
 Combining Balance Sheet
 Agency Funds
 June 30, 2011
 (amounts expressed in thousands)

| | Sundry Taxing Bodies | Department and Offices Agency | Public Guardian | Visitors Facilities Trust | Total |
|---------------------------------|-------------------------|-------------------------------------|--------------------|------------------------------|------------------|
| ASSETS | | | | | |
| Cash and Investments | \$ 6,227 | \$ 9,736 | \$ 730 | \$ 3,034 | \$ 19,727 |
| Taxes receivable | 48,026 | 127 | - | 2,137 | 50,290 |
| Restricted cash | - | 26 | - | - | 26 |
| Total assets | <u>\$ 54,253</u> | <u>\$ 9,889</u> | <u>\$ 730</u> | <u>\$ 5,171</u> | <u>\$ 70,043</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ 6,221 | \$ 2,220 | \$ 62 | \$ 2,937 | \$ 11,440 |
| Due to other governmental units | 47,697 | - | - | - | 47,697 |
| Amounts held in trust | 335 | 7,669 | 668 | 2,234 | 10,906 |
| Total liabilities | <u>\$ 54,253</u> | <u>\$ 9,889</u> | <u>\$ 730</u> | <u>\$ 5,171</u> | <u>\$ 70,043</u> |

MULTNOMAH COUNTY, OREGON
 Statement of Changes in Assets and Liabilities
 Agency Funds
 For the Year Ended June 30, 2011
 (amounts expressed in thousands)

| | Balance June 30, 2010 | Additions | Deletions | Balance June 30, 2011 |
|--------------------------------------|--------------------------|---------------------|---------------------|--------------------------|
| SUNDRY TAXING BODIES | | | | |
| Assets: | | | | |
| Cash and investments | \$ 5,927 | \$ 905,767 | \$ 905,467 | \$ 6,227 |
| Taxes receivable | 49,768 | 1,723,583 | 1,725,325 | 48,026 |
| Total assets | <u>\$ 55,695</u> | <u>\$ 2,629,350</u> | <u>\$ 2,630,792</u> | <u>\$ 54,253</u> |
| Liabilities: | | | | |
| Accounts payable | \$ 5,921 | \$ 912,438 | \$ 912,138 | \$ 6,221 |
| Due to other governmental units | 49,625 | 935,481 | 937,409 | 47,697 |
| Amounts held in trust | 149 | 907,651 | 907,465 | 335 |
| Total liabilities | <u>\$ 55,695</u> | <u>\$ 2,755,570</u> | <u>\$ 2,757,012</u> | <u>\$ 54,253</u> |
| DEPARTMENT AND OFFICES AGENCY | | | | |
| Assets: | | | | |
| Cash and investments | \$ 6,290 | \$ 1,261,353 | \$ 1,257,907 | \$ 9,736 |
| Taxes receivable | 311 | 1,325,487 | 1,325,671 | 127 |
| Restricted cash | 7 | 827 | 808 | 26 |
| Total assets | <u>\$ 6,608</u> | <u>\$ 2,587,667</u> | <u>\$ 2,584,386</u> | <u>\$ 9,889</u> |
| Liabilities: | | | | |
| Accounts payable | \$ 2,475 | \$ 41,395 | \$ 41,650 | \$ 2,220 |
| Amounts held in trust | 4,133 | 1,282,730 | 1,279,194 | 7,669 |
| Total liabilities | <u>\$ 6,608</u> | <u>\$ 1,324,125</u> | <u>\$ 1,320,844</u> | <u>\$ 9,889</u> |
| PUBLIC GUARDIAN | | | | |
| Assets: | | | | |
| Cash and investments | \$ 629 | \$ 3,178 | \$ 3,077 | \$ 730 |
| Accounts receivable | - | 1,573 | 1,573 | - |
| Total assets | <u>\$ 629</u> | <u>\$ 4,751</u> | <u>\$ 4,650</u> | <u>\$ 730</u> |
| Liabilities: | | | | |
| Accounts payable | \$ 30 | \$ 2,734 | \$ 2,702 | \$ 62 |
| Amounts held in trust | 599 | 1,485 | 1,416 | 668 |
| Total liabilities | <u>\$ 629</u> | <u>\$ 4,219</u> | <u>\$ 4,118</u> | <u>\$ 730</u> |
| VISITORS FACILITIES TRUST | | | | |
| Assets: | | | | |
| Cash and investments | \$ 2,957 | \$ 14,342 | \$ 14,265 | \$ 3,034 |
| Taxes receivable | 1,624 | 12,878 | 12,365 | 2,137 |
| Total assets | <u>\$ 4,581</u> | <u>\$ 27,220</u> | <u>\$ 26,630</u> | <u>\$ 5,171</u> |
| Liabilities: | | | | |
| Accounts payable | \$ 2,611 | \$ 11,613 | \$ 11,287 | \$ 2,937 |
| Amounts held in trust | 1,970 | 11,365 | 11,101 | 2,234 |
| Total liabilities | <u>\$ 4,581</u> | <u>\$ 22,978</u> | <u>\$ 22,388</u> | <u>\$ 5,171</u> |
| TOTAL - ALL AGENCY FUNDS | | | | |
| Assets: | | | | |
| Cash and investments | \$ 15,803 | \$ 2,184,640 | \$ 2,180,716 | \$ 19,727 |
| Taxes receivable | 51,703 | 3,061,948 | 3,063,361 | 50,290 |
| Accounts receivable | - | 1,573 | 1,573 | - |
| Restricted cash | 7 | 827 | 808 | 26 |
| Total assets | <u>\$ 67,513</u> | <u>\$ 5,248,988</u> | <u>\$ 5,246,458</u> | <u>\$ 70,043</u> |
| Liabilities: | | | | |
| Accounts payable | \$ 11,037 | \$ 968,180 | \$ 967,777 | \$ 11,440 |
| Due to other governmental units | 49,625 | 935,481 | 937,409 | 47,697 |
| Amounts held in trust | 6,851 | 2,203,231 | 2,199,176 | 10,906 |
| Total liabilities | <u>\$ 67,513</u> | <u>\$ 4,106,892</u> | <u>\$ 4,104,362</u> | <u>\$ 70,043</u> |

**CAPITAL ASSETS USED
IN THE OPERATION OF
GOVERNMENTAL FUNDS**

- Schedule by Source
- Schedule by Function and Activity
- Schedule of Changes by Function and Activity

MULTNOMAH COUNTY, OREGON
Capital Assets Used in the Operation of Governmental Funds
Schedule by Source
June 30, 2011
(amounts expressed in thousands)

| | <u>June 30, 2011</u> | <u>June 30, 2010</u> |
|---|----------------------|----------------------|
| GOVERNMENTAL FUNDS CAPITAL ASSETS | | |
| Land | \$ 15,107 | \$ 15,107 |
| Right-of-way | 196,922 | 196,917 |
| Construction in progress | 39,542 | 8,401 |
| Buildings-not in service | 51,164 | 51,164 |
| Buildings | 372,900 | 368,147 |
| Improvements other than buildings | 627 | 461 |
| Machinery and equipment | 115,157 | 112,632 |
| Bridges | 155,007 | 154,855 |
| Infrastructure | 366,513 | 363,525 |
| Total governmental funds capital assets | <u>\$ 1,312,939</u> | <u>\$ 1,271,209</u> |
| INVESTMENTS IN GOVERNMENTAL FUNDS | | |
| CAPITAL ASSETS BY SOURCE | | |
| Beginning balance | \$ 1,271,209 | \$ 1,263,210 |
| General fund | 209 | (4,227) |
| Road fund | 1,692 | 2,941 |
| Bicycle path construction fund | 1,131 | 1,082 |
| Federal and state program fund | 1,646 | 947 |
| Willamette river bridges fund | 24,691 | 1,646 |
| Library fund | 129 | 2,596 |
| Land corner preservation fund | (34) | - |
| Justice services special operations | 22 | (231) |
| Financed projects fund | 539 | 1,441 |
| Capital improvement fund | 8,805 | 3,447 |
| Capital acquisition fund | 974 | - |
| Asset preservation fund | 203 | 85 |
| Risk management fund | (81) | - |
| Fleet management fund | (546) | (1,704) |
| Information technology fund | 2,364 | (1) |
| Mail distribution fund | - | 19 |
| Facilities management fund | (14) | (42) |
| Total governmental funds capital assets, ending balance | <u>\$ 1,312,939</u> | <u>\$ 1,271,209</u> |

MULTNOMAH COUNTY, OREGON
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
June 30, 2011
(amounts expressed in thousands)

| FUNCTION AND ACTIVITY | Land | Right of Way | Work in Progress | Buildings | Improvements Other than Buildings | Machinery and Equipment | Bridges | Infrastructure | Total |
|-------------------------------|---------------------|-------------------|------------------|-------------------|-----------------------------------|-------------------------|-------------------|-------------------|---------------------|
| | General government: | | | | | | | | |
| Legislative | \$ 253 | \$ - | \$ 15 | \$ 7,736 | \$ - | \$ 267 | \$ - | \$ - | \$ 8,271 |
| Administrative | 6,100 | - | 12,765 | 89,558 | 272 | 30,132 | - | - | 138,827 |
| | <u>6,353</u> | <u>-</u> | <u>12,780</u> | <u>97,294</u> | <u>272</u> | <u>30,399</u> | <u>-</u> | <u>-</u> | <u>147,098</u> |
| Health and social services: | | | | | | | | | |
| Health | 1,373 | - | 215 | 33,095 | 1 | 1,077 | - | - | 35,761 |
| Social | 91 | - | 6 | 9,229 | - | 1,028 | - | - | 10,354 |
| | <u>1,464</u> | <u>-</u> | <u>221</u> | <u>42,324</u> | <u>1</u> | <u>2,105</u> | <u>-</u> | <u>-</u> | <u>46,115</u> |
| Public safety: | | | | | | | | | |
| Law enforcement | 957 | - | 1,641 | 93,718 | 99 | 8,119 | - | - | 104,534 |
| Justice services | 446 | - | 95 | 52,711 | 3 | 2,501 | - | - | 55,756 |
| | <u>1,403</u> | <u>-</u> | <u>1,736</u> | <u>146,429</u> | <u>102</u> | <u>10,620</u> | <u>-</u> | <u>-</u> | <u>160,290</u> |
| Community services: | | | | | | | | | |
| Community service development | - | - | - | - | 108 | 14 | - | - | 122 |
| Recreation | - | - | - | - | - | 25 | - | - | 25 |
| Library | 4,146 | - | 167 | 63,497 | 140 | 69,447 | - | - | 137,397 |
| | <u>4,146</u> | <u>-</u> | <u>167</u> | <u>63,497</u> | <u>248</u> | <u>69,486</u> | <u>-</u> | <u>-</u> | <u>137,544</u> |
| Roads and bridges: | | | | | | | | | |
| Roads and bridges | 992 | 196,922 | 24,540 | - | - | 2,547 | 155,007 | 366,513 | 746,521 |
| | <u>992</u> | <u>196,922</u> | <u>24,540</u> | <u>-</u> | <u>-</u> | <u>2,547</u> | <u>155,007</u> | <u>366,513</u> | <u>746,521</u> |
| External organizations: | | | | | | | | | |
| External use | 749 | - | 98 | 74,520 | 4 | - | - | - | 75,371 |
| | <u>\$ 15,107</u> | <u>\$ 196,922</u> | <u>\$ 39,542</u> | <u>\$ 424,064</u> | <u>\$ 627</u> | <u>\$ 115,157</u> | <u>\$ 155,007</u> | <u>\$ 366,513</u> | <u>\$ 1,312,939</u> |

MULTNOMAH COUNTY, OREGON
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
For the Year Ended June 30, 2011
(amounts expressed in thousands)

| FUNCTION AND ACTIVITY | Governmental Funds Capital Assets June 30, 2010 | Additions | Deductions & Reclassifications | Governmental Funds Capital Assets June 30, 2011 |
|-------------------------------|--|------------------|---|--|
| General government: | | | | |
| Legislative | \$ 7,254 | \$ 181 | \$ 836 | \$ 8,271 |
| Administrative | 128,218 | 11,060 | (451) | 138,827 |
| | <u>135,472</u> | <u>11,241</u> | <u>385</u> | <u>147,098</u> |
| Health and social services: | | | | |
| Health | 35,989 | 1,156 | (1,384) | 35,761 |
| Social | 9,674 | 155 | 525 | 10,354 |
| | <u>45,663</u> | <u>1,311</u> | <u>(859)</u> | <u>46,115</u> |
| Public safety: | | | | |
| Law enforcement | 102,668 | 2,616 | (750) | 104,534 |
| Justice services | 56,330 | 1,001 | (1,575) | 55,756 |
| | <u>158,998</u> | <u>3,617</u> | <u>(2,325)</u> | <u>160,290</u> |
| Community services: | | | | |
| Community service development | 122 | - | - | 122 |
| Recreation | 468 | - | (443) | 25 |
| Library | 137,259 | 7,072 | (6,934) | 137,397 |
| | <u>137,849</u> | <u>7,072</u> | <u>(7,377)</u> | <u>137,544</u> |
| Roads and bridges: | | | | |
| Roads and bridges | 718,836 | 27,852 | (167) | 746,521 |
| | <u>718,836</u> | <u>27,852</u> | <u>(167)</u> | <u>746,521</u> |
| External organizations: | | | | |
| External use | 74,391 | 92 | 888 | 75,371 |
| | <u>\$ 1,271,209</u> | <u>\$ 51,185</u> | <u>\$ (9,455)</u> | <u>\$ 1,312,939</u> |

OTHER SCHEDULES

- Schedule of Property Tax Collections and Outstanding Balances
- Schedule of General Obligation Bonds and Bond Interest Coupon Transactions
- Schedule of General Obligation Bonds Outstanding
- Schedule of General Capitalized Lease Purchases Outstanding
- Schedule of Revenue Bonds Outstanding
- Schedule of Full Faith and Credit Bonds Outstanding
- Schedule of Loans Outstanding

MULTNOMAH COUNTY, OREGON
Schedule of Property Tax Collections and Outstanding Balances
For the Year Ended June 30, 2011
(amounts expressed in thousands)

| Tax Year | Taxes Receivable June 30, 2010 | Current Levy | Add (Deduct) Corrections and Adjustments | Add Interest on Delinquent Taxes | Deduct Discounts Allowed | Deduct Collections Including Interest on Delinquent Taxes | Taxes Receivable June 30, 2011 |
|-------------------|--------------------------------|---------------------|--|----------------------------------|--------------------------|---|--------------------------------|
| 2010-11 | \$ - | \$ 1,216,562 | \$ (4,124) | \$ 472 | \$ (30,252) | \$ (1,148,895) | \$ 33,763 |
| 2009-10 | 37,669 | - | (2,636) | 1,225 | 43 | (20,604) | 15,697 |
| 2008-09 | 16,102 | - | (723) | 1,228 | 13 | (8,251) | 8,369 |
| 2007-08 and prior | 11,588 | - | (311) | 2,117 | 1 | (8,635) | 4,760 |
| | <u>\$ 65,359</u> | <u>\$ 1,216,562</u> | <u>\$ (7,794)</u> | <u>\$ 5,042</u> | <u>\$ (30,195)</u> | <u>\$ (1,186,385)</u> | <u>\$ 62,589</u> |

SUMMARY OF TAXES RECEIVABLE AT JUNE 30, 2011

| | Current Years' Levy | Prior Years' Levies | Total Property Taxes | Other Taxes* | Total |
|---|---------------------|---------------------|----------------------|-----------------|------------------|
| General fund | \$ 6,594 | \$ 5,677 | \$ 12,271 | \$ 4,453 | \$ 16,724 |
| Special revenue funds: | | | | | |
| Library fund | 1,097 | 1,001 | 2,098 | - | 2,098 |
| Land corner preservation fund | - | - | - | 1 | 1 |
| Special excise tax fund | - | - | - | 1,786 | 1,786 |
| Total special revenue funds | 1,097 | 1,001 | 2,098 | 1,787 | 3,885 |
| General obligation bond fund | 236 | 229 | 465 | 3 | 468 |
| Agency funds | 25,804 | 21,893 | 47,697 | 2,593 | 50,290 |
| Sub-total taxes receivable | 33,731 | 28,800 | 62,531 | 8,836 | 71,367 |
| Special assessments collected through taxes | 32 | 26 | 58 | - | 58 |
| Total receivables | <u>\$ 33,763</u> | <u>\$ 28,826</u> | <u>\$ 62,589</u> | <u>\$ 8,836</u> | <u>\$ 71,425</u> |

*Note - Other taxes includes personal income, transient lodging, motor vehicle and other tax related transactions.

MULTNOMAH COUNTY, OREGON
Schedule of General Obligation Bonds and Bond Interest Coupon Transactions
For the Year Ended June 30, 2011
(amounts expressed in thousands)

GENERAL OBLIGATION BONDS

| | Outstanding June 30, 2010 | | 2010-11 Transactions | | | Outstanding June 30, 2011 | |
|----------------------|---------------------------|---------------|----------------------|----------|------------------|---------------------------|---------------|
| | Matured | Unmatured | Issued | Matured | Refunded or Paid | Matured | Unmatured |
| Dated March 31, 2010 | \$ - | \$ 45,175 | \$ - | \$ - | \$ 6,555 | \$ - | \$ 38,620 |
| | <u>-</u> | <u>45,175</u> | <u>-</u> | <u>-</u> | <u>6,555</u> | <u>-</u> | <u>38,620</u> |

GENERAL OBLIGATION BOND INTEREST COUPONS

| | |
|----------------------|-----------------|
| Dated March 31, 2010 | <u>\$ 1,919</u> |
|----------------------|-----------------|

MULTNOMAH COUNTY, OREGON
Schedule of General Obligation Bonds Outstanding
June 30, 2011
(amounts expressed in thousands)

GENERAL OBLIGATION BONDS

| Fiscal Year of Maturity | Series 2010 Dated 3/31/10 3.00 to 5.00% | | Total | |
|-------------------------------|---|-----------------|------------------|-----------------|
| | Principal | Interest | Principal | Interest |
| | 2012 | \$ 6,825 | \$ 1,645 | \$ 6,825 |
| 2013 | 6,860 | 1,303 | 6,860 | 1,303 |
| 2014 | 7,210 | 951 | 7,210 | 951 |
| 2015 | 6,155 | 617 | 6,155 | 617 |
| 2016 | 5,665 | 349 | 5,665 | 349 |
| 2017 | 5,905 | 118 | 5,905 | 118 |
| | <u>\$ 38,620</u> | <u>\$ 4,983</u> | <u>\$ 38,620</u> | <u>\$ 4,983</u> |

MULTNOMAH COUNTY, OREGON
Schedule of Capitalized Lease Obligations
June 30, 2011
(amounts expressed in thousands)

CAPITALIZED LEASE OBLIGATIONS

| Fiscal Year of Maturity | Sellwood Lofts Dated 01/01/02 10.31% | | Sheriff Warehouse Dated 07/01/10 4.00% | | Total | |
|-------------------------------|--|-----------------|--|--------------|-----------------|-----------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| | 2012 | \$ 15 | \$ 103 | \$ 107 | \$ 27 | \$ 122 |
| 2013 | 17 | 101 | 112 | 22 | 129 | 123 |
| 2014 | 19 | 100 | 116 | 18 | 135 | 118 |
| 2015 | 21 | 98 | 121 | 13 | 142 | 111 |
| 2016 | 23 | 95 | 126 | 8 | 149 | 103 |
| 2017 | 25 | 93 | 131 | 3 | 156 | 96 |
| 2018 | 28 | 90 | - | - | 28 | 90 |
| 2019 | 31 | 87 | - | - | 31 | 87 |
| 2020 | 34 | 84 | - | - | 34 | 84 |
| 2021 | 38 | 80 | - | - | 38 | 80 |
| 2022 | 42 | 76 | - | - | 42 | 76 |
| 2023 | 47 | 71 | - | - | 47 | 71 |
| 2024 | 52 | 66 | - | - | 52 | 66 |
| 2025 | 57 | 61 | - | - | 57 | 61 |
| 2026 | 64 | 55 | - | - | 64 | 55 |
| 2027 | 70 | 48 | - | - | 70 | 48 |
| 2028 | 78 | 40 | - | - | 78 | 40 |
| 2029 | 86 | 32 | - | - | 86 | 32 |
| 2030 | 96 | 22 | - | - | 96 | 22 |
| 2031 | 106 | 12 | - | - | 106 | 12 |
| 2032 | 57 | 2 | - | - | 57 | 2 |
| | <u>\$ 1,006</u> | <u>\$ 1,416</u> | <u>\$ 713</u> | <u>\$ 91</u> | <u>\$ 1,719</u> | <u>\$ 1,507</u> |

MULTNOMAH COUNTY, OREGON
Schedule of Revenue Bonds Outstanding
June 30, 2011
(amounts expressed in thousands)

REVENUE BONDS

| Fiscal Year of Maturity | Series 2000A Dated 11/01/00 4.45 to 5.20% | | Series 2000B Dated 11/01/00 4.45 to 5.20% | | Total | |
|-------------------------------|---|---------------|---|---------------|-----------------|---------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2012 | \$ 160 | \$ 41 | \$ 275 | \$ 72 | \$ 435 | \$ 113 |
| 2013 | 165 | 33 | 295 | 58 | 460 | 91 |
| 2014 | 175 | 24 | 310 | 42 | 485 | 66 |
| 2015 | 185 | 15 | 325 | 26 | 510 | 41 |
| 2016 | 195 | 5 | 345 | 9 | 540 | 14 |
| | <u>\$ 880</u> | <u>\$ 118</u> | <u>\$ 1,550</u> | <u>\$ 207</u> | <u>\$ 2,430</u> | <u>\$ 325</u> |

(This page intentionally left blank.)

MULTNOMAH COUNTY, OREGON
Schedule of Full Faith and Credit Bonds Outstanding
June 30, 2011
(amounts expressed in thousands)

FULL FAITH AND CREDIT BONDS

| Fiscal Year of Maturity | Series 1999 Dated 12/01/99 6.49 to 7.74% | | Series 2003 Dated 05/15/03 1.50 to 3.25% | | Series 2004 Dated 10/01/04 3.00 to 5.00% | |
|-------------------------------|--|-------------------|--|---------------|--|-----------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2012 | \$ 10,710 | \$ 5,388 | \$ 1,025 | \$ 84 | \$ 5,705 | \$ 2,190 |
| 2013 | 4,479 | 12,563 | 1,060 | 52 | 6,010 | 1,897 |
| 2014 | 4,472 | 13,565 | 1,100 | 19 | 5,965 | 1,597 |
| 2015 | 4,469 | 14,618 | - | - | 6,185 | 1,294 |
| 2016 | 6,845 | 13,341 | - | - | 4,600 | 1,027 |
| 2017 | 16,985 | 4,358 | - | - | 4,810 | 794 |
| 2018 | 19,470 | 3,096 | - | - | 5,055 | 560 |
| 2019 | 22,200 | 1,649 | - | - | 4,845 | 338 |
| 2020 | 5,319 | 19,876 | - | - | 5,085 | 114 |
| 2021 | 5,208 | 21,407 | - | - | - | - |
| 2022 | 5,098 | 23,012 | - | - | - | - |
| 2023 | 4,989 | 24,686 | - | - | - | - |
| 2024 | 4,881 | 26,444 | - | - | - | - |
| 2025 | 4,775 | 28,285 | - | - | - | - |
| 2026 | 4,670 | 30,215 | - | - | - | - |
| 2027 | 4,566 | 32,234 | - | - | - | - |
| 2028 | 4,463 | 34,347 | - | - | - | - |
| 2029 | 4,362 | 36,563 | - | - | - | - |
| 2030 | 4,262 | 38,887 | - | - | - | - |
| | <u>\$ 142,223</u> | <u>\$ 384,534</u> | <u>\$ 3,185</u> | <u>\$ 155</u> | <u>\$ 48,260</u> | <u>\$ 9,811</u> |

| Series 2010A Dated 03/31/10 2.00 to 3.00% | | Series 2010B Dated 12/14/10 4.00 to 4.70% | | Total | |
|---|---------------|---|------------------|-------------------|-------------------|
| Principal | Interest | Principal | Interest | Principal | Interest |
| \$ 1,365 | \$ 255 | \$ - | \$ 713 | \$ 18,805 | \$ 8,630 |
| 1,375 | 214 | - | 713 | 12,924 | 15,439 |
| 1,395 | 172 | - | 713 | 12,932 | 16,066 |
| 1,420 | 131 | - | 713 | 12,074 | 16,756 |
| 1,450 | 88 | - | 713 | 12,895 | 15,169 |
| 1,485 | 45 | - | 713 | 23,280 | 5,910 |
| - | - | - | 713 | 24,525 | 4,369 |
| - | - | - | 713 | 27,045 | 2,700 |
| - | - | - | 713 | 10,404 | 20,703 |
| - | - | 1,350 | 713 | 6,558 | 22,120 |
| - | - | 1,380 | 659 | 6,478 | 23,671 |
| - | - | 1,410 | 600 | 6,399 | 25,286 |
| - | - | 1,440 | 537 | 6,321 | 26,981 |
| - | - | 1,475 | 470 | 6,250 | 28,755 |
| - | - | 1,510 | 401 | 6,180 | 30,616 |
| - | - | 1,545 | 325 | 6,111 | 32,559 |
| - | - | 1,585 | 247 | 6,048 | 34,594 |
| - | - | 1,630 | 167 | 5,992 | 36,730 |
| - | - | 1,675 | 84 | 5,937 | 38,971 |
| <u>\$ 8,490</u> | <u>\$ 905</u> | <u>\$ 15,000</u> | <u>\$ 10,620</u> | <u>\$ 217,158</u> | <u>\$ 406,025</u> |

MULTNOMAH COUNTY, OREGON
Schedule of Loans Outstanding
June 30, 2011
(amounts expressed in thousands)

GENERAL LONG TERM LOANS

| Fiscal Year of Maturity | OTIB | | Total | |
|-------------------------------|-----------------|---------------|-----------------|---------------|
| | Dated 09/04/08 | | Principal | Interest |
| | Principal | Interest | | |
| 2012 | \$ 250 | \$ 69 | \$ 250 | \$ 69 |
| 2013 | 287 | 126 | 287 | 126 |
| 2014 | 299 | 114 | 299 | 114 |
| 2015 | 311 | 103 | 311 | 103 |
| 2016 | 323 | 90 | 323 | 90 |
| 2017 | 336 | 77 | 336 | 77 |
| 2018 | 349 | 64 | 349 | 64 |
| 2019 | 363 | 50 | 363 | 50 |
| 2020 | 377 | 36 | 377 | 36 |
| 2021 | 393 | 21 | 393 | 21 |
| 2022 | 126 | 5 | 126 | 5 |
| | <u>\$ 3,414</u> | <u>\$ 755</u> | <u>\$ 3,414</u> | <u>\$ 755</u> |

**STATISTICAL INFORMATION SECTION
(UNAUDITED)**

This part of Multnomah County's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the County's overall financial health. This section contains the following tables and information:

- **Financial Trends** - These schedules contain trend information to help the reader understand how the county's financial performance and well-being have changed over time.
- **Revenue Capacity** - These schedules contain information to help the reader assess the County's most significant local revenue sources: personal income tax, property tax, and business income tax.
- **Debt Capacity** - These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.
- **Economic and Demographic Information** - These schedules offer economic and demographic indicators to help the reader understand the environment within which the County's financial activities take place.
- **Operating Information** - These schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

MULTNOMAH COUNTY, OREGON
Net Assets by Component
Last Ten Fiscal Years
(dollar amounts expressed in thousands)
(accrual basis of accounting)
(unaudited)

| | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | Restated 2005 | 2004 | 2003 | 2002 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Governmental Activities: | | | | | | | | | | |
| Invested in capital assets, net of related debt | \$ 637,922 | \$ 620,544 | \$ 470,426 | \$ 465,079 | \$ 456,502 | \$ 434,866 | \$ 523,606 | \$ 511,277 | \$ 475,949 | \$ 472,133 |
| Restricted | 49,806 | 103,600 | 98,542 | 77,979 | 76,266 | 71,388 | 100,156 | 62,954 | 62,535 | 74,973 |
| Unrestricted | 81,502 | (8,728) | (10,907) | 27,954 | 17,731 | 32,205 | 18,912 | (12,431) | (26,225) | (139,086) |
| Total governmental activities net assets | <u>\$ 769,230</u> | <u>\$ 715,416</u> | <u>\$ 558,061</u> | <u>\$ 571,012</u> | <u>\$ 550,499</u> | <u>\$ 538,459</u> | <u>\$ 642,674</u> | <u>\$ 561,800</u> | <u>\$ 512,259</u> | <u>\$ 408,020</u> |
| Business-Type Activities: | | | | | | | | | | |
| Invested in capital assets, net of related debt | \$ 3,612 | \$ 3,696 | \$ 3,442 | \$ 3,424 | \$ 3,020 | \$ 2,985 | \$ 2,577 | \$ 2,480 | \$ 2,474 | \$ 2,405 |
| Unrestricted | 17,442 | 13,600 | 9,631 | 2,928 | 4,612 | 2,830 | 2,012 | 1,915 | 2,095 | 3,136 |
| Total business-type activities net assets | <u>\$ 21,054</u> | <u>\$ 17,296</u> | <u>\$ 13,073</u> | <u>\$ 6,352</u> | <u>\$ 7,632</u> | <u>\$ 5,815</u> | <u>\$ 4,589</u> | <u>\$ 4,395</u> | <u>\$ 4,569</u> | <u>\$ 5,541</u> |
| Primary Government: | | | | | | | | | | |
| Invested in capital assets, net of related debt | \$ 641,534 | \$ 624,240 | \$ 473,868 | \$ 468,503 | \$ 459,522 | \$ 437,851 | \$ 526,183 | \$ 513,757 | \$ 478,423 | \$ 474,538 |
| Restricted | 49,806 | 103,600 | 98,542 | 77,979 | 76,266 | 71,388 | 100,156 | 62,954 | 62,535 | 74,973 |
| Unrestricted | 98,944 | 4,872 | (1,276) | 30,882 | 22,343 | 35,035 | 20,924 | (10,516) | (24,130) | (135,950) |
| Total primary government net assets | <u>\$ 790,284</u> | <u>\$ 732,712</u> | <u>\$ 571,134</u> | <u>\$ 577,364</u> | <u>\$ 558,131</u> | <u>\$ 544,274</u> | <u>\$ 647,263</u> | <u>\$ 566,195</u> | <u>\$ 516,828</u> | <u>\$ 413,561</u> |

Source: Current and prior years' financial statements

MULTNOMAH COUNTY, OREGON
Changes in Net Assets
Last Ten Fiscal Years
(dollar amounts expressed in thousands)
(accrual basis of accounting)
(unaudited)

| | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Fees, fines and charges for services: | | | | | | | | | | |
| General government | \$ 27,789 | \$ 22,843 | \$ 21,936 | \$ 21,721 | \$ 23,703 | \$ 25,531 | \$ 20,486 | \$ 16,394 | \$ 15,976 | \$ 12,712 |
| Health services | 77,276 | 70,455 | 60,340 | 52,241 | 45,765 | 44,406 | 44,145 | 44,006 | 40,901 | 13,762 |
| Social services | 1,321 | 1,902 | 1,125 | 1,615 | 1,309 | 1,210 | 1,175 | 1,805 | 759 | 543 |
| Public safety and justice | 16,056 | 17,490 | 17,597 | 17,765 | 17,904 | 16,600 | 16,394 | 15,901 | 23,216 | 14,224 |
| Community services | 2,325 | - | 10 | 10 | 31 | 8 | 1 | 4 | - | 6 |
| Library | 1,759 | 1,757 | 1,754 | 1,855 | 1,745 | 1,641 | 1,887 | 2,042 | 2,537 | 1,745 |
| Roads and bridges | 9,131 | 1,107 | 1,227 | 2,141 | 1,962 | 1,784 | 1,867 | 1,880 | 1,250 | 910 |
| Operating grants and contributions | 316,218 | 299,735 | 291,018 | 265,271 | 257,810 | 247,933 | 256,489 | 249,079 | 256,659 | 277,418 |
| Capital grants and contributions | 16,415 | 2,885 | 3,831 | 10,505 | 5,594 | 5,272 | 34,149 | 9,809 | 4,461 | 86 |
| Total governmental activities program revenues | 468,290 | 418,174 | 398,838 | 373,124 | 355,823 | 344,385 | 376,593 | 340,920 | 345,759 | 321,406 |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Dunthorpe | 816 | 809 | 713 | 627 | 574 | 455 | 423 | 344 | 248 | 249 |
| Mid County | 363 | 341 | 264 | 268 | 306 | 294 | 289 | 235 | 233 | 235 |
| Behavioral Health | 46,110 | 42,931 | 39,027 | 36,072 | 34,879 | 34,519 | 29,472 | 25,603 | 32,486 | 32,781 |
| Operating grants and contributions | - | - | - | - | - | - | - | 435 | 897 | 337 |
| Capital grants and contributions | 36 | 133 | 80 | 10 | 76 | 82 | 238 | - | - | - |
| Total business-type activities program revenues | 47,325 | 44,214 | 40,084 | 36,977 | 35,835 | 35,350 | 30,422 | 26,617 | 33,864 | 33,602 |
| Total primary government program revenues | 515,615 | 462,388 | 438,922 | 410,101 | 391,658 | 379,735 | 407,015 | 367,537 | 379,623 | 355,008 |
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | 58,642 | 59,572 | 64,660 | 75,547 | 87,472 | 114,378 | 128,871 | 154,646 | 36,374 | 17,673 |
| Health services | 151,327 | 137,615 | 133,751 | 125,355 | 118,380 | 112,201 | 106,551 | 110,968 | 110,322 | 92,109 |
| Social services | 222,515 | 224,928 | 210,590 | 196,537 | 185,672 | 177,891 | 181,194 | 167,746 | 169,218 | 188,043 |
| Public safety and justice | 216,403 | 210,079 | 217,215 | 208,253 | 199,850 | 196,167 | 192,005 | 182,941 | 180,503 | 184,213 |
| Community services | 26,683 | 22,796 | 24,320 | 26,069 | 24,136 | 23,336 | 21,795 | 18,391 | 17,925 | 23,877 |
| Library | 60,343 | 56,548 | 55,181 | 52,087 | 47,872 | 43,530 | 41,357 | 40,843 | 43,934 | 39,529 |
| Roads and bridges | 51,772 | 49,571 | 53,462 | 56,716 | 53,701 | 54,256 | 56,781 | 57,374 | 58,354 | 57,478 |
| Interest on long-term debt | 11,774 | 12,800 | 14,041 | 16,443 | 16,954 | 21,822 | 18,058 | 19,543 | 20,127 | 21,139 |
| Total governmental activities expenses | 799,459 | 773,909 | 773,220 | 757,007 | 734,037 | 743,581 | 746,612 | 752,452 | 636,757 | 624,061 |
| Business-type activities: | | | | | | | | | | |
| Dunthorpe | 486 | 516 | 458 | 476 | 405 | 407 | 487 | 355 | 344 | 306 |
| Mid County | 427 | 403 | 420 | 377 | 354 | 328 | 495 | 723 | 468 | 419 |
| Behavioral Health | 43,640 | 39,207 | 32,720 | 37,803 | 34,221 | 33,640 | 29,480 | 25,787 | 33,739 | 34,951 |
| Total business-type activities expenses | 44,553 | 40,126 | 33,598 | 38,656 | 34,980 | 34,375 | 30,462 | 26,865 | 34,551 | 35,676 |
| Total primary government expenses | 844,012 | 814,035 | 806,818 | 795,663 | 769,017 | 777,956 | 777,074 | 779,317 | 671,308 | 659,737 |

(continued)

MULTNOMAH COUNTY, OREGON
Changes in Net Assets
Last Ten Fiscal Years
(dollar amounts expressed in thousands)
(accrual basis of accounting)
(unaudited)

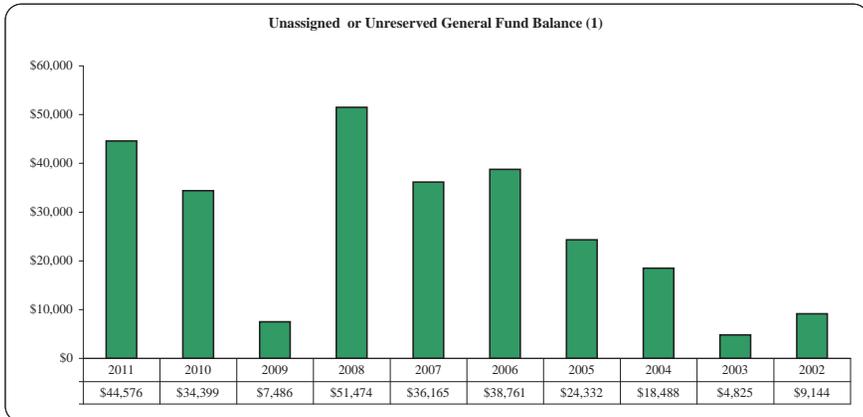
| (continued) | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|--|------------------|------------------|-------------------|------------------|------------------|---------------------|------------------|------------------|--------------------|--------------------|
| Net Expense | | | | | | | | | | |
| Governmental activities | \$ (331,169) | \$ (355,735) | \$ (374,382) | \$ (383,883) | \$ (378,214) | \$ (399,196) | \$ (370,019) | \$ (411,532) | \$ (290,998) | \$ (302,655) |
| Business-type activities | 2,772 | 4,088 | 6,486 | (1,679) | 855 | 975 | (40) | (248) | (687) | (2,074) |
| Total primary government net expense | <u>(328,397)</u> | <u>(351,647)</u> | <u>(367,896)</u> | <u>(385,562)</u> | <u>(377,359)</u> | <u>(398,221)</u> | <u>(370,059)</u> | <u>(411,780)</u> | <u>(291,685)</u> | <u>(304,729)</u> |
| General Revenues and Other Changes in Net Assets | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Property and other local taxes levied for: | | | | | | | | | | |
| General purposes | 268,605 | 266,294 | 258,200 | 249,446 | 231,073 | 219,854 | 209,056 | 201,278 | 193,912 | 195,130 |
| Debt service | 8,246 | 9,001 | 8,227 | 9,077 | 9,249 | 9,373 | 7,815 | 7,326 | 9,699 | 11,114 |
| Personal income taxes | 683 | - | (5,341) | 2,748 | 21,237 | 59,764 | 124,577 | 175,325 | - | - |
| Business income taxes | 48,570 | 44,150 | 42,900 | 65,650 | 57,399 | 50,980 | 36,463 | 30,286 | 26,491 | 26,935 |
| Selective excise and use taxes | 46,167 | 42,692 | 39,161 | 42,812 | 39,582 | 36,914 | 33,646 | 32,404 | 33,199 | 32,799 |
| Payments in lieu of taxes | 1,500 | 1,305 | 1,516 | 1,537 | 1,738 | 2,249 | 3,012 | 2,184 | 2,899 | 1,810 |
| State government shared revenues | 7,423 | 7,768 | 8,562 | 9,613 | 9,517 | 8,692 | 6,741 | 7,584 | 6,206 | - |
| Grants and contributions not restricted to specific programs | 1 | 27 | 14 | 10 | 6 | 2 | 1,150 | 166 | 70 | 60 |
| Interest and investment earnings | 2,946 | 2,589 | 5,767 | 11,887 | 13,454 | 10,094 | 4,943 | 2,443 | 4,226 | 7,982 |
| Miscellaneous | 667 | 1,665 | 1,797 | 1,410 | 6,771 | 4,007 | 2,233 | 1,877 | 2,917 | 4,496 |
| Gain on sale of capital assets | 175 | 228 | 628 | 10,206 | 228 | 1,607 | 166 | 200 | 1,711 | - |
| Transfers | - | - | - | - | - | - | - | - | 440 | (3) |
| Special items: | | | | | | | | | | |
| Loss on transfer of County roads | - | - | - | - | - | (108,555) | - | - | - | - |
| Total governmental activities | <u>384,983</u> | <u>375,719</u> | <u>361,431</u> | <u>404,396</u> | <u>390,254</u> | <u>294,981</u> | <u>429,802</u> | <u>461,073</u> | <u>281,770</u> | <u>280,323</u> |
| Business-type activities: | | | | | | | | | | |
| Interest and investment earnings | 115 | 128 | 235 | 398 | 495 | 251 | 121 | 74 | 131 | 339 |
| Miscellaneous | 871 | 7 | - | 1 | 467 | - | 113 | - | 24 | 6 |
| Transfers | - | - | - | - | - | - | - | - | (440) | 3 |
| Total business-type activities | <u>986</u> | <u>135</u> | <u>235</u> | <u>399</u> | <u>962</u> | <u>251</u> | <u>234</u> | <u>74</u> | <u>(285)</u> | <u>348</u> |
| Total primary government | <u>385,969</u> | <u>375,854</u> | <u>361,666</u> | <u>404,795</u> | <u>391,216</u> | <u>295,232</u> | <u>430,036</u> | <u>461,147</u> | <u>281,485</u> | <u>280,671</u> |
| Change in Net Assets | | | | | | | | | | |
| Governmental activities | 53,814 | 19,984 | (12,951) | 20,513 | 12,040 | (104,215) | 59,783 | 49,541 | (9,228) | (22,332) |
| Cumulative effect of change in accounting principle | - | - | - | - | - | - | 21,091 | - | - | - |
| Total governmental activities | <u>53,814</u> | <u>19,984</u> | <u>(12,951)</u> | <u>20,513</u> | <u>12,040</u> | <u>(104,215)</u> | <u>80,874</u> | <u>49,541</u> | <u>(9,228)</u> | <u>(22,332)</u> |
| Business-type activities | 3,758 | 4,223 | 6,721 | (1,280) | 1,817 | 1,226 | 194 | (174) | (972) | (1,726) |
| Total primary government change in net assets | <u>\$ 57,572</u> | <u>\$ 24,207</u> | <u>\$ (6,230)</u> | <u>\$ 19,233</u> | <u>\$ 13,857</u> | <u>\$ (102,989)</u> | <u>\$ 81,068</u> | <u>\$ 49,367</u> | <u>\$ (10,200)</u> | <u>\$ (24,058)</u> |

Source: Current and prior years' financial statements

MULTNOMAH COUNTY, OREGON
Fund Balances, Governmental Funds (1)
Last Ten Fiscal Years
(dollar amounts expressed in thousands)
(modified accrual basis of accounting)
(unaudited)

| | 2011 | 2010 | 2009 | 2008 |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|
| General Fund (2) | | | | |
| Reserved | \$ - | \$ 25,016 | \$ 23,891 | \$ 20,139 |
| Unreserved | - | 34,399 | 7,486 | 51,474 |
| Nonspendable | 654 | - | - | - |
| Restricted | 487 | - | - | - |
| Unassigned | 44,576 | - | - | - |
| Total general fund | <u>45,717</u> | <u>59,415</u> | <u>31,377</u> | <u>71,613</u> |
| All Other Governmental Funds | | | | |
| Reserved | - | 97,220 | 91,256 | 70,605 |
| Unreserved, reported in: | | | | |
| Special revenue funds | - | 30,594 | 49,718 | 46,863 |
| Nonspendable | 1,237 | | | |
| Restricted | 48,942 | | | |
| Committed | 94,237 | | | |
| Assigned | 20,914 | | | |
| Unassigned | (312) | | | |
| Total all other governmental funds | <u>165,018</u> | <u>127,814</u> | <u>140,974</u> | <u>117,468</u> |
| Total governmental funds | <u>\$ 210,735</u> | <u>\$ 187,229</u> | <u>\$ 172,351</u> | <u>\$ 189,081</u> |

| | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|------------------------------------|-------------------|-------------------|-------------------|------------------|------------------|-------------------|
| General Fund (2) | | | | | | |
| Reserved | \$ 24,053 | \$ 16,203 | \$ 18,084 | \$ 1,004 | \$ 961 | \$ - |
| Unreserved | 36,165 | 38,761 | 24,332 | 18,488 | 4,825 | 9,144 |
| Nonspendable | - | - | - | - | - | - |
| Restricted | - | - | - | - | - | - |
| Unassigned | - | - | - | - | - | - |
| Total general fund | <u>60,218</u> | <u>54,964</u> | <u>42,416</u> | <u>19,492</u> | <u>5,786</u> | <u>9,144</u> |
| All Other Governmental Funds | | | | | | |
| Reserved | 51,317 | 53,964 | 37,292 | 39,224 | 63,810 | 75,627 |
| Unreserved, reported in: | | | | | | |
| Special revenue funds | 49,135 | 57,257 | 55,890 | 27,375 | 23,601 | 24,563 |
| Nonspendable | | | | | | |
| Restricted | | | | | | |
| Committed | | | | | | |
| Assigned | | | | | | |
| Unassigned | | | | | | |
| Total all other governmental funds | <u>100,452</u> | <u>111,221</u> | <u>93,182</u> | <u>66,599</u> | <u>87,411</u> | <u>100,190</u> |
| Total governmental funds | <u>\$ 160,670</u> | <u>\$ 166,185</u> | <u>\$ 135,598</u> | <u>\$ 86,091</u> | <u>\$ 93,197</u> | <u>\$ 109,334</u> |



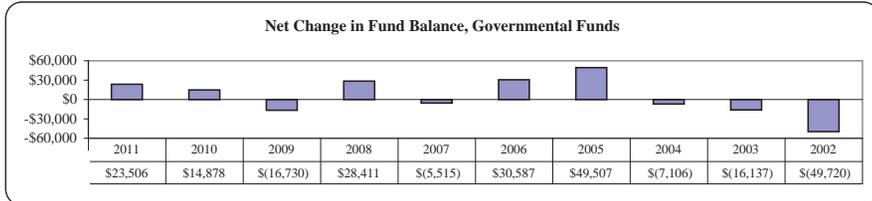
- (1) This schedule was modified with the implementation of GASB Statement #54, effective fiscal year 2011, which affected the categories used to report fund balances.
- (2) Reclassifications were made to amounts reported as Reserved and Unreserved in the General Fund for fiscal years 2000 - 2007 reported above in order to be consistent with the current reporting of amounts reserved for interfund receivables.

Source: Current and prior years' financial statements

MULTNOMAH COUNTY, OREGON
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(dollar amounts expressed in thousands)
(modified accrual basis of accounting)
(unaudited)

| | 2011 | 2010 | 2009 | 2008 |
|---|------------|------------|-------------|------------|
| Revenues | | | | |
| Taxes | \$ 374,935 | \$ 365,385 | \$ 350,296 | \$ 375,044 |
| Intergovernmental | 317,944 | 300,963 | 292,689 | 277,099 |
| Licenses and permits | 23,535 | 14,722 | 14,806 | 15,441 |
| Charges for services | 68,875 | 85,603 | 74,827 | 67,750 |
| Interest | 1,486 | 1,796 | 4,391 | 9,557 |
| Miscellaneous | 64,335 | 54,118 | 43,916 | 50,342 |
| Total revenues | 851,110 | 822,587 | 780,925 | 795,233 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 62,951 | 58,971 | 59,960 | 69,224 |
| Health services | 158,283 | 145,555 | 138,941 | 128,914 |
| Social services | 223,815 | 227,257 | 211,832 | 197,210 |
| Public safety and justice | 220,279 | 215,442 | 219,797 | 209,119 |
| Community services | 26,283 | 22,458 | 24,080 | 25,904 |
| Library | 54,223 | 52,118 | 50,872 | 48,051 |
| Roads and bridges | 40,790 | 37,540 | 38,148 | 40,723 |
| Capital Outlay | 32,804 | 21,481 | 20,783 | 27,367 |
| Debt service: | | | | |
| Principal | 23,947 | 30,762 | 23,424 | 21,522 |
| Interest | 11,759 | 12,997 | 13,989 | 16,394 |
| Total expenditures | 855,134 | 824,581 | 801,826 | 784,428 |
| Excess (deficiency) of revenues over (under) expenditures | (4,024) | (1,994) | (20,901) | 10,805 |
| Other Financing Sources (Uses) | | | | |
| Proceeds from issuance of debt | 16,282 | 11,309 | 623 | - |
| Proceeds from issuance of refunding bonds | - | 45,175 | - | - |
| Premium on short-term debt | - | - | - | 157 |
| Premium on long-term debt | - | 5,443 | - | - |
| Issuance of capital lease | 815 | - | - | 33 |
| Proceeds from sale of capital assets | 24 | 10 | - | 14,219 |
| Payment to escrow agent - refunded debt | - | (49,710) | - | - |
| Transfers in | 33,521 | 47,360 | 61,978 | 29,266 |
| Transfers out | (23,112) | (42,715) | (58,430) | (25,879) |
| Total other financing sources (uses) | 27,530 | 16,872 | 4,171 | 17,606 |
| Net change in fund balances | \$ 23,506 | \$ 14,878 | \$ (16,730) | \$ 28,411 |
| Debt service as a percentage of noncapital expenditures | 4.3% | 5.4% | 4.8% | 5.0% |

| | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|---|------------|------------|------------|------------|-------------|-------------|
| Revenues | | | | | | |
| Taxes | \$ 356,682 | \$ 441,579 | \$ 422,212 | \$ 375,204 | \$ 268,225 | \$ 267,641 |
| Intergovernmental | 260,549 | 250,855 | 284,527 | 252,978 | 261,020 | 290,077 |
| Licenses and permits | 15,934 | 16,025 | 14,743 | 14,760 | 14,496 | 8,134 |
| Charges for services | 62,791 | 62,245 | 61,399 | 55,180 | 66,325 | 18,586 |
| Interest | 10,837 | 8,347 | 4,134 | 1,960 | 3,499 | 6,972 |
| Miscellaneous | 46,880 | 46,090 | 51,926 | 50,385 | 37,495 | 58,415 |
| Total revenues | 753,673 | 825,141 | 838,941 | 750,467 | 651,060 | 649,825 |
| Expenditures | | | | | | |
| Current: | | | | | | |
| General government | 73,559 | 136,726 | 146,626 | 124,459 | 52,375 | 53,134 |
| Health services | 122,029 | 115,778 | 112,562 | 111,745 | 106,408 | 95,847 |
| Social services | 187,256 | 178,736 | 184,335 | 168,648 | 168,329 | 186,280 |
| Public safety and justice | 202,477 | 198,774 | 198,608 | 197,251 | 200,114 | 190,122 |
| Community services | 24,040 | 23,468 | 22,266 | 19,318 | 19,398 | 21,552 |
| Library | 44,411 | 46,228 | 44,546 | 42,753 | 40,741 | 42,706 |
| Roads and bridges | 39,875 | 42,283 | 39,844 | 40,454 | 39,497 | 36,829 |
| Capital Outlay | 31,589 | 22,150 | 9,288 | 11,968 | 17,770 | 31,822 |
| Debt service: | | | | | | |
| Principal | 19,861 | 18,256 | 16,929 | 25,179 | 15,186 | 18,711 |
| Interest | 16,958 | 18,235 | 17,928 | 19,543 | 20,082 | 21,050 |
| Total expenditures | 762,055 | 800,634 | 792,932 | 761,318 | 679,900 | 698,053 |
| Excess (deficiency) of revenues over (under) expenditures | (8,382) | 24,507 | 46,009 | (10,851) | (28,840) | (48,228) |
| Other Financing Sources (Uses) | | | | | | |
| Proceeds from issuance of debt | - | - | 54,235 | - | 9,615 | - |
| Proceeds from issuance of refunding bonds | - | - | - | - | - | - |
| Premium on short-term debt | 157 | - | - | - | - | - |
| Premium on long-term debt | - | - | 5,089 | - | - | - |
| Issuance of capital lease | 33 | 1,093 | - | - | - | - |
| Proceeds from sale of capital assets | 35 | 1,988 | 5 | 425 | - | - |
| Payment to escrow agent - refunded debt | - | - | (58,847) | - | - | - |
| Transfers in | 26,996 | 47,004 | 29,907 | 32,641 | 39,819 | 128,682 |
| Transfers out | (24,354) | (44,005) | (26,891) | (29,321) | (36,731) | (130,174) |
| Total other financing sources (uses) | 2,867 | 6,080 | 3,498 | 3,745 | 12,703 | (1,492) |
| Net change in fund balances | \$ (5,515) | \$ 30,587 | \$ 49,507 | \$ (7,106) | \$ (16,137) | \$ (49,720) |
| Debt service as a percentage of noncapital expenditures | 5.0% | 4.7% | 4.4% | 6.0% | 5.3% | 6.0% |



Source: Current and prior years' financial statements

MULTNOMAH COUNTY, OREGON
Program Revenues by Function/Program
Last Ten Fiscal Years
(dollar amounts expressed in thousands)
(accrual basis of accounting)
(unaudited)

| Function/Program | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Governmental activities: | | | | | | | | | | |
| General government | \$ 34,230 | \$ 27,142 | \$ 26,142 | \$ 35,044 | \$ 28,530 | \$ 32,587 | \$ 33,367 | \$ 31,429 | \$ 23,463 | \$ 24,644 |
| Health services | 113,591 | 104,070 | 91,457 | 81,507 | 74,024 | 74,003 | 71,924 | 77,315 | 72,730 | 63,191 |
| Social services | 180,874 | 180,656 | 171,782 | 152,905 | 142,100 | 134,894 | 139,569 | 126,534 | 136,045 | 140,391 |
| Public safety and justice | 60,451 | 60,818 | 61,855 | 57,364 | 58,188 | 54,278 | 62,497 | 63,534 | 71,518 | 57,336 |
| Community services | 7,184 | 3,636 | 3,943 | 3,196 | 3,278 | 4,712 | 4,387 | 1,830 | 2,730 | 2,530 |
| Library | 4,948 | 5,178 | 5,306 | 5,359 | 5,302 | 4,106 | 4,079 | 4,018 | 4,572 | 3,502 |
| Roads and bridges | 67,012 | 36,674 | 38,353 | 37,749 | 44,401 | 39,805 | 60,770 | 36,260 | 34,701 | 29,812 |
| Total governmental activities | 468,290 | 418,174 | 398,838 | 373,124 | 355,823 | 344,385 | 376,593 | 340,920 | 345,759 | 321,406 |
| Business-type activities: | | | | | | | | | | |
| Dunthorpe-Riverdale | 822 | 877 | 713 | 627 | 574 | 455 | 423 | 344 | 256 | 251 |
| Mid County | 393 | 406 | 344 | 278 | 382 | 376 | 527 | 235 | 484 | 570 |
| Behavioral Health | 46,110 | 42,931 | 39,027 | 36,072 | 34,879 | 34,519 | 29,472 | 26,038 | 33,124 | 32,781 |
| Total business-type activities | 47,325 | 44,214 | 40,084 | 36,977 | 35,835 | 35,350 | 30,422 | 26,617 | 33,864 | 33,602 |
| Total primary government | \$ 515,615 | \$ 462,388 | \$ 438,922 | \$ 410,101 | \$ 391,658 | \$ 379,735 | \$ 407,015 | \$ 367,537 | \$ 379,623 | \$ 355,008 |

Source: Current and prior years' financial statements

MULTNOMAH COUNTY, OREGON
Tax Revenues by Source, Governmental Funds
Last Ten Fiscal Years
(dollar amounts expressed in thousands)
(modified accrual basis of accounting)
(unaudited)

| Year | Property Taxes | Business Income Taxes | Transient Lodging Taxes | Motor Vehicle Rental Taxes | County Gasoline Taxes | Personal Income Taxes | Other Taxes | Total |
|------|----------------|-----------------------|-------------------------|----------------------------|-----------------------|-----------------------|-------------|------------|
| 2002 | \$ 206,097 | \$ 26,935 | \$ 11,131 | \$ 13,717 | \$ 7,832 | \$ - | \$ 1,929 | \$ 267,641 |
| 2003 | 204,447 | 26,491 | 12,227 | 13,429 | 7,432 | - | 4,199 | 268,225 |
| 2004 | 209,018 | 30,286 | 12,352 | 12,930 | 7,011 | 100,114 | 3,493 | 375,204 |
| 2005 | 217,750 | 36,463 | 13,467 | 13,321 | 6,744 | 130,187 | 4,280 | 422,212 |
| 2006 | 229,312 | 50,980 | 14,794 | 14,886 | 7,115 | 120,919 | 3,573 | 441,579 |
| 2007 | 240,710 | 57,399 | 16,726 | 15,644 | 7,110 | 16,038 | 3,055 | 356,682 |
| 2008 | 257,225 | 65,650 | 18,491 | 16,852 | 7,356 | 6,611 | 2,859 | 375,044 |
| 2009 | 263,630 | 42,900 | 16,115 | 16,101 | 6,878 | 2,122 | 2,550 | 350,296 |
| 2010 | 275,462 | 44,150 | 15,441 | 20,105 | 7,063 | 905 | 2,259 | 365,385 |
| 2011 | 277,258 | 48,570 | 18,208 | 20,842 | 7,052 | 657 | 2,348 | 374,935 |

Source: Current and prior years' financial statements

MULTNOMAH COUNTY, OREGON
Assessed Valuation and Actual Values of Taxable Property
Last Ten Fiscal Years
(dollar amounts expressed in thousands, except total direct tax rate)

| Year | Residential Property | Commercial Property | Public Utility Property | Personal Property | Total Taxable Assessed Value | Total Direct Tax Rate (1) | Estimated Real Market Value |
|------|----------------------|---------------------|-------------------------|-------------------|------------------------------|---------------------------|-----------------------------|
| 2002 | \$ 23,115,866 | \$ 13,273,892 | \$ 2,799,601 | \$ 2,549,782 | \$ 41,739,141 | \$ 5.09 | \$ 61,345,077 |
| 2003 | 24,165,517 | 13,294,395 | 2,558,357 | 2,330,850 | 42,349,119 | 4.97 | 63,391,339 |
| 2004 | 25,057,728 | 13,606,043 | 2,392,404 | 2,352,588 | 43,408,763 | 4.96 | 66,491,001 |
| 2005 | 26,264,819 | 14,003,443 | 2,484,887 | 2,158,073 | 44,911,222 | 5.01 | 70,457,625 |
| 2006 | 27,361,638 | 14,456,811 | 2,262,162 | 2,269,165 | 46,349,776 | 5.10 | 78,109,995 |
| 2007 | 28,695,852 | 14,825,459 | 2,376,350 | 2,328,560 | 48,226,221 | 5.12 | 87,070,081 |
| 2008 | 30,569,475 | 15,426,621 | 2,355,692 | 2,319,890 | 50,671,678 | 5.25 | 100,302,763 |
| 2009 | 32,075,253 | 15,987,533 | 2,390,005 | 2,362,074 | 52,814,865 | 5.21 | 107,381,958 |
| 2010 | 33,268,838 | 16,437,414 | 2,545,964 | 2,297,087 | 54,549,303 | 5.20 | 105,010,710 |
| 2011 | 34,269,351 | 16,954,346 | 2,569,318 | 2,194,393 | 55,987,408 | 5.10 | 101,559,353 |

(1) See Property Tax Rates - Total Direct on page 155

Source: Multnomah County Division of Assessment and Taxation

MULTNOMAH COUNTY, OREGON
Property Tax Levies And Collections
Last Ten Fiscal Years
(dollar amounts expressed in thousands)
(modified accrual basis of accounting)

| Fiscal Year Ended June 30 | Taxes Levied for the Fiscal Year | | Total Adjusted Levy | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | |
|---------------------------|----------------------------------|-------------|---------------------|--|--------------------|---------------------------------|---------------------------|--------------------|
| | (Original Levy) | Adjustments | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| 2002 | \$ 212,329 | \$ (7,786) | \$ 204,543 | \$ 198,884 | 93.67 % | \$ 5,630 | \$ 204,514 | 96.32 % |
| 2003 | 210,411 | (7,164) | 203,247 | 197,233 | 93.74 | 5,981 | 203,214 | 96.58 |
| 2004 | 215,031 | (7,217) | 207,814 | 202,692 | 94.26 | 5,445 | 208,137 | 96.79 |
| 2005 | 224,978 | (8,121) | 216,857 | 211,480 | 94.00 | 5,329 | 216,809 | 96.37 |
| 2006 | 236,631 | (7,476) | 229,155 | 223,312 | 94.37 | 5,776 | 229,088 | 96.81 |
| 2007 | 246,944 | (7,315) | 239,629 | 233,608 | 94.60 | 5,908 | 239,516 | 96.99 |
| 2008 | 265,938 | (8,372) | 257,566 | 250,542 | 94.21 | 6,328 | 256,870 | 96.59 |
| 2009 | 275,133 | (8,495) | 266,638 | 257,497 | 93.59 | 7,097 | 264,594 | 96.17 |
| 2010 | 283,349 | (8,738) | 274,611 | 266,292 | 93.98 | 4,596 | 270,888 | 95.60 |
| 2011 | 285,605 | (8,070) | 277,535 | 269,609 | 94.40 | - | 269,609 | 94.40 |

Source: Current and prior years' financial statements Multnomah County Division of Assessment and Taxation

MULTNOMAH COUNTY, OREGON
Property Tax Rates - Direct and Overlapping Governments (1)
(Per \$1,000 of Assessed Valuation)
Last Ten Fiscal Years

| Year | Multnomah County Direct Rates | | | | Overlapping Rates | | | | | | Total |
|------|-------------------------------|-----------------|--------------|---------|-------------------|---------------------------|---------------------|-----------------|----------------------|-------------------------|----------|
| | General | Special Revenue | Debt Service | Total | Cities | Special Purpose Districts | Education Districts | Water Districts | Rural Fire Districts | Urban Renewal Districts | |
| 2002 | \$ 4.32 | \$ 0.50 | \$0.27 | \$ 5.09 | \$ 5.91 | \$ 0.60 | \$ 7.58 | \$ 0.01 | \$ 0.07 | \$ 1.15 | \$ 20.41 |
| 2003 | 4.25 | 0.48 | 0.24 | 4.97 | 6.04 | 0.55 | 7.77 | 0.01 | 0.08 | 1.26 | 20.68 |
| 2004 | 4.22 | 0.55 | 0.19 | 4.96 | 6.74 | 0.55 | 7.73 | 0.01 | 0.08 | 1.32 | 21.39 |
| 2005 | 4.25 | 0.58 | 0.18 | 5.01 | 6.68 | 0.55 | 7.75 | 0.01 | 0.08 | 1.40 | 21.48 |
| 2006 | 4.27 | 0.62 | 0.21 | 5.10 | 6.66 | 0.58 | 6.25 | 0.01 | 0.08 | 1.44 | 20.12 |
| 2007 | 4.28 | 0.64 | 0.20 | 5.12 | 6.61 | 0.55 | 6.56 | 0.01 | 0.08 | 1.55 | 20.48 |
| 2008 | 4.29 | 0.78 | 0.18 | 5.25 | 6.70 | 0.72 | 7.25 | - | 0.08 | 1.72 | 21.72 |
| 2009 | 4.27 | 0.78 | 0.16 | 5.21 | 6.35 | 0.70 | 7.18 | 0.01 | 0.08 | 1.81 | 21.34 |
| 2010 | 4.27 | 0.76 | 0.17 | 5.20 | 6.62 | 0.75 | 7.25 | 0.01 | 0.07 | 2.00 | 21.90 |
| 2011 | 4.24 | 0.71 | 0.15 | 5.10 | 6.56 | 0.73 | 7.23 | 0.01 | 0.07 | 2.02 | 21.72 |

(1) These are average rates and are stated in dollars and cents.

Source: Multnomah County Division of Assessment and Taxation

MULTNOMAH COUNTY, OREGON
Principal Taxpayers
December 31, 2010 and December 31, 2001
(dollar amounts expressed in thousands)

| Taxpayer | December 31, 2010 | | | |
|---------------------------|-------------------|--------------------------------------|------------|--|
| | Tax | Real Property Assessed Valuation (1) | Rank | Percentage of Total Assessed Valuation |
| | Port of Portland | \$ 9,929 | \$ 474,287 | 1 |
| Portland General Electric | 6,352 | 395,740 | 2 | 0.71 |
| Comcast Corporation | 5,406 | 338,520 | 3 | 0.60 |
| Pacificorp (PP&L) | 5,076 | 315,637 | 4 | 0.56 |
| Weston Investment Co LLC | 4,937 | 236,682 | 5 | 0.42 |
| QWEST Corporation | 3,516 | 217,505 | 6 | 0.39 |
| Fred Meyer Stores | 3,479 | 181,524 | 7 | 0.32 |
| Evrax Inc NA | 2,810 | 175,714 | 8 | 0.31 |
| LC Portland LLC | 3,666 | 168,334 | 9 | 0.30 |
| Boeing Co | 2,682 | 165,440 | 10 | 0.30 |
| | <u>\$ 47,853</u> | <u>\$ 2,669,383</u> | | <u>4.77 %</u> |
| Total Assessed Valuation | | <u>\$ 55,987,408</u> | | |

| Taxpayer | December 31, 2001 | | | |
|-------------------------------|----------------------|--------------------------------------|------------|--|
| | Tax | Real Property Assessed Valuation (1) | Rank | Percentage of Total Assessed Valuation |
| | QWEST Communications | N/A | \$ 424,689 | 1 |
| Portland General Electric | N/A | 322,106 | 2 | 0.77 |
| Fujitsu Microelectronics Inc. | N/A | 314,477 | 3 | 0.75 |
| Pacificorp (PP&L) | N/A | 245,345 | 4 | 0.59 |
| Wacker Siltronic Corp | N/A | 219,400 | 5 | 0.53 |
| Alaska Airlines | N/A | 178,411 | 6 | 0.43 |
| Boeing Co | N/A | 177,583 | 7 | 0.43 |
| United Airlines | N/A | 144,243 | 8 | 0.35 |
| Northwest Natural Gas Co | N/A | 142,913 | 9 | 0.34 |
| I C X Corporation | N/A | 131,200 | 10 | 0.31 |
| | | <u>\$ 2,300,367</u> | | <u>5.51 %</u> |
| Total Assessed Valuation | | <u>\$ 41,739,141</u> | | |

(1) Assessed valuation based on the valuation of property for tax collection years 2010-11 and 2001-02 respectively.
Note: Tax amounts not available for year ended December 31, 2001

Source: Multnomah County Division of Assessment & Taxation

MULTNOMAH COUNTY, OREGON
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(dollar amounts expressed in thousands, except per capita)

| Fiscal Year | Governmental Activities | | | | | | Total Primary Government | Percentage of Personal Income (1) | Per Capita |
|-------------|--------------------------|-------------------------------|-----------------------------|---------------|---------------|------------|--------------------------|-----------------------------------|------------|
| | General Obligation Bonds | Capitalized Lease Obligations | Full Faith and Credit Bonds | Revenue Bonds | Loans Payable | | | | |
| 2002 | \$ 96,535 | \$ 46,613 | \$ 272,833 | \$ 8,335 | \$ 797 | \$ 425,113 | 1.81 % | \$ 634 | |
| 2003 | 91,610 | 41,501 | 276,763 | 7,890 | 718 | 418,482 | 1.75 | 617 | |
| 2004 | 86,445 | 28,596 | 270,203 | 7,425 | 634 | 393,303 | 1.60 | 573 | |
| 2005 | 81,025 | 27,971 | 266,063 | 6,935 | 542 | 382,536 | 1.53 | 552 | |
| 2006 | 75,340 | 19,444 | 256,833 | 6,420 | 449 | 358,486 | 1.32 | 511 | |
| 2007 | 69,380 | 16,620 | 246,413 | 5,880 | 362 | 338,655 | 1.19 | 477 | |
| 2008 | 63,125 | 13,604 | 234,688 | 5,320 | 242 | 316,979 | 1.08 | 442 | |
| 2009 | 56,570 | 10,757 | 222,988 | 3,240 | 623 | 294,178 | 1.00 | 406 | |
| 2010 | 45,175 | 1,020 | 219,018 | 2,845 | 2,132 | 270,190 | 0.92 | 367 | |
| 2011 | 38,620 | 1,719 | 217,158 | 2,430 | 3,414 | 263,341 | 0.89 | 357 | |

Note: 2010 and 2011 percentages calculated using 2009 personal income data, which is the most recent available.
(1) See population and personal income data on page 163

Source: Current and prior year financial statements and US Department of Commerce-Bureau of Economic Analysis

MULTNOMAH COUNTY, OREGON
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(dollar amounts expressed in thousands, except per capita)

| Fiscal Year | General Obligation Bonds | Less: Amounts Restricted to Repaying Principal | Total | Percentage of Personal Income (2) | Percentage of Actual Taxable Value of Property (1) | Per Capita (2) |
|-------------|--------------------------|--|-----------|-----------------------------------|--|----------------|
| | | | | | | |
| 2002 | \$ 96,535 | \$ (9,484) | \$ 87,051 | 0.37 % | 0.21 % | \$ 130 |
| 2003 | 91,610 | (10,335) | 81,275 | 0.34 | 0.19 | 120 |
| 2004 | 86,445 | (8,716) | 77,729 | 0.32 | 0.18 | 113 |
| 2005 | 81,025 | (7,557) | 73,468 | 0.29 | 0.16 | 106 |
| 2006 | 75,340 | (7,993) | 67,347 | 0.25 | 0.15 | 96 |
| 2007 | 69,380 | (8,433) | 60,947 | 0.22 | 0.13 | 86 |
| 2008 | 63,125 | (8,569) | 54,556 | 0.18 | 0.11 | 76 |
| 2009 | 56,570 | (7,643) | 48,927 | 0.17 | 0.09 | 68 |
| 2010 | 45,175 | (7,611) | 37,564 | 0.13 | 0.07 | 51 |
| 2011 | 38,620 | (7,454) | 31,166 | 0.11 | 0.06 | 42 |

Note: 2010 and 2011 percentages calculated using 2009 personal income data, which is the most recent available.

- (1) See taxable assessed value schedule on page 153
(2) See population and personal income data on page 163

Source: Current Prior year financial statements, Multnomah County division of Assessment and Taxation, Center for Population Research and Census at Portland State University and US Department of Commerce-Bureau of Economic Analysis

MULTNOMAH COUNTY, OREGON
Pledged-Revenue Coverage
Last Ten Fiscal Years
(dollar amounts expressed in thousands)

| Fiscal Year | Revenue Bonds | | | | | |
|-------------|----------------------|--------------------------|-----------------------|--------------|----------|----------|
| | Charges for Services | Less: Operating Expenses | Net Available Revenue | Debt Service | | Coverage |
| | | | | Principal | Interest | |
| 2002 | \$ 420 | \$ 5 | \$ 415 | \$ 165 | \$ 389 | 0.75 % |
| 2003 | 2,389 | 7 | 2,382 | 445 | 376 | 2.90 |
| 2004 | 464 | 5 | 459 | 465 | 357 | 0.56 |
| 2005 | 450 | 247 | 203 | 490 | 336 | 0.25 |
| 2006 | 1,152 | 5 | 1,147 | 515 | 315 | 1.38 |
| 2007 | 335 | 12 | 323 | 540 | 292 | 0.39 |
| 2008 | 80 | - | 80 | 560 | 268 | 0.10 |
| 2009 | 33 | 8 | 25 | 2,080 | 208 | 0.01 |
| 2010 | 35 | - | 35 | 395 | 152 | 0.06 |
| 2011 | 36 | 5 | 31 | 415 | 133 | 0.06 |

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.
Operating expenses do not include interest, depreciation or amortization expenses.

Source: Current and prior year financial statements

MULTNOMAH COUNTY, OREGON
Legal Debt Margin Information
Last Ten Fiscal Years
(dollar amounts expressed in thousands)
(unaudited)

ORS 287A.100 provides a debt limit on general obligation bonds of 2% of the real market value of all taxable property within the County's boundaries. This became effective January 1, 2008 superseding ORS 287.054.

| | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Real market value | \$ 101,559,353 | \$ 105,010,710 | \$ 107,381,958 | \$ 100,302,763 | \$ 87,070,081 | \$ 78,109,995 | \$ 70,457,625 | \$ 66,491,001 | \$ 63,391,339 | \$ 61,345,077 |
| Debt limit rate | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% |
| Debt limit | 2,031,187 | 2,100,214 | 2,147,639 | 2,006,055 | 1,741,402 | 1,562,200 | 1,409,153 | 1,329,820 | 1,267,827 | 1,226,902 |
| Less bonded debt at June 30 | 38,620 | 45,175 | 56,570 | 63,125 | 69,380 | 75,340 | 81,025 | 86,445 | 91,610 | 96,535 |
| Legal debt margin | <u>\$ 1,992,567</u> | <u>\$ 2,055,039</u> | <u>\$ 2,091,069</u> | <u>\$ 1,942,930</u> | <u>\$ 1,672,022</u> | <u>\$ 1,486,860</u> | <u>\$ 1,328,128</u> | <u>\$ 1,243,375</u> | <u>\$ 1,176,217</u> | <u>\$ 1,130,367</u> |
| Total net debt applicable to the limit as a percentage of debt limit. | 1.90% | 2.15% | 2.63% | 3.15% | 3.98% | 4.82% | 5.75% | 6.50% | 7.23% | 7.87% |

ORS 287A.105 provides a debt limit on full faith and credit bonds of 1% of the real market value of all taxable property within the County's boundaries. This became effective January 1, 2008 superseding ORS 287.053.

| | | | | | | | | | | |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Real market value | \$ 101,559,353 | \$ 105,010,710 | \$ 107,381,958 | \$ 100,302,763 | \$ 87,070,081 | \$ 78,109,995 | \$ 70,457,625 | \$ 66,491,001 | \$ 63,391,339 | \$ 61,345,077 |
| Debt limit rate | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% |
| Debt limit | 1,015,594 | 1,050,107 | 1,073,820 | 1,003,028 | 870,701 | 781,100 | 704,576 | 664,910 | 633,913 | 613,451 |
| Less bonded debt at June 30 | 217,158 | 219,018 | 222,988 | 234,688 | 246,413 | 256,833 | 266,063 | 270,203 | 276,763 | 272,833 |
| Legal debt margin | <u>\$ 798,436</u> | <u>\$ 831,089</u> | <u>\$ 850,832</u> | <u>\$ 768,340</u> | <u>\$ 624,288</u> | <u>\$ 524,267</u> | <u>\$ 438,513</u> | <u>\$ 394,707</u> | <u>\$ 357,150</u> | <u>\$ 340,618</u> |
| Total net debt applicable to the limit as a percentage of debt limit. | 21.38% | 20.86% | 20.77% | 23.40% | 28.30% | 32.88% | 37.76% | 40.64% | 43.66% | 44.48% |

ORS 238.694 provides a debt limit on revenue bonds to finance pension liabilities of 5% of the real market value of all taxable property within the County's boundaries.

| | | | | | | | | | | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Real market value | \$ 101,559,353 | \$ 105,010,710 | \$ 107,381,958 | \$ 100,302,763 | \$ 87,070,081 | \$ 78,109,995 | \$ 70,457,625 | \$ 66,491,001 | \$ 63,391,339 | \$ 61,345,077 |
| Debt limit rate | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Debt limit | 5,077,968 | 5,250,536 | 5,369,098 | 5,015,138 | 4,353,504 | 3,905,500 | 3,522,881 | 3,324,550 | 3,169,567 | 3,067,254 |
| Less bonded debt at June 30 | 142,223 | 151,373 | 159,113 | 165,583 | 170,908 | 175,203 | 178,568 | 181,103 | 182,893 | 184,018 |
| Legal debt margin | <u>\$ 4,935,745</u> | <u>\$ 5,099,163</u> | <u>\$ 5,209,985</u> | <u>\$ 4,849,555</u> | <u>\$ 4,182,596</u> | <u>\$ 3,730,297</u> | <u>\$ 3,344,313</u> | <u>\$ 3,143,447</u> | <u>\$ 2,986,674</u> | <u>\$ 2,883,236</u> |
| Total net debt applicable to the limit as a percentage of debt limit. | 2.80% | 2.88% | 2.96% | 3.30% | 3.93% | 4.49% | 5.07% | 5.45% | 5.77% | 6.00% |

Source: Current and prior years' financial statements, Multnomah County Division of Assessment and Taxation

MULTNOMAH COUNTY, OREGON
Computation of Direct and Overlapping Debt
June 30, 2011
(dollar amounts expressed in thousands)
(unaudited)

| Overlapping District (1) | Gross (2) Property-tax Backed Debt | Net (3) Property-tax Backed Debt | Percent (4) Overlapping | Total Direct and Overlapping |
|--|---|---|------------------------------------|---|
| City of Fairview | \$ 485 | \$ - | 100.00 % | \$ - |
| City of Gresham | 63,847 | 21,824 | 100.00 | 21,824 |
| City of Lake Oswego | 113,580 | 18,580 | 5.46 | 1,014 |
| City of Milwaukie | 4,195 | - | 0.73 | - |
| City of Portland | 709,648 | 142,065 | 99.64 | 141,551 |
| City of Troutdale | 15,185 | 15,185 | 100.00 | 15,185 |
| Metro | 209,140 | 158,020 | 50.96 | 80,533 |
| Port of Portland | 70,416 | - | 47.05 | - |
| Tri-Metropolitan Transport District | 9,800 | 9,800 | 51.18 | 5,016 |
| Clackamas County ESD | 26,075 | - | 0.06 | - |
| Multnomah ESD | 35,560 | - | 98.23 | - |
| Northwest Regional ESD | 6,180 | - | 0.57 | - |
| Multnomah County SD 1 (Portland) | 476,917 | 476,917 | 99.37 | 473,894 |
| Multnomah County SD 3 (Parkrose) | 2,885 | 2,885 | 100.00 | 2,885 |
| Multnomah County SD 7 (Reynolds) | 150,970 | 150,970 | 100.00 | 150,970 |
| Multnomah County SD 10J (Gresham-Barlow) | 99,825 | 99,825 | 84.54 | 84,393 |
| Multnomah County SD 28J (Centennial) | 31,788 | 31,788 | 93.45 | 29,706 |
| Multnomah County SD 39 (Corbett) | 2,250 | 2,250 | 100.00 | 2,250 |
| Multnomah County SD 40 (David Douglas) | 64,670 | 64,670 | 100.00 | 64,670 |
| Multnomah County SD 51J (Riverdale) | 28,833 | 28,833 | 95.45 | 27,522 |
| Mt Hood Community College | 71,286 | 22,615 | 83.17 | 18,809 |
| Portland Community College | 385,255 | 199,390 | 47.92 | 95,538 |
| Clackamas County SD 7J (Lake Oswego) | 114,094 | 114,094 | 0.32 | 370 |
| Columbia County SD 1J (Scappoose) | 32,825 | 32,825 | 19.49 | 6,398 |
| Washington County SD 48J (Beaverton) | 539,485 | 539,485 | 0.47 | 2,542 |
| Washington County SD 1J (Hillsboro) | 341,403 | 341,403 | 0.00 | 13 |
| Clackamas County RFPD #1 | 23,410 | 3,500 | 0.11 | 4 |
| Sauvie Island RFPD 30 | 110 | 110 | 95.87 | 105 |
| Sunrise Water Authority | 250 | 250 | 100.00 | 250 |
| Tualatin Valley Fire & Rescue Dist | 65,865 | 49,865 | 1.71 | 853 |
| East Multnomah Soil & Water Conservation | 870 | 870 | 100.00 | 870 |
| Lusted Water District | 895 | 895 | 100.00 | 895 |
| Multnomah County Drainage Dist No 1 | 3,710 | 140 | 100.00 | 140 |
| Subtotal, overlapping debt | 3,701,707 | 2,529,054 | | \$ 1,228,200 |
| Multnomah County direct debt | 297,303 | 104,660 | 100.00 | 104,660 |
| Total direct and overlapping debt | | | | <u>\$ 1,332,860</u> |

- (1) The overlapping debt calculation was performed by Municipal Debt Advisory Commission as of June 30, 2011
(2) Gross Property-tax Backed Debt includes all General Obligation (GO) bonds and Full Faith & Credit bonds.
(3) Net Property-tax Backed Debt is Gross Property-tax Backed Debt less Self-supporting Unlimited Tax GO and less Self-supporting Full Faith & Credit debt.
(4) Percent overlapping equals the RMV of the overlapping area of the overlapping district divided by the RMV of the County.

Source: Municipal Debt Advisory Commission, Oregon State Treasury

MULTNOMAH COUNTY, OREGON
Demographic and Economic Statistics
Last Ten Calendar Years

| Year | Population (1) | Personal Income (2) (thousands) | Per Capita Income (2) | PMSA* Unemployment Rate (3) |
|-------------|-----------------------|--|----------------------------------|--|
| 2002 | 670,250 | \$ 23,499,244 | \$ 34,741 | 7.8 % |
| 2003 | 677,850 | 23,890,048 | 35,208 | 8.3 |
| 2004 | 685,950 | 24,484,971 | 36,452 | 7.0 |
| 2005 | 692,825 | 25,011,925 | 37,119 | 5.8 |
| 2006 | 701,545 | 27,043,127 | 39,610 | 5.0 |
| 2007 | 710,025 | 28,234,192 | 40,505 | 4.8 |
| 2008 | 717,880 | 29,654,879 | 41,619 | 6.0 |
| 2009 | 724,680 | 29,430,654 | 40,490 | 10.8 |
| 2010 | 736,785 (1) | N/A | N/A | 10.6 |
| 2011 | 736,785 (4) | N/A | N/A | 9.2 (5) |

- N/A: Data was not available for this calendar year.
(1) Population Research Center, PSU
(2) US BEA, Dept of Commerce, Bureau of Economic Analysis
(3) OLMIS, Oregon Labor Market Information System
(4) Population data for July 1, 2011 is not available at this time.
(5) As of June 30, 2011
* Portland Metropolitan Statistical Area

Source: US Department of Commerce-Bureau of Economic Analysis, US Department of Labor-Bureau of Labor Statistics

MULTNOMAH COUNTY, OREGON
Principal Employers
Current Year and Nine Years Ago

| <u>Employer</u> | <u>2010-11</u> | | <u>Percentage of Total PMSA* Employment</u> |
|--------------------------------------|----------------------|-------------|---|
| | <u>Employees</u> | <u>Rank</u> | |
| State of Oregon | 22,600 | 1 | 1.90 % |
| U.S. Government | 17,500 | 2 | 1.47 |
| Intel Corporation | 15,636 | 3 | 1.31 |
| Providence Health System | 14,089 | 4 | 1.18 |
| Oregon Health and Science University | 13,636 | 5 | 1.14 |
| Fred Meyer Stores | 9,858 | 6 | 0.83 |
| Legacy Health System | 9,732 | 7 | 0.82 |
| Kaiser Foundation Health Plan | 9,039 | 8 | 0.76 |
| City of Portland | 8,876 | 9 | 0.74 |
| Nike, Inc. | 7,000 | 10 | 0.59 |
| | <u>127,966</u> | | <u>10.74 %</u> |
| Total PMSA* employment | <u>1,191,821 (1)</u> | | |

| <u>Employer</u> | <u>2001-2002</u> | | <u>Percentage of Total PMSA* Employment</u> |
|-----------------------------------|------------------|-------------|---|
| | <u>Employees</u> | <u>Rank</u> | |
| U.S. Government | 18,700 | 1 | 1.71 % |
| Intel Corporation | 15,000 | 2 | 1.37 |
| Providence Health System | 12,800 | 3 | 1.17 |
| Oregon Health Sciences University | 11,000 | 4 | 1.01 |
| Fred Meyer Stores | 10,744 | 5 | 0.98 |
| Portland Public Schools | 8,656 | 6 | 0.79 |
| City of Portland | 8,302 | 7 | 0.76 |
| Legacy Health System | 7,158 | 8 | 0.65 |
| State of Oregon | 6,883 | 9 | 0.63 |
| Kaiser Foundation | 6,725 | 10 | 0.61 |
| | <u>105,968</u> | | <u>9.68 %</u> |
| Total PMSA* employment | <u>1,093,526</u> | | |

* Portland Metropolitan Statistical Area
(1) As of June 30, 2011

(This page intentionally left blank.)

MULTNOMAH COUNTY, OREGON
Full Time Equivalent County Employees
by Function/Program and Bargaining Unit
Last Ten Fiscal Years

| Function/Program | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Governmental activities: | | | | | | | | | | |
| General government | 637.0 | 613.5 | 622.5 | 614.5 | 603.5 | 665.5 | 676.0 | 695.0 | 657.5 | 658.5 |
| Health services | 966.5 | 916.0 | 914.0 | 874.5 | 864.5 | 841.5 | 802.5 | 832.5 | 892.5 | 884.5 |
| Social services | 650.0 | 661.5 | 677.0 | 621.0 | 582.5 | 573.0 | 596.0 | 538.5 | 565.5 | 754.0 |
| Public safety and justice | 1,476.0 | 1,503.5 | 1,531.0 | 1,561.5 | 1,538.5 | 1,559.0 | 1,585.0 | 1,584.5 | 1,596.0 | 1,740.5 |
| Community services | 62.5 | 61.0 | 60.5 | 69.5 | 75.0 | 81.0 | 73.0 | 73.0 | 72.0 | 96.0 |
| Library | 480.0 | 477.0 | 467.5 | 440.5 | 423.0 | 411.0 | 413.5 | 487.5 | 465.5 | 462.0 |
| Roads and bridges | 146.0 | 138.0 | 143.0 | 149.0 | 150.0 | 139.0 | 159.5 | 164.0 | 176.0 | 184.0 |
| Total governmental activities | <u>4,418.0</u> | <u>4,370.5</u> | <u>4,415.5</u> | <u>4,330.5</u> | <u>4,237.0</u> | <u>4,270.0</u> | <u>4,305.5</u> | <u>4,375.0</u> | <u>4,425.0</u> | <u>4,779.5</u> |
| Business-type activities: | | | | | | | | | | |
| Behavioral Health | 6.0 | 6.0 | 7.0 | 8.0 | 7.0 | 11.0 | 17.0 | 45.5 | 34.5 | 38.0 |
| Total business-type activities | <u>6.0</u> | <u>6.0</u> | <u>7.0</u> | <u>8.0</u> | <u>7.0</u> | <u>11.0</u> | <u>17.0</u> | <u>45.5</u> | <u>34.5</u> | <u>38.0</u> |
| Total primary government budgeted FTE | <u>4,424.0</u> | <u>4,376.5</u> | <u>4,422.5</u> | <u>4,338.5</u> | <u>4,244.0</u> | <u>4,281.0</u> | <u>4,322.5</u> | <u>4,420.5</u> | <u>4,459.5</u> | <u>4,817.5</u> |
| MULTNOMAH COUNTY EMPLOYEES | | | | | | | | | | |
| Management and exempt | 764 | 716 | 716 | 704 | 659 | 668 | 669 | 654 | 668 | 735 |
| Bargaining units: | | | | | | | | | | |
| General employees (Local 88) | 2,771 | 2,740 | 2,724 | 2,664 | 2,602 | 2,623 | 2,648 | 2,785 | 2,792 | 3,012 |
| Electricians (Local 48) | 19 | 18 | 19 | 18 | 19 | 17 | 21 | 21 | 22 | 22 |
| Operating engineers (Local 701) | 13 | 13 | 13 | 10 | 11 | 12 | 14 | 13 | 12 | 13 |
| Paint makers (Local 1094) | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 3 | 3 |
| Corrections (Teamsters 223) | 411 | 420 | 429 | 437 | 432 | 449 | 450 | 454 | 467 | 497 |
| Deputy sheriffs association | 87 | 92 | 88 | 88 | 91 | 98 | 96 | 97 | 93 | 89 |
| Oregon nurses association | 199 | 216 | 220 | 221 | 228 | 238 | 239 | 256 | 269 | 263 |
| Juvenile group workers (Local 86) | 52 | 52 | 56 | 59 | 60 | 58 | 56 | 58 | 65 | 69 |
| Prosecuting attorneys association | 68 | 78 | 81 | 88 | 83 | 85 | 86 | 86 | 79 | 85 |
| Parole and Probation Officers | 121 | 123 | 131 | 134 | 133 | 133 | 133 | 0 | 0 | 0 |
| Total bargaining units | <u>3,742</u> | <u>3,753</u> | <u>3,763</u> | <u>3,721</u> | <u>3,661</u> | <u>3,715</u> | <u>3,745</u> | <u>3,772</u> | <u>3,802</u> | <u>4,053</u> |
| Temporary County employees | 128 | 100 | 72 | 103 | 114 | 91 | 109 | 92 | 100 | 481 |
| Total actual County employees | <u>4,634</u> | <u>4,569</u> | <u>4,551</u> | <u>4,528</u> | <u>4,434</u> | <u>4,474</u> | <u>4,523</u> | <u>4,518</u> | <u>4,570</u> | <u>5,269</u> |

N/A: Data was not available for this fiscal year.

Source: Multnomah County payroll records

MULTNOMAH COUNTY, OREGON
Operating Indicators by Function/Program
Last Ten Fiscal Years

| FUNCTION/PROGRAM | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Governmental Activities: | | | | | | | | | | |
| General Government | | | | | | | | | | |
| Number of property tax accounts - residential | 242,210 | 241,771 | 240,212 | 234,567 | 225,597 | 225,445 | 224,367 | 219,682 | 218,911 | 217,041 |
| Number of property tax accounts - personal | 62,125 | 63,075 | 63,086 | 63,279 | 64,126 | 58,082 | 63,497 | 62,171 | 60,999 | 60,140 |
| Number of property tax accounts - commercial | 34,063 | 34,161 | 34,226 | 34,210 | 34,152 | 34,199 | 33,173 | 33,182 | 33,410 | 33,683 |
| Number of marriage licenses issued | 6,201 | 6,276 | 6,257 | 6,383 | 6,542 | 6,203 | 9,037 | 6,297 | 5,878 | 6,270 |
| Health Services | | | | | | | | | | |
| Total clinic visits | 362,546 | 384,762 | 358,692 | 330,105 | 312,661 | 301,263 | 277,736 | 288,201 | 348,619 | 340,639 |
| County residents who rate their health good or better | 85% | 90% | 89% | 89% | 87% | 86% | 85% | 82% | 84% | 86% |
| Environmental health inspections | 13,371 | 12,572 | 11,873 | 11,672 | 10,130 | 9,126 | 9,039 | 9,978 | 9,204 | 10,245 |
| Women, infants, and children (WIC) served in the WIC program | 32,107 | 31,542 | 31,179 | 30,850 | 30,339 | 30,672 | 31,144 | 31,471 | 24,810 | 25,158 |
| Flu vaccinations at health clinics | 20,982 | 15,597 | 13,140 | 9,600 | 6,148 | 5,084 | 3,283 | 3,629 | 3,666 | 2,640 |
| Social Services | | | | | | | | | | |
| Households that have received assistance with energy bills | 17,383 | 19,292 | 22,129 | 14,606 | 13,676 | 12,482 | 12,450 | 10,868 | 11,787 | 15,813 |
| Clients with developmental disabilities served | 4,336 | 4,465 | 4,270 | 3,950 | 3,780 | 3,613 | 3,477 | 3,417 | 3,300 | 3,336 |
| Senior and physically disabled clients served | 39,136 | 37,470 | N/A | N/A | N/A | 44,664 | 45,241 | 41,454 | 44,055 | 47,678 |
| Alcohol and drug treatment clients / episodes (e) | N/A | 6,824 | 4,617 | 10,503 | 10,829 | 9,391 | 8,478 | 8,284 | 7,508 | 22,386 |
| Early childhood mental health clients | 4,025 | 4,511 | 4,869 | 4,726 | 7,700 | 7,737 | 7,708 | 7,899 | 7,053 | 7,226 |
| Families served in early childhood programs | 505 | 615 | 693 | 718 | 768 | 887 | 848 | 687 | 956 | 1,004 |
| Students enrolled in extended day school activities | 19,127 | 17,669 | 14,773 | 15,041 | 17,052 | 16,315 | 14,384 | 9,721 | 3,863 | 3,798 |
| Public Safety and Justice | | | | | | | | | | |
| Sheriff | | | | | | | | | | |
| Responses to calls for services | 40,655 | 40,835 | 36,848 | N/A | 41,601 | 43,327 | 41,260 | 35,500 | 36,972 | 36,063 |
| Number of arrests (parts 1, 2 and 3 crimes) | 2,776 | 2,850 | 3,037 | 2,938 | 2,708 | 3,204 | 3,548 | 3,383 | 3,714 | 3,165 |
| Corrections | | | | | | | | | | |
| Number of inmates booked | 36,557 | 38,634 | 32,992 | 35,533 | 37,113 | 38,726 | 37,577 | 36,260 | 35,532 | 37,658 |
| Average daily jail population | 1,187 | 1,274 | 1,378 | 1,559 | 1,641 | 1,612 | 1,577 | 1,654 | 1,682 | 1,871 |
| Average length of jail stay in days | 13 | 13 | 17 | 18 | 18 | 17 | 17 | 18 | 19 | 20 |
| Inmates held for court at Courthouse | 17,536 | 16,748 | 10,898 | 11,737 | 11,632 | 13,905 | 12,506 | 14,144 | 13,545 | 13,558 |
| Juvenile | | | | | | | | | | |
| Youth admitted to detention center | 1,638 | 1,758 | 2,112 | 2,021 | 1,992 | 2,161 | 2,161 | 2,207 | 2,357 | 2,611 |
| Average length of stay in days in youth detention center | 8.7 | 7.8 | 7.9 | 8.3 | 11.7 | 9.0 | 9.0 | 10.0 | 10.3 | 11.1 |
| Community service hours completed | 3,277 | 4,353 | 6,521 | 6,623 | 10,894 | 5,531 | 5,531 | 6,733 | 7,672 | 10,117 |
| Average number of youth on probation per month | 378 | 478 | 567 | 533 | 523 | 582 | 582 | 573 | 606 | 704 |
| (continued) | | | | | | | | | | |

N/A: Data was not available for this fiscal year.

Sources: Multnomah County Departments, Service Efforts and Accomplishments Social and Health Services, Service Efforts and

Accomplishments Public Safety, Current and prior year financial statements

(e) Prior to 2003, number of Alcohol and Drug Treatment episodes reported

MULTNOMAH COUNTY, OREGON
Operating Indicators by Function/Program
Last Ten Fiscal Years

| FUNCTION/PROGRAM | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|---|------------|------------|------------|------------|------------|------------|-------------|------------|------------|------------|
| Public Safety and Justice (continued) | | | | | | | | | | |
| <u>Adult</u> | | | | | | | | | | |
| Community service hours completed | 101,392 | 141,732 | 123,442 | 82,429 | 80,131 | 84,818 | 91,886 | 109,349 | 122,391 | 127,439 |
| Adults participating in educational classes | 710 | 705 | 639 | 588 | 481 | 584 | 630 | 554 | 596 | 567 |
| Clients receiving GED's | 78 | 79 | 60 | 38 | 62 | 67 | 99 | 50 | 73 | 95 |
| Average no. adults on probation & post-prison supervision/month | 8,278 | 7,896 | 8,793 | 9,261 | 9,619 | 9,763 | 9,118 | 9,347 | 9,171 | 9,042 |
| <u>District Attorney</u> | | | | | | | | | | |
| Cases of adult criminal activity prosecuted | 24,241 | 25,932 | 27,149 | 27,377 | 21,415 | 22,563 | 21,936 | 22,008 | 22,530 | 20,436 |
| Juvenile delinquency cases prosecuted | 476 | 651 | 869 | 1,064 | 817 | 946 | 944 | 1,013 | 947 | 1,127 |
| Hours of Community Court community service completed | 13,869 | 17,552 | 17,004 | 16,742 | 15,477 | 16,984 | 18,123 | 4,668 | 8,464 | 11,403 |
| Community Services | | | | | | | | | | |
| Number of registered voters | 409,872 | 407,541 | 426,567 | 380,298 | 380,298 | 430,693 | 430,693 | 363,589 | 363,843 | 383,915 |
| Number of votes cast in last general election (a) | 284,104 | 367,540 | 367,540 | 262,628 | 262,628 | 365,530 | 365,530 | 245,238 | 245,238 | 300,065 |
| Percent of registered voters who voted in last general election | 70% | 86% | 86% | 69% | 69% | 85% | 85% | *67% | 67% | *82% |
| Animal Control - Total Intake - Dogs and Cats | 8,606 | 8,320 | 8,096 | 8,886 | 9,879 | 9,808 | 9,597 | 8,939 | 8,448 | 7,739 |
| <u>Library</u> | | | | | | | | | | |
| New library cards issued annually | 73,566 | 71,809 | 74,677 | 71,843 | 67,379 | 69,973 | 74,805 | 76,161 | 73,012 | 70,219 |
| Books circulated | 23,939,091 | 22,715,292 | 21,513,255 | 20,394,496 | 19,900,816 | 19,589,530 | 19,462,344 | 18,762,556 | 17,854,110 | 16,133,945 |
| Borrowers who used their cards in last three years | 436,949 | 425,749 | 421,199 | 440,311 | 431,429 | 455,296 | 474,292 | 465,223 | 436,104 | 509,949 |
| Library satisfaction (b) | 91.5% | 90.1% | 90.4% | 91.3% | 92.4% | 92.5% | 92.5% | 86.5% | 96.8% | 96.1% |
| Web site visits/hits (c) | N/A | 7,858,192 | 6,810,872 | 6,695,693 | 6,647,087 | 6,410,053 | 111,433,518 | 93,764,392 | 66,650,158 | 44,568,574 |
| External website & catalog visits | 7,158,805 | 6,710,594 | 5,709,967 | 5,366,879 | 5,313,210 | N/A | N/A | N/A | N/A | N/A |
| Business-type activities: | | | | | | | | | | |
| <u>Dunthorpe-Riverdale Service Districts</u> | | | | | | | | | | |
| Sewage disposal - number of accounts | 592 | 591 | 590 | 583 | 582 | 579 | 578 | 578 | 575 | 570 |
| <u>Mid County Service District</u> | | | | | | | | | | |
| Lighting - number of accounts | 7,985 | 7,987 | 7,885 | 7,800 | 7,391 | 7,392 | 7,373 | 7,127 | 7,106 | 7,140 |

Sources: Multnomah County Departments, Service Efforts and Accomplishments Social and Health Services, Service Efforts and Accomplishments Public Safety, Current and prior year financial statements
(a) Community Service general elections are held in November on even years.
(b) Library satisfaction is % found library materials of interest starting in fiscal year 2004. Library satisfaction is from countywide citizen survey prior to fiscal year 2004.
(c) Website visits starting in fiscal year 2006, website hits in fiscal year 2005 and prior.

MULTNOMAH COUNTY, OREGON
Capital Asset and Infrastructure Statistics by Function/Program
Last Ten Fiscal Years

| FUNCTION/PROGRAM | 2011 | 2010 | 2009 | 2008 |
|--|-------------|-------------|-------------|-------------|
| Governmental Activities: | | | | |
| General Government | | | | |
| Buildings owned | 78 | 74 | 79 | 79 |
| Buildings leased | 54 | 51 | 52 | 53 |
| Automobiles | 310 | 316 | 325 | 328 |
| Vehicles (excluding automobiles) | 253 | 263 | 298 | 300 |
| Heavy equipment | 100 | 93 | 122 | 141 |
| Health Services | | | | |
| Health & dental centers | 7 | 7 | 7 | 7 |
| School based health centers | 14 | 14 | 13 | 13 |
| Social Services | | | | |
| Aging & Disability offices | 5 | 5 | 7 | 7 |
| Public Safety and Justice | | | | |
| Sheriff | | | | |
| Vehicular patrol units | 65 | 66 | 50 | 45 |
| Number of employees (sworn and civilian) | 763 | 785 | 786 | 786 |
| River Patrol offices | 3 | 3 | 3 | 3 |
| Corrections | | | | |
| Jails: | | | | |
| Facilities | 2 | 2 | 3 | 3 |
| Population | 1,310 | 1,367 | 1,539 | 1,633 |
| Community Justice | | | | |
| Adult probation & parole offices | 7 | 6 | 6 | 6 |
| Adult housing program offices | 4 | 4 | 4 | 4 |
| Juvenile counseling offices | 4 | 4 | 4 | 4 |
| Library | | | | |
| Regional | 2 | 2 | 2 | 2 |
| Neighborhood | 11 | 11 | 11 | 11 |
| Leased | 6 | 6 | 4 | 4 |
| Roads & Bridges | | | | |
| Miles of streets maintained by County: | | | | |
| Paved | 270 | 270 | 271 | 271 |
| Unpaved | 24 | 24 | 24 | 24 |
| Bridges: | | | | |
| Major | 6 | 6 | 6 | 6 |
| Minor | 19 | 19 | 19 | 18 |
| Business-type activities: | | | | |
| Mid County | | | | |
| Street lighting - lights and poles | 4,507 | 4,499 | 4,525 | 4,484 |
| Dunthorpe-Riverdale | | | | |
| Pump stations | 1 | 1 | 1 | 1 |
| Miles of sewer (approximate) | 15 | 15 | 15 | 15 |

Sources: Multnomah County Departments
N/A = not available

| 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|-------------|-------------|-------------|-------------|-------------|-------------|
| 83 | 84 | 87 | 88 | 86 | 86 |
| 59 | 59 | 59 | 62 | 67 | 71 |
| 301 | 311 | 302 | 311 | 322 | 339 |
| 292 | 295 | 292 | 300 | 272 | 289 |
| 132 | 136 | 135 | 139 | 140 | 138 |
| 7 | 7 | 7 | 7 | 7 | 7 |
| 13 | 13 | 14 | 14 | 14 | 13 |
| 7 | 7 | 9 | 9 | 11 | 13 |
| 47 | 43 | 48 | 44 | 35 | 36 |
| 798 | 794 | 814 | 847 | 835 | 896 |
| 3 | 3 | 3 | 3 | 3 | 3 |
| 3 | 3 | 4 | 4 | 3 | 5 |
| 1,690 | 1,690 | 1,537 | 1,651 | 1,531 | 1,775 |
| 6 | 6 | 6 | 6 | 7 | 8 |
| 4 | 4 | 5 | 5 | 5 | 6 |
| 4 | 4 | 4 | 5 | 6 | 6 |
| 2 | 2 | 2 | 2 | 2 | 2 |
| 11 | 11 | 11 | 11 | 10 | 10 |
| 4 | 4 | 4 | 4 | 4 | 4 |
| 273 | 273 | 326 | 326 | 326 | 365 |
| 24 | 24 | 24 | 24 | 24 | 11 |
| 6 | 6 | 6 | 6 | 6 | 6 |
| 18 | 18 | 23 | 23 | 23 | 23 |
| 4,439 | 4,400 | 4,219 | 3,974 | 3,710 | 3,837 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 15 | 15 | 15 | 15 | 15 | 15 |

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE AND
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH OREGON MINIMUM AUDIT STANDARDS**

Board of Commissioners
Multnomah County, Oregon

We have audited the basic financial statements of Multnomah County ("the County") as of and for the year ended June 30, 2011 and have issued our report thereon dated November 22, 2011. 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 use of approved 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 2011 and 2012.
- 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 one instance of noncompliance that is required to be reported under Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. The County experienced a budgetary over-expenditure in the Risk Management Fund which is disclosed in the notes to the financial statements.

AUDIT COMMENTS AND FEDERAL GRANT PROGRAMS SECTION

AUDIT COMMENTS

- 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 *Oregon Auditing Standards*

FEDERAL GRANT PROGRAMS

- Report of Independent Certified Public Accountants 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*
- Report of Independent Certified Public Accountants on the County's Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with *OMB Circular A-133*
- Schedule of Expenditures of Federal Awards
- Notes to Schedule of Expenditures of Federal Awards
- Schedule of Findings and Questioned Costs
- Management's Views and Corrective Action Plan to Current Year Audit Findings and Questioned Costs
- Summary Schedule of Prior Year Audit Findings and Questioned Costs

MOSS ADAMS LLP

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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.



For Moss Adams LLP
Eugene, Oregon
November 22, 2011

MOSS ADAMS LLP
Certified Public Accountants | Business Consultants

REPORT OF INDEPENDENT AUDITORS 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 financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the respective budgetary comparisons for the General Fund, the Federal, State Program Fund, and the Library Fund of Multnomah County, Oregon (the County) as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 22, 2011. Our report includes a reference to other auditors. 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. Other auditors audited the financial statements of The Library Foundation, a discretely presented component unit, as described in our report of the County's financial statements. The financial statements of The Library Foundation were not audited in accordance with *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Multnomah County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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, and grant agreements, 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*.

This report is intended solely for the information and use of the audit committee, management, others within the entity, Board of County Commissioners, the Secretary of State, Divisions of Audits, of the State of Oregon, 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
November 22, 2011

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Board of County Commissioners
Multnomah County, Oregon

COMPLIANCE

We have audited the Multnomah County's (the County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2011. 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 of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

INTERNAL CONTROL OVER COMPLIANCE

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 the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

MULTNOMAH COUNTY, OREGON
 Schedule of Expenditures of Federal Awards
 For the Year ended June 30, 2011

MOSS ADAMS LLP

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, others within the entity, Board of County Commissioners, the Secretary of State, Divisions of Audits, of the State of Oregon, 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
 November 22, 2011

| Grantor and Program Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|--|---------------------------|---|-------------------------|
| <u>U.S. Department of Agriculture</u> | | | |
| Passed Through State Department of Education: | | | |
| School Breakfast Program | 10.553 | 2613007 | \$ 52,812 |
| National School Lunch Program | 10.555 | 2613007 | 117,369 |
| <i>Total Child and Nutrition Cluster</i> | | | 170,181 |
| Passed Through State Department of Human Services: | | | |
| Special Supplemental Nutrition Program for Women, Infants, and Children | * 10.557 | 1936002309 | 3,113,717 |
| Passed Through State of Oregon Senior & Disabled Services Division: | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | | 8,178 |
| Passed Through State Department of Agriculture: | | | |
| Schools and Roads - Grants to States | * 10.665 | PI 106-393 | 717,840 |
| Total U.S. Department of Agriculture | | | 4,009,916 |
| <u>U.S. Department of Defense</u> | | | |
| Passed Through Oregon Department of Administrative Services: | | | |
| Payments to States in Lieu of Real Estate Taxes | 12.112 | 1936002309 | 1,125 |
| Total Department of Defense | | | 1,125 |
| <u>U.S. Department of Housing and Urban Development</u> | | | |
| Direct Programs: | | | |
| Community Development Block Grants/Entitlement Grants | 14.218 | | 373,281 |
| Passed Through City of Portland: | | | |
| Community Development Block Grants/Entitlement Grants | 14.218 | 30000598 | 315,716 |
| <i>Total Community Development Block Grants/Entitlement Grants</i> | | | 688,997 |
| Supportive Housing Program | 14.235 | | 2,077,508 |
| Healthy Homes Demonstration Grants | 14.901 | | 303,095 |
| Passed Through Housing Authority of Portland: | | | |
| Home Investment Partnerships Program | 14.239 | 7multn02 | 6,068 |
| ARRA - Homelessness Prevention and Rapid Re-Housing Program | 14.257 | 7multn02 | 27,156 |
| Total Department of Housing and Urban Development | | | 3,102,824 |
| <u>U.S. Department of Interior</u> | | | |
| Direct Programs: | | | |
| Payments in Lieu of Taxes | 15.226 | | 26,486 |
| Distribution of Receipts to State and Local Governments | * 15.227 | | 849,849 |
| Total Department of Interior | | | 876,335 |

* Indicates a Major Program

(continued)

MULTNOMAH COUNTY, OREGON
Schedule of Expenditures of Federal Awards
For the Year ended June 30, 2011

| Grantor and Program Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|---|---------------------|--|----------------------|
| U.S. Department of Justice | | | |
| Direct Programs: | | | |
| Comprehensive Approaches to Sex Offender Management | | | |
| Discretionary Grant (CASOM) | 16.203 | | 65,357 |
| Services for Trafficking Victims | 16.320 | | 100,909 |
| Supervised Visitation, Safe Havens for Children | 16.527 | | 50,001 |
| Missing Children's Assistance | 16.543 | | 158,550 |
| Edward Byrne Memorial State and Local Law Enforcement | | | |
| Assistance Discretionary Grants Program | 16.580 | | 8,901 |
| Drug Court Discretionary Grant Program | 16.585 | | 52,845 |
| Grants to Encourage Arrest Policies and Enforcement of Protection | | | |
| Orders Program | 16.590 | | 230,831 |
| State Criminal Alien Assistance Program | * 16.606 | | 443,102 |
| Bulletproof Vest Partnership Program | 16.607 | | 38,734 |
| Project Safe Neighborhoods | 16.609 | | 148,337 |
| Public Safety Partnership and Community Policing Grants | 16.710 | | 183,473 |
| Reduction and Prevention of Children's Exposure to Violence | 16.730 | | 145,478 |
| Transitional Housing Assistance for Victims of Domestic | | | |
| Violence, Dating Violence, Stalking, or Sexual Assault | 16.736 | | 94,891 |
| Anti-Gang Initiative | 16.744 | | 605 |
| Congressionally Recommended Awards | 16.753 | | 247,096 |
| ARRA - Recovery Act Transitional Housing | 16.805 | | 208,217 |
| ARRA - Recovery Act - Edward Byrne Memorial Competitive | | | |
| Grant Program | 16.808 | | 147,878 |
| Second Chance Act Prisoner Reentry Initiative | 16.812 | | 96,655 |
| Passed Through Oregon Commission on Children and Families: | | | |
| Juvenile Accountability Block Grants | 16.523 | 2008-6362 | 143,242 |
| Juvenile Justice and Delinquency Prevention_Allocation to States | 16.540 | FG2008/FG2008-11 | 97,430 |
| Passed Through State Department of Justice: | | | |
| Crime Victim Assistance | 16.575 | 08-3205/09-3437 | 177,609 |
| ARRA - Violence Against Women Formula Grants | 16.588 | 09-ARRA-VAWA-3530 | 7,518 |
| Violence Against Women Formula Grants | 16.588 | 09-VAWA-3229 | 78,750 |
| Total Violence Against Women Formula Grants | | | 86,268 |
| Passed Through State Department of Criminal Justice: | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | * 16.738 | 1936002309 | 778,433 |
| Passed Through City of Portland: | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | * 16.738 | 2009-0552 | 326,250 |
| ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance | | | |
| Grant (JAG) Program/ Grants to States and Territories | * 16.803 | 1936002309 | 951,180 |
| * Indicates a Major Program | | | |

(continued)

MULTNOMAH COUNTY, OREGON
Schedule of Expenditures of Federal Awards
For the Year ended June 30, 2011

| Grantor and Program Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|--|---------------------|--|----------------------|
| U.S. Department of Justice (continued) | | | |
| Passed Through City of Portland: | | | |
| ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance | | | |
| Grant (JAG) Program / Grants To Units Of Local Government | * 16.804 | 2009-SB-B9-0977 | 962,299 |
| Total Edward Byrne Memorial Justice Assistance Grant Program Cluster | | | 3,018,162 |
| Total Department of Justice | | | 5,944,571 |
| U.S. Department of Labor | | | |
| Passed Through Special Mobility Services Inc.: | | | |
| Senior Community Service Employment Program | 17.235 | | 1,800 |
| Total Department of Labor | | | 1,800 |
| U.S. Department of Transportation | | | |
| Passed Through State Department of Transportation: | | | |
| Highway Planning and Construction | 20.205 | 1936002309 | 109,638 |
| Highway Planning and Construction | 20.205 | 1936002309 | 9,385,172 |
| Total Highway Planning and Construction | | | 9,494,810 |
| Total Department of Transportation | | | 9,494,810 |
| Institute of Museum and Library Services | | | |
| Direct Programs: | | | |
| National Leadership Grants | 45.312 | | 7,356 |
| Passed Through National Endowment for the Humanities: | | | |
| Promotion of the Humanities_Public Programs | 45.164 | LS-50107-07 | 5,000 |
| Passed Through Oregon State Library: | | | |
| Grants to States | 45.310 | 09-04-3P | 11,377 |
| Grants to States | 45.310 | 10-03-1P | 41,713 |
| Grants to States | 45.310 | 10-04-3P/10-04-3Z | 43,233 |
| Grants to States | 45.310 | LNET 01-09 | 4,650 |
| Grants to States | 45.310 | LNET 01-10 | 305,000 |
| Total Grants to States | | | 405,973 |
| Passed Through Oregon Museum Science and Industry: | | | |
| National Leadership Grants | 45.312 | D09-05 | 1,865 |
| Total Institute of Museum and Library Services | | | 420,194 |
| U.S. Environmental Protection Agency | | | |
| Direct Programs: | | | |
| Environmental Justice Small Grant Program | 66.604 | | 5,396 |
| * Indicates a Major Program | | | |

(continued)

MULTNOMAH COUNTY, OREGON
Schedule of Expenditures of Federal Awards
For the Year ended June 30, 2011

| Grantor and Program Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|---|---------------------|--|----------------------|
| <u>U.S. Environmental Protection Agency</u> (continued) | | | |
| Passed Through Oregon Department of Environmental Quality: | | | |
| ARRA - State Clean Diesel Grant Program | 66.040 | 066-10 | 54,174 |
| Passed Through State Department of Human Services: | | | |
| State Public Water System Supervision | 66.432 | 1936002309 | 9,084 |
| Capitalization Grants for Drinking Water State Revolving Funds | 66.468 | 1936002309 | 11,270 |
| TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals | 66.707 | 1936002309 | 2,000 |
| Total U.S. Environmental Protection Agency | | | 81,924 |
| <u>U.S. Department of Energy</u> | | | |
| Direct Program: | | | |
| Renewable Energy Research and Development | 81.087 | | 15,948 |
| Passed Through Oregon Department of Energy: | | | |
| ARRA - State Energy Program | * 81.041 | 1936002309 | 1,046,697 |
| Passed Through Oregon Housing and Community Services: | | | |
| Weatherization Assistance for Low-Income Persons | 81.042 | 1936002309 | 49,910 |
| ARRA Weatherization Assistance for Low-Income Persons | 81.042 | 1936002309 | 1,616,117 |
| <i>Total Weatherization Assistance for Low-Income Persons</i> | | | <u>1,666,027</u> |
| ARRA - Energy Efficient Appliances Rebate Program (EEARP) | 81.127 | 1936002309 | 159,803 |
| Total Department of Energy | | | 2,888,475 |
| <u>Federal Emergency Management</u> | | | |
| Direct Program: | | | |
| Disaster Assistance - FEMA Flood | 83.516 | | 210 |
| Total Federal Emergency Management | | | 210 |
| <u>U.S. Department of Education</u> | | | |
| Passed Through Portland Community College: | | | |
| Adult Education - Basic Grants to States | 84.002 | 045-09 | 30,723 |
| Passed Through Oregon Department of Education: | | | |
| Twenty-First Century Community Learning Centers | 84.287 | 4128 | 99,839 |
| Passed Through Portland Public Schools: | | | |
| Voluntary Public School Choice | 84.361 | 57973 | 11,433 |
| Title I Grants to Local Educational Agencies, Recovery Act | 84.389 | SAE 1011095 | 117,950 |
| Total Department of Education | | | 259,945 |

* Indicates a Major Program

(continued)

MULTNOMAH COUNTY, OREGON
Schedule of Expenditures of Federal Awards
For the Year ended June 30, 2011

| Grantor and Program Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|--|---------------------|--|----------------------|
| <u>U.S. Election Assistance Commission</u> | | | |
| Passed Through State Department: | | | |
| Help America Vote Act Requirements Payments | 90.401 | | 174,995 |
| Total Election Assistance Commission | | | 174,995 |
| <u>U.S. Department of Health & Human Services</u> | | | |
| Direct Programs: | | | |
| Community-Based Abstinence Education (CBAE) | 93.010 | | 106,896 |
| Special Programs for the Aging Title IV and Title II Discretionary Projects | 93.048 | 1936002309 | 29,029 |
| Passed Through State Department of Human Services: | | | |
| Special Programs for the Aging Title IV and Title II Discretionary Projects | 93.048 | 1936002309 | 252,370 |
| <i>Total Special Programs for the Aging Title IV and Title II Discretionary Projects</i> | | | <u>281,399</u> |
| Passed Through State Department: | | | |
| Medicare Enrollment Assistance Program | 93.071 | MIPPA 09-11-12 | 17,562 |
| Direct Programs: | | | |
| Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse | 93.087 | | 656,261 |
| Injury Prevention and Control Research and State and Community Based Programs | 93.136 | | 104,160 |
| Passed Through Portland State University: | | | |
| Injury Prevention and Control Research and State and Community Based Programs | 93.136 | CDC sub050139 MCHD | 53,231 |
| Passed Through State Division of Public Health: | | | |
| Injury Prevention and Control Research and State and Community Based Programs | 93.136 | | 2,350 |
| <i>Total Injury Prevention and Control Research and State and Community Based Programs</i> | | | <u>159,741</u> |
| Direct Programs: | | | |
| Coordinated Services and Access to Research for Women, Infants, Children, and Youth | 93.153 | | 338,865 |
| Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care, and School Based Health Centers) | 93.224 | | 6,822,885 |
| State Capacity Building | 93.240 | | 44,560 |
| Refugee and Entrant Assistance Discretionary Grants | 93.576 | | 43,056 |
| ARRA - Grants to Health Center Programs | * 93.703 | | 1,791,290 |
| ARRA - Prevention and Wellness - Communities Putting Prevention to Work Funding Opportunities Announcement (FOA) | * 93.724 | | 3,064,681 |

* Indicates a Major Program

(continued)

MULTNOMAH COUNTY, OREGON
 Schedule of Expenditures of Federal Awards
 For the Year ended June 30, 2011

| Grantor and Program Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|---|---------------------|--|----------------------|
| <u>U.S. Department of Health & Human Services</u> (continued) | | | |
| Direct Programs (continued): | | | |
| HIV Emergency Relief Project Grants | 93.914 | | 3,705,690 |
| Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease | 93.918 | | 891,169 |
| Healthy Start Initiative | 93.926 | | 905,402 |
| Passed Through Oregon Health Sciences University: | | | |
| Special Projects of National Significance | 93.928 | GINTR0027EN MULT | 343 |
| Passed Through National Association of City and County Health Officials: | | | |
| Medical Reserve Corps Small Grant Program | 93.008 | MRC090141 | 4,993 |
| Passed Through State Department of Human Services: | | | |
| Special Programs for the Aging Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation | 93.041 | 1936002309 | 13,688 |
| Special Programs for the Aging Title III, Part D_Disease Prevention and Health Promotion Services | 93.043 | 1936002309 | 47,408 |
| Special Programs for the Aging Title III, Part B_Grants for Supportive Services and Senior Centers | 93.044 | 1936002309 | 919,514 |
| Special Programs for the Aging Title III, Part C_Nutrition Services | 93.045 | 1936002309 | 1,194,992 |
| Nutrition Services Incentive Program | 93.053 | 1936002309 | 526,982 |
| <i>Total Aging Cluster</i> | | | <u>2,641,488</u> |
| Alzheimer's Disease Demonstration Grants to States | 93.051 | 1936002309 | 94,494 |
| National Family Caregiver Support, Title III, Part E | 93.052 | 1936002309 | 350,346 |
| Public Health Emergency Preparedness | 93.069 | 1936002309 | 459,270 |
| Environmental Public Health and Emergency Response | 93.070 | 1936002309 | 7,184 |
| Passed Through NW Family Services: | | | |
| Healthy Marriage Promotion and Responsible Fatherhood Grants | 93.086 | 90AE0160 | 323,747 |
| Passed Through State Department of Human Services: | | | |
| Maternal and Child Health Federal Consolidated Programs | 93.110 | 1936002309 | 34,200 |
| Project Grants and Cooperative Agreements for Tuberculosis Control Programs | 93.116 | 1936002309 | 77,369 |
| Passed Through University of Washington: | | | |
| AIDS Education and Training Centers | 93.145 | 654951 | 110,500 |
| Passed Through State Department of Human Services: | | | |
| Projects for Assistance in Transition from Homelessness (PATH) | 93.150 | 1936002309 | 264,196 |
| Family Planning Services | 93.217 | 1936002309 | 364,494 |
| Substance Abuse and Mental Health Services-Access to Recovery | 93.275 | | 40,866 |

(continued)

MULTNOMAH COUNTY, OREGON
 Schedule of Expenditures of Federal Awards
 For the Year ended June 30, 2011

| Grantor and Program Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|---|---------------------|--|----------------------|
| <u>U.S. Department of Health & Human Services</u> (continued) | | | |
| Passed Through State Division of Public Health: | | | |
| Substance Abuse and Mental Health Services_Projects of Regional and National Significance | 93.243 | 1936002309 | 22,368 |
| Passed Through State Department of Human Services: | | | |
| Immunization Grants | 93.268 | 1936002309 | 2,781,976 |
| Centers for Disease Control and Prevention_Investigations and Technical Assistance | 93.283 | 1936002309 | 335,884 |
| Passed Through Washington County Public Health: | | | |
| Centers for Disease Control and Prevention_Investigations and Technical Assistance | 93.283 | CA 09-0978 | 22,246 |
| Passed Through Washington State Department of Health: | | | |
| Centers for Disease Control and Prevention_Investigations and Technical Assistance | 93.283 | #N17703 | 50,000 |
| Centers for Disease Control and Prevention_Investigations and Technical Assistance | 93.283 | 2010-100101 | 415,889 |
| <i>Total Centers for Disease Control and Prevention_Investigations and Technical Assistance</i> | | | <u>824,019</u> |
| Passed Through State Division Public Health: | | | |
| Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program | 93.505 | 132027 | 17,820 |
| Passed Through Oregon Commission on Children And Families: | | | |
| Promoting Safe and Stable Families | 93.556 | MUL0911 | 312,731 |
| Passed Through Oregon Housing and Community Services: | | | |
| Temporary Assistance for Needy Families | 93.558 | 1936002309 | 115,832 |
| Passed Through Oregon Department of Justice: | | | |
| Child Support Enforcement | 93.563 | 1936002309 | 1,656,231 |
| ARRA Child Support Enforcement | 93.563 | 1936002309 | 196,676 |
| <i>Total Child Support Enforcement</i> | | | <u>1,852,907</u> |
| Passed Through Oregon Housing and Community Services: | | | |
| Low-Income Home Energy Assistance | 93.568 | 0310559 | 7,270,427 |
| Passed Through Oregon Housing and Community Services: | | | |
| Community Services Block Grant | * 93.569 | 0310559 | 793,876 |
| ARRA - Community Services Block Grant | * 93.710 | 0310559 | 261,883 |
| <i>Total CSBG Cluster</i> | | | <u>1,055,759</u> |

* Indicates a Major Program

(continued)

MULTNOMAH COUNTY, OREGON
Schedule of Expenditures of Federal Awards
For the Year ended June 30, 2011

| Grantor and Program Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|---|---------------------|--|----------------------|
| <u>U.S. Department of Health & Human Services</u> (continued) | | | |
| Passed Through Oregon Department of Justice: Grants to States for Access and Visitation Programs | 93.597 | Multnomah | 44,142 |
| Passed Through Mount Hood Community College Head Start: Head Start | 93.600 | 0210115-6 | 62,084 |
| Passed Through Oregon Secretary of State: Voting Access for Individuals with Disabilities_Grants to States | 93.617 | 110087 | 12,541 |
| Passed Through Oregon Commission on Children And Families: Social Services Block Grant | 93.667 | MUL0911 | 766,716 |
| Passed Through Oregon Health Sciences University: ARRA _ Trans-NIH Recovery Act Research Support | 93.701 | APHPM0167ST-MC | 295,110 |
| Passed Through State Department of Human Services: ARRA_Health Information Technology Regional Extension Centers Program | 93.718 | LPHA 132027 | 48,655 |
| Passed Through Washington State Department of Health: ARRA - Prevention and Wellness-State, Territories and Pacific Islands | 93.723 | #N17703 | 1,250 |
| Passed Through State Dept of Consumer Business Svc./Dep. Human Services: Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations | 93.779 | SHIBA 1011-15/ 130183 | 46,364 |
| Passed Through Kaiser Foundation Research Institute: Cardiovascular Diseases Research | 93.837 | #R18HL095481-01A1 | 46,124 |
| Passed Through State Department of Human Services: National Bioterrorism Hospital Preparedness Program | 93.889 | 1936002309 | 361,160 |
| Passed Through Oregon Health Sciences University: Ryan White HIV/AIDS Dental Reimbursements Community Based Dental Partnership | 93.924 | GPBHD0014A MULT | 12,116 |
| Passed Through State Department of Human Services: HIV Prevention Activites_Health Department Based | 93.940 | 1936002309 | 858,822 |
| Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance | 93.944 | 1936002309 | 317,032 |
| Passed Through National Association of Chronic Disease Directors: Assistance Programs for Chronic Disease Prevention and Control | 93.945 | 4CA128-01 1 MCHD#0809147 | 25,740 |

(continued)

MULTNOMAH COUNTY, OREGON
Schedule of Expenditures of Federal Awards
For the Year ended June 30, 2011

| Grantor and Program Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|--|---------------------|--|-----------------------------|
| <u>U.S. Department of Health & Human Services</u> (continued) | | | |
| Passed Through State Department of Human Services: Block Grants for Community Mental Health Services | 93.958 | 1936002309 | 516,329 |
| Block Grants for Prevention and Treatment of Substance Abuse | * 93.959 | 1936002309 | 3,836,132 |
| Preventative Health and Health Services Block Grant | 93.991 | 1936002309 | 3,700 |
| Passed Through Oregon Health Sciences University: Maternal and Child Health Services Block Grant to the States | 93.994 | 4 B04MC06604-01-04 | 125,991 |
| Passed Through State Department of Human Services: Maternal and Child Health Services Block Grant to the States | 93.994 | 1936002309 | 407,408 |
| <i>Total Maternal and Child Health Services Block Grant to the States</i> | | | <u>533,399</u> |
| Total Department of Health and Human Services | | | <u>45,705,298</u> |
| <u>Corporation for National and Community Service</u> | | | |
| Foster Grandparent Program | 94.011 | | 137,045 |
| Total Corporation for National and Community Services | | | <u>137,045</u> |
| <u>US Department of Homeland Security</u> | | | |
| Passed Through City of Portland-Department of Emergency Communications: Non-Profit Security Program | 97.008 | UAS108 | 303,907 |
| Passed Through Oregon State Marine Board: Boating Safety Financial Assistance | 97.012 | 1936002309 | 714,423 |
| Passed Through Oregon Emergency Management: Flood Mitigation Assistance | 97.029 | EMS-200X-FM-E00X | 12,782 |
| Emergency Management Performance Grants | 97.042 | EMPG09 | 317,720 |
| Citizen Corps | 97.053 | 07-111 | 11,687 |
| State Homeland Security Program (SHSP) | 97.073 | 07-225 | 277,420 |
| State Homeland Security Program (SHSP) | 97.073 | 08-243 | 67,364 |
| State Homeland Security Program (SHSP) | 97.073 | 09 | 115,009 |
| <i>Total State Homeland Security Program (SHSP)</i> | | | <u>459,793</u> |
| Law Enforcement Terrorism Prevention Program (LETPP) | 97.074 | 07-169 | 57,536 |
| Law Enforcement Terrorism Prevention Program (LETPP) | 97.074 | LETPP 05 | 37,923 |
| <i>Total Law Enforcement Terrorism Prevention Program</i> | | | <u>95,459</u> |
| Total Department of Homeland Security | | | <u>1,915,771</u> |
| Total Federal Expenditure | | | <u>\$ 75,015,238</u> |

* Indicates a Major Program

MULTNOMAH COUNTY, OREGON
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Note A – General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal awards programs of Multnomah County, Oregon (the County) for the year ended June 30, 2011. The County's reporting entity is defined in Note 1 to the County's June 30, 2011 basic financial statements.

Note B – Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified-accrual basis of accounting, as described in Note 1 to the County's basic financial statements. The Highway Planning and Construction grant, CFDA 20.205, was reported on the cash basis due to the nature of this award. The Schedule provides the summary of expenditures of federal awards by program or program cluster (CFDA number), by State Agency, if applicable, and by detailed passed through agency, if applicable. Federal CFDA numbers are from the Catalog of Federal Domestic Assistance (CFDA) published by the Office of Management and Budget and the General Services Administration.

Note C – Relationship to Basic Financial Statements

Federal financial assistance revenues reported in the County's basic financial statements are included with operating grants and contributions.

Note D – Non-cash Awards

The accompanying Schedule of Expenditures of Federal Awards includes three non-cash awards.

An award from the State Department of Education provides food donations (CFDA #10.555 - Commodity Supplemental Food Program) for the Juvenile Detention Center. The value of the food is determined by the grantor; \$10,544. This amount is included in the total program value reported on the Schedule of Expenditures of Federal Awards of \$117,369.

An award from the U.S. General Election Assistance Commission provided a ballot sorter (CFDA #90.401 – Help America Vote Act Requirements Payments). The value of the ballot sorter was determined by the granting agency; \$174,995.

An additional award from the Department of Health and Human Services is in the form of immunization vaccines (CFDA #93.268 – Childhood Immunization Grants). The value of the Childhood Immunization Grant award was determined by the granting agency. The amount expended and advanced at June 30, 2011 is calculated on a proportionate basis; \$2,726,476. This amount is included in the total program value reported on the Schedule of Expenditures of Federal Awards of \$2,781,976.

MULTNOMAH COUNTY, OREGON
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Note E - Subrecipients

Of the Federal expenditures presented in the schedule, Multnomah County provided federal awards to subrecipients as follows:

| <u>Program Title</u> | <u>Federal CFDA number</u> | <u>Amount provided to subrecipients</u> |
|--|----------------------------|---|
| Community Development Block Grants/Entitlement Grants | 14.218 | 596,311 |
| Supportive Housing Program | 14.235 | 1,688,604 |
| Missing Children's Assistance | 16.543 | 44,078 |
| Drug Court Discretionary Grant Program | 16.585 | 48,710 |
| Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program | 16.590 | 79,466 |
| Project Safe Neighborhoods | 16.609 | 25,340 |
| Reduction and Prevention of Children's Exposure to Violence | 16.730 | 43,932 |
| Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault | 16.736 | 37,635 |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 616,069 |
| Congressionally Recommended Awards | 16.753 | 90,582 |
| ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories | 16.803 | 359,214 |
| ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Programs/Grants to Units of Local Government | 16.804 | 227,346 |
| ARRA - Recovery Act Transitional Housing | 16.805 | 82,491 |
| Second Chance Act Prisoner Reentry Initiative | 16.812 | 89,091 |
| Highway Planning and Construction | 20.205 | 3,150 |
| Twenty-First Century Community Learning Centers | 84.287 | 99,839 |
| Voluntary Public School Choice | 84.361 | 10,922 |
| Title I Grants to Local Educational Agencies, Recovery Act | 84.389 | 112,677 |
| Community-Based Abstinence Education (CBAE) | 93.010 | 11,663 |
| Special Programs for the Aging Title III, Part D_Disease Prevention and Health Promotion Services | 93.043 | 38,474 |
| Special Programs for the Aging Title III, Part B_Grants for Supportive Services and Senior Centers | 93.044 | 289,063 |
| Special Programs for the Aging Title III, Part C_Nutrition Services | 93.045 | 1,194,992 |
| Special Programs for the Aging Title IV and Title II Discretionary Projects | 93.048 | 10,686 |
| National Family Caregiver Support, Title III, Part E | 93.052 | 143,521 |
| Nutrition Services Incentive Program | 93.053 | 526,982 |
| Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse | 93.087 | 435,123 |
| Injury Prevention and Control Research and State and Community Based Programs | 93.136 | 54,039 |
| Projects for Assistance in Transition from Homelessness (PATH) | 93.150 | 235,196 |
| Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care, and School Based Health Centers) | 93.224 | 277,635 |
| Promoting Safe and Stable Families | 93.556 | 103,844 |
| Low-Income Home Energy Assistance | 93.568 | 535,304 |
| Community Services Block Grant | 93.569 | 625,333 |
| Social Services Block Grant | 93.667 | 652,361 |
| ARRA - Grants to Health Center Programs | 93.703 | 296,269 |
| ARRA - Community Services Block Grant | 93.710 | 247,638 |
| ARRA - Prevention and Wellness - Communities Putting Prevention to Work Funding Opportunities Announcement (FOA) | 93.724 | 1,415,942 |
| HIV Emergency Relief Project Grants | 93.914 | 2,388,738 |
| HIV Prevention Activities_Health Department Based | 93.940 | 326,470 |
| Block Grants for Community Mental Health Services | 93.958 | 265,502 |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | 3,463,720 |
| Non-Profit Security Program | 97.008 | 33,958 |
| Citizen Corps | 97.053 | 3,100 |
| Total Subrecipient pass-through | | 17,831,009 |

MULTNOMAH COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2011

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
 • Significant deficiency(ies) identified? _____ yes X none reported
 Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:
 • Material weakness(es) identified? _____ yes X no
 • Significant deficiency(ies) identified? _____ 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:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 10.557 | Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) |
| 10.665 | Schools and Roads, Grants to States |
| 15.227 | Distribution of Receipts to State and Local Governments |
| 16.606 | State Criminal Alien Assistance Program |
| 81.041 | State Energy Program |
| 93.959 | Block Grants for Prevention and Treatment of Substance Abuse |
| 93.703 | ARRA - Grants to Health Center Programs |
| 93.724 | ARRA - Prevention and Wellness - Communities Putting Prevention to Work Funding Opportunities Announcement |
| | <u>JAG Cluster</u> |
| 16.738 | Edward Byrne Memorial Justice Assistance Grant Program |
| 16.803 | Recovery Act - Edward Byrne Memorial Justice Assistance Grants (JAG) Program / Grants to States and Territories |
| 16.804 | Recovery Act - Edward Byrne memorial Justice Assistance Grant (JAG) Program / Grants to Units of Local Government |
| | <u>Community Services Block Grant Cluster</u> |
| 93.569 | Community Service Block Grant |
| 93.710 | ARRA - Community Services Block Grant |

MULTNOMAH COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2011

Section I - Summary of Auditor's Results (Continued)

Dollar threshold used to distinguish between type A and type B programs: \$ 2,250,457
 Auditee qualified as low-risk auditee? X yes _____ no

Section II - Financial Statement Findings

None reported

Section III - Federal Award Findings and Questioned Costs

None reported



MULTNOMAH COUNTY OREGON
501 SE Hawthorne, Suite 531
Portland, Oregon 97214
(503) 988-3312 phone
(503) 988-3292 fax

**Summary Schedule of Prior Year Audit Findings and Questioned Costs
For the Fiscal Year Ending June 30, 2010**

FINDING 2010-01 – Depreciation of Right-of-Ways – Significant Deficiency in Internal Control

Condition: The County did not have procedures in place to ensure the non-depreciable treatment of right-of-ways.

Recommendation: Prior to audit fieldwork we noted that management corrected this misapplication of GAAP, and implemented procedures treating right-of-ways as non-depreciable assets.

Status of Finding: Management made the appropriate corrections in the fiscal year 2010 financial statements and provided the auditors with accurate year-end reports and supporting schedules. In addition, management revised the County's capital asset policy to state that right-of-ways are non-depreciable assets. The County is no longer depreciating right-of-ways and has implemented controls in place to ensure proper capital asset accounting and reporting.

FINDING 2010-02 - Allowable Costs (Payroll) - Significant Deficiency in Internal Controls and Instance of Non-Compliance

Federal Programs: Social Services Block Grant, CFDA 93.667
Weatherization Assistance for Low-Income Persons, CFDA 81.042

Condition: During our testing of payroll for the awards listed above, it was noted that these programs did not perform the annual reconciliation of budgeted payroll expenditures charged to federal awards compared to actual personnel costs expended, nor were those differences adjusted accordingly.

Recommendation: Moss Adams recommends that the County delegate responsibility for the annual reconciliation to grant accountant, with an oversight and review process by County management. If differences are noted, adjustments should be made in the accounting system to reflect true costs to the program.

Status of Finding: Management has implemented procedures to ensure an annual payroll reconciliation is performed comparing budgeted personnel expenditures charged to federal awards to actual personnel costs incurred.

FINDING 2010-03 - Allowable Costs - Internal Service Charges Instance of Non-Compliance

Federal Programs: Consolidated Health Centers, CFDA 93.224

Condition: Multnomah County's Cost Allocation Plan did not include all the required disclosures for internal service funds: description of service, balance sheet, revenue / expense statement, transfers, etc. The working capital reserve for the IT Department was not monitored to ensure this balance did not exceed 60 days of working capital. There was no annual reconciliation of IT Department revenue generated to the actual costs incurred for fiscal year 2010.

Recommendation: Moss Adams recommends that the County perform the 2010 reconciliation between IT Department internal service costs charged to the Consolidated Health Centers program and the actual cost of the service provided to determine the amount overcharged to the federal award. The amount overcharged should be returned to the awarding agency. In addition, Moss Adams recommends that policies and procedures be designed and implemented to ensure compliance with OMB A-87 requirements for IT Department internal service costs charged to federal awards. We further recommend that the vacant accountant position within the IT Department be filled and this individual be assigned responsibility for compliance requirements, with periodic review by County management.

Status of Finding: During the preparation of the County's 2011 Indirect Cost Allocation Plan (CAP), General Ledger noted the 2010 plan did not include the proper disclosures for internal service funds. Our procedures to prepare the County's CAP now include information on disclosing relevant internal service fund financial statements and other information. Management did prepare the 2011 and 2012 CAPs with the required internal service fund disclosures.

In fiscal year 2011, General Ledger coordinated with the Information Technology division (IT) and the County's cognizant agency, Department of Health and Human Services (HHS), to repay HHS the \$120,000 of questioned internal IT charges on the Health Department's grant, Consolidated Health Centers, CFDA 93.224. This payment was made in fiscal year 2011 and the County received a confirmation letter from HHS. Management has further evaluated the requirements of OMB A-87 and has developed controls to review internal service charges recorded to our Federal programs to ensure grants are not overcharged by any one internal service provider.

IT has also taken a number of steps during the fiscal year 2012 planning and budget process in order to address the accumulation of working capital in its internal service fund. One significant step in fiscal year 2012 has been the change in allocating the monthly IT charges from budgeted amounts to allocating the actual monthly expenses to each department. IT management believes this change in the billing process will prevent the accumulation of working capital in the internal service data processing fund. In addition, IT has developed a process to review year-end revenue charges/billings and make any necessary adjustments prior to year-end close.

FINDING 2010-04 - Eligibility - Significant Deficiency in Internal Control and Instance of Noncompliance

Federal Programs: ARRA Grants to Health Center Programs, CFDA 93.703

Condition: During our testing of eligibility requirements, the County was unable to provide documentation that supported the annual income level of clients for use in determining the Federal Poverty Level (FPL) % and applicable sliding fee for health services rendered. Typically this documentation would take the form of a filed tax return or payroll remittance. We were able to review income levels within the EPIC system to ensure compliance with eligibility requirements; however the supporting documentation was not available to review.

Recommendation: We recommend that the County revise their document destruction policy to meet federal requirements of retaining documents for at least three years.

Status of Finding: Management recognizes the importance of adhering to Federal OMB requirements regarding retention and access requirements for records. The Health Department performs eligibility screenings to determine the income level of clients/patients in order to establish a Federal Poverty Level (FPL) for client/patients seeking personal health services. The department screening requires clients/patients to provide a copy of pay check stubs (3 months), employee letter verification, and previous year tax return. Department procedures also require the retention of the financial documentation related to the FPL level determination. In fiscal year 2010, the Eligibility unit of the Health Department took on all eligibility screening responsibilities after the Patient Account Service Office (PASO) was eliminated in the prior year. At the time of transition the policy by the Eligibility unit was to retain screening documentation up to one full fiscal year in order to limit paper storage space at the clinics.

A management review found no indication that the Eligibility unit did not perform the required financial screenings. Management confirmed proper procedural controls are in place to ensure patient income levels are adequately supported. The unit follows well established policies for insurance eligibility verification and has procedures in place to collect and retain financial documentation provided to them, including the clients financial data used to calculate FPL level. In fiscal year 2011, the Eligibility unit changed its retention record requirement from one fiscal year to three fiscal years to comply with Federal OMB requirements. During the October 2010 Eligibility staff meeting clinical leadership confirmed the process change. The retention procedural change along with periodic reviews from the Health Department Business Services ensures the retention of FPL documentation complies with Federal grant requirements.

Appendix C

Book Entry Only System

**SAMPLE OFFERING DOCUMENT LANGUAGE
DESCRIBING BOOK-ENTRY-ONLY ISSUANCE**

(Prepared by DTC--bracketed material may apply 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 securities 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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 a Standard & Poor's rating of: AA+. 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.

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 DTC 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 the 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 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 any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI 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 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, 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 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 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

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Certificate"), dated December 13, 2012 is executed and delivered by Multnomah County, Oregon (the "Issuer") in connection with the execution and delivery of the Issuer's \$128,000,000 aggregate principal amount of Full Faith and Credit Obligations, Series 2012 (the "Obligations"), which are dated December 13, 2012. The Obligations are authorized pursuant to Resolution No. 2012-178 adopted by the governing body of the Issuer on October 18, 2012 (the "Resolution"). Capitalized terms used but not otherwise defined herein shall have the meanings assigned thereto in the Resolution or the Purchase Agreement. 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 holders of the Obligations and to assist the Underwriter in complying with paragraph (b)(5) of Securities and Exchange Commission (the "SEC") Rule 15c2-12 (17 C.F.R. § 240.15c2-12) as amended (the "Rule").

Section 2. Issuer's Representation Regarding Outstanding Municipal Securities. The Issuer, as an "obligated person", hereby agrees to provide or cause to be provided at least annually to the Municipal Securities Rulemaking Board (the "MSRB"), the financial information regarding the Issuer of the type set forth in the final official statement dated December 4, 2012 (the "Official Statement") under the following tables:

Outstanding Long-Term Debt

Taxable Property Values

Tax Collection Record

Major Taxpayers**

Governmental Activities - Statement of Net Assets**

Governmental Activities - Statement of Revenues, Expenses and Changes in Net Assets**

General Fund Statement of Revenues, Expenditures and Changes in Fund Balance**

**Current (preceding fiscal year): no historical information will be provided

The annual financial information described above will be available no later than 270 days after the end of the preceding fiscal year, beginning with the Issuer's fiscal year ending June 30, 2012. Such information will include audited financial statements prepared in accordance with the laws of the State of Oregon as in effect from time to time; provided, however, that if audited financial statements are not available within 270 days after the end of the preceding fiscal year, unaudited financial statements will be provided with audited financial statements to follow when available.

Certain items of annual financial information may be provided by way of cross-reference to other documents provided to the MSRB.

Section 3. Material Events. The Issuer agrees to provide or cause to be provided to the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the Obligations:

- a. principal and interest payment delinquencies;
- b. non-payment related defaults, if material;

- 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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- g. modifications to rights of security holders, if material;
- h. bond calls, if material, and tender offers;
- i. defeasances;
- j. release, substitution, or sale of property securing repayment of the securities, if material;
- k. rating changes;
- l. bankruptcy, insolvency, receivership or similar event of the obligated person; (Note: For the purposes of the event identified in this paragraph 1, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.)
- m. the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- n. appointment of a successor or additional trustee or the change of name of a trustee, if material.

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 Obligations, but the Issuer does not undertake any commitment to provide such notice of any event except those events listed above.

Section 4. Failure to File Timely Annual Financial Information. The Issuer agrees to provide or cause to be provided, in a timely manner, to the MSRB, notice of a failure by the Issuer to provide the annual financial information described in Section 2 herein on or prior to the time set forth in Section 2 herein.

Section 5. Dissemination Agent. The Issuer may, from time to time, engage or appoint an agent to assist the Issuer in disseminating information hereunder (the "Dissemination Agent"). The Issuer may discharge any Dissemination Agent with or without appointing a successor Dissemination Agent.

Section 6. Termination of Obligations. Pursuant to paragraph (b)(5)(iii) of the Rule, the Issuer's obligation to provide annual financial information and notice of material events, as set forth above, shall terminate if and when the Issuer no longer remains an obligated person with respect to the Obligations, which shall occur upon either redemption in full of the Obligations, or legal defeasance of the Obligations. In addition, and notwithstanding the provisions of Section 8 herein, 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 Obligations, and (ii) the Issuer notifies and provides to the MSRB, a copy of such legal opinion.

Section 7. Enforceability and Remedies. The Issuer agrees that this Certificate is intended to be for the benefit of registered and beneficial holders of the Obligations and shall be enforceable by or on behalf of any such holder; provided that, the right of any holder of an obligation to challenge the adequacy of the information furnished hereunder shall be limited to an action by or on behalf of holders of the Obligations representing at least twenty-five percent (25%) of the aggregate outstanding principal amount of Obligations. Any failure by the Issuer to comply with the provisions of this undertaking shall not be an Event of Default under the obligation documents. This Certificate confers no rights on any person or entity other than the Issuer, holders of the Obligations, and any Dissemination Agent.

Section 8. Amendment. The Issuer may amend this Certificate without the consent of holders of the Obligations under the following conditions:

- a. 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;
- b. 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
- c. The amendment (i) does not materially impair the interest of holders of the Obligations, as determined either by parties unaffiliated with the Issuer (such as nationally recognized special counsel), or (ii) is approved by holders of the Obligations in the same manner as provided in the obligation documents with the consent of holders of the Obligations.

The financial information provided pursuant to Section 2 hereof will explain, in narrative form, the reasons for any amendment and the impact of the change in the type of operating data or financial information being provided.

Section 9. Form of Information. All information required to be provided under this Certificate will be provided in an electronic format as prescribed by the MSRB and with the identifying information prescribed by the MSRB.

Section 10. Submitting Information Through EMMA. So long as the MSRB continues to approve the use of the Electronic Municipal Market Access ("EMMA") continuing disclosure service, any information required to be provided to the MSRB under this Certificate may be provided through EMMA. As of the date of this Certificate, the web portal for EMMA is www.emma.msrb.org.

Section 11. 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

(This page left blank intentionally)

Appendix E

Form of Financing Agreement and Form of Escrow Agreement

(This page left blank intentionally)

**TAX EXEMPT
FINANCING AGREEMENT**

between

U.S. BANK NATIONAL ASSOCIATION

“Escrow Agent”

and

MULTNOMAH COUNTY, OREGON

“County”

Relating to:

MULTNOMAH COUNTY, OREGON

**\$128,000,000
FULL FAITH AND CREDIT OBLIGATIONS
SERIES 2012**

DATED: DECEMBER 13, 2012

HAWKINS DELAFIELD & WOOD LLP

TABLE OF CONTENTS

| | |
|--|----------|
| ARTICLE I. RECITALS, DEFINITIONS AND RULES OF CONSTRUCTION..... | 1 |
| Section 1.1 Recitals..... | 1 |
| Section 1.2 Definitions..... | 1 |
| Section 1.3 Rules of Construction..... | 2 |
| ARTICLE II. REPRESENTATIONS, WARRANTIES AND COVENANTS OF DISTRICT AND ESCROW AGENT..... | 2 |
| Section 2.1 Representations, Warranties and Covenants of County..... | 2 |
| Section 2.2 Representations, Warranties and Covenants of Escrow Agent..... | 2 |
| Section 2.3 Tax Covenants..... | 3 |
| ARTICLE III. THE FINANCING AND THE PAYMENTS..... | 3 |
| Section 3.1 The Financing..... | 3 |
| Section 3.2 The Payments and Additional Charges..... | 3 |
| Section 3.3 Prepayment..... | 4 |
| Section 3.4 Nature of County’s Obligations..... | 5 |
| Section 3.5 Estoppel..... | 5 |
| ARTICLE IV. ASSIGNMENT..... | 5 |
| Section 4.1 By the Escrow Agent..... | 5 |
| Section 4.2 By the County..... | 5 |
| ARTICLE V. TITLE; FUTURE ENCUMBRANCES AND PARITY OBLIGATIONS..... | 6 |
| Section 5.1 Title..... | 6 |
| Section 5.2 Future Encumbrances and Parity Obligations..... | 6 |
| Section 5.3 Maintenance; Modification; Taxes; Insurance and Other Matters..... | 6 |
| Section 5.4 Substitution..... | 6 |
| ARTICLE VI. EVENTS OF DEFAULT AND REMEDIES..... | 6 |
| Section 6.1 Events of Default Defined..... | 6 |
| Section 6.2 Remedies on Default..... | 7 |
| ARTICLE VII. MISCELLANEOUS..... | 7 |
| Section 7.1 Notices..... | 7 |
| Section 7.2 Binding Effect..... | 8 |
| Section 7.3 Severability..... | 8 |
| Section 7.4 Amendments..... | 8 |
| Section 7.5 Applicable Law..... | 8 |
| Section 7.6 Headings..... | 8 |
| Section 7.7 Execution in Counterparts..... | 8 |

EXHIBIT A – Financing Payment Schedule

EXHIBIT B – Prepayment Provisions

TAX EXEMPT FINANCING AGREEMENT

THIS TAX-EXEMPT FINANCING AGREEMENT is dated as of December 13, 2012, and is entered into by and between **U.S. BANK, NATIONAL ASSOCIATION**, having corporate trust offices in Portland, Oregon, and being qualified to accept and administer the trusts hereby created, as escrow agent (the "Escrow Agent"), and the **MULTNOMAH COUNTY, OREGON** (the "County"). The parties hereby agree as follows:

ARTICLE I. RECITALS, DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.1 Recitals.

The County recites:

(a) The County is authorized to finance real and personal property by means of a financing agreement pursuant to ORS 271.390 and ORS 287A.360, and executes this Financing Agreement to refinance the Project pursuant to that statute.

(b) The County and the Escrow Agent recite:

(i) The Escrow Agent desires to finance the Financing Amount to the County to refinance the Project, but only from the proceeds of the Obligations.

(ii) The County desires to borrow the Financing Amount from the Escrow Agent to refinance the Project, subject to the terms and conditions of and for the purposes set forth herein.

Section 1.2 Definitions.

All capitalized terms not defined in this Financing Agreement shall have the meanings defined for those terms in the Escrow Agreement. Unless the context clearly requires use of a different definition, the following capitalized terms shall have the meanings defined for those terms in this section:

"Additional Charges" means the amounts specified as such pursuant to Section 3.2(d) of this Financing Agreement.

"Agreements" means this Financing Agreement and the Escrow Agreement as defined herein.

"Escrow Agreement" means the Escrow Agreement relating to the County's Full Faith and Credit Obligations, Series 2012, which is dated December 13, 2012, between the County and the Escrow Agent, as it may be amended or supplemented.

"Financing Agreement" means this Tax-Exempt Financing Agreement, including the exhibits, and any amendments to this Financing Agreement and its exhibits.

"Financing Amount" means the sum of the principal components of the Financing Payments, as shown in Exhibit A, attached hereto.

"Financing Payments" means the installment payments of principal and interest which the County is required to make under this Financing Agreement to repay the Financing Amount. "Financing Payments" includes both the scheduled payments as shown in Exhibit A, attached hereto, of this Financing Agreement and any permitted prepayments of those scheduled payments as shown in Exhibit B, attached hereto, of this Financing Agreement.

"Obligations" means the County's Full Faith and Credit Obligations, Series 2012.

"Payment Account" means the Full Faith and Credit Obligations, Series 2012 Payment Account established pursuant to Section 3.1 of the Escrow Agreement.

"Payment Date" means each June 1 and December 1, as provided in Exhibit A, attached hereto, or the date on which any Financing Payment will be prepaid in accordance with the Escrow Agreement and this Financing Agreement.

"Project" means the real and personal property described in the Resolution.

"Resolution" means Resolution No. 2012-178 adopted by the Board of County Commissioners on October 18, 2012, as it may be amended.

Section 1.3 Rules of Construction.

References to section numbers in documents which do not specify the document in which the section is located shall be construed as references to section numbers in this Financing Agreement.

ARTICLE II. REPRESENTATIONS, WARRANTIES AND COVENANTS OF DISTRICT AND ESCROW AGENT

Section 2.1 Representations, Warranties and Covenants of County.

The County represents, covenants and warrants for the benefit of the Escrow Agent and its assignees as follows:

(a) The County is Multnomah County, Oregon, a political subdivision of the State of Oregon.

(b) The County is authorized under ORS 271.390 and the Resolution to enter into this Financing Agreement and to perform all of its obligations under this Financing Agreement.

(c) The County represents, covenants and warrants that all required action has been taken to ensure the enforceability of this Financing Agreement (except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights or contractual obligations generally).

(d) All Financing Payments and deposits required by Section 3.2(b) herein and the Additional Charges required by Section 3.2(c)(ii) and Section 3.2(c)(iii) herein shall be paid to the Escrow Agent at its corporate trust office in Portland, Oregon.

Section 2.2 Representations, Warranties and Covenants of Escrow Agent.

The Escrow Agent represents, covenants and warrants for the benefit of the County as follows:

(a) The Escrow Agent is a banking corporation duly qualified to transact business of the type contemplated by this Financing Agreement and the Escrow Agreement in the State of Oregon, and has all necessary power to own its properties and assets and to carry on its business as now conducted.

(b) The consummation of the transactions contemplated by this Financing Agreement will not violate the provisions of, or constitute a breach or default under, the articles of incorporation, charter or bylaws of the Escrow Agent or any agreement to which the Escrow Agent is a party.

(c) The execution, delivery and performance by the Escrow Agent of this Financing Agreement and all related agreements, instruments and documents to which the Escrow Agent is a party have been duly authorized and constitute legal, valid and binding obligations of the Escrow Agent, enforceable against the Escrow Agent in accordance with their terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally.

Section 2.3 Tax Covenants.

To maintain the exclusion from gross income for federal income tax purposes of the interest component of each Financing Payment due under this Financing Agreement, the County covenants to comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Code and the County agrees to comply with any covenants of the County related to the tax-exempt status of the interest components of Financing Payments which is contained in any of the certificates or other documents executed by the County in connection with delivery of the Financing Agreement and the Obligations. The County also agrees to not take any action or omit to take any action necessary to maintain the tax-exempt status of the interest components of the Financing Payments. The Escrow Agent hereby agrees to comply with any instructions received from the County in order to maintain such exclusion.

ARTICLE III. THE FINANCING AND THE PAYMENTS

Section 3.1 The Financing.

The Escrow Agent agrees to finance for the County an amount equal to the Financing Amount, but solely from the proceeds of sale of the Obligations as provided in this Financing Agreement and the Escrow Agreement. This financing to the County will be deemed to have been made when the Escrow Agent makes the deposits and transfers to the County as specified in Section 3.3 of the Escrow Agreement. The County agrees to borrow the Financing Amount from the Escrow Agent and to repay that principal amount in installments, with interest, by making the Financing Payments and paying the Additional Charges as provided in this Financing Agreement. This Financing Agreement shall commence on the Closing Date and shall end on the date all Financing Payments and Additional Charges that the County is required to pay under this Financing Agreement have been paid or defeased in accordance with the provisions set forth in the Escrow Agreement. The Escrow Agent is not selling, arranging for sale or establishing the terms of the Obligations.

Section 3.2 The Payments and Additional Charges.

(a) The County agrees to pay the Escrow Agent, its successors or assigns, without deduction or offset of any kind, as payment for the financing made under this Financing Agreement, the Financing Payments and the Additional Charges.

(b) The County shall pay the Financing Payments to the Escrow Agent three (3) Business Days preceding the scheduled payment dates shown in Exhibit A, attached hereto, as those amounts may be reduced by any prepayment of the Financing Payments.

(i) To secure the performance of its obligation to pay Financing Payments, the County shall deposit an amount equal to each scheduled Financing Payment with the Escrow Agent three (3) Business Days preceding the scheduled Payment Date. Each deposit made under this Section 3.2(b) shall be applied toward Financing Payments due from the County as provided in the Escrow Agreement.

(ii) In making deposits under this Section 3.2(b), the County shall be credited on each deposit date for any amounts then on hand in the Payment Account and available to pay the Financing Payment for which such deposit is being made and the County shall only be required to pay the difference, if any, between the amount of the deposit then due and the amounts then on hand in the Payment Account.

(c) In addition to the Financing Payments, the County covenants to pay the following Additional Charges, as and when the same become due and payable:

(i) all applicable rebate payments due in connection with this Financing Agreement and the Obligations which are required to be paid under Section 148(f) of the Code;

(ii) to the extent permitted by law, all costs and expenses which the Escrow Agent may incur because of any default by the County under this Financing Agreement, including reasonable attorneys' fees and costs of suit or action at law to enforce the terms and conditions of this Financing Agreement; and

(iii) the fees, costs and expenses of the Escrow Agent as provided in the Escrow Agreement, and the reasonable fees, costs and expenses of any successor Escrow Agent.

(d) Additional Charges shall be paid by County when due, unless such payment may be delayed without penalty or interest, or within thirty (30) days after notice in writing from the Escrow Agent to the County stating the amount of Additional Charges then due and payable and the purpose thereof. Additional Charges described in Section 3.2(c)(i) shall be paid to the United States. Additional Charges described in Section 3.2(c)(i) and Section 3.2(c)(iii) herein shall be paid to the Escrow Agent.

Section 3.3 Prepayment.

(a) The Financing Payments are subject to prepayment solely as provided in Exhibit B, attached hereto. The County may prepay the deposits as required by Section 3.2(c)(i) herein at any time and may defease the Obligations pursuant to the provisions set forth in the Escrow Agreement.

(b) The County shall give notice of prepayment of Financing Payments to the Escrow Agent not later than 5 business days before the notice of prepayment is required to be made. The notice shall state the date of the prepayment and the amount of the principal component to be prepaid. The Registrar will select the Obligations to be prepaid thereby pursuant to Section 2.10 of the Escrow Agreement. If the prepayment date is other than a Payment Date, the accrued portion of the interest component of Financing Payments due on the prepayment date shall be equal to the interest owed on the prepayment date with respect to the Obligations selected by the Registrar for prepayment.

(c) If the principal component of a Financing Payment is prepaid, the schedule of Financing Payments in the attached Exhibit A shall be revised to reflect the prepayment.

Section 3.4 Nature of County's Obligations.

(a) The County hereby pledges its full faith and credit and all or any portion of the County's legally available revenues, taxes and other funds to pay amounts due under the Financing Payments.

(b) To the extent permitted by law, the County hereby covenants to budget and appropriate in each Fiscal Year, in accordance with the law, sums sufficient to pay when due the Financing Payments and other amounts due under this Financing Agreement.

(c) The County hereby covenants to use all taxing power available to the County under the law that is necessary to generate funds sufficient to permit the County to make Financing Payments, subject only to the limitations provided in Sections 11 and 11b, Article XI of the Oregon Constitution.

(d) The County hereby agrees that its obligation to pay all Financing Payments and Additional Charges is absolute and unconditional, and shall not be subject to any of the following:

- (i) any setoff, counterclaim, recoupment, defense or other right which the County may have against the Escrow Agent, any contractor or anyone else for any reason whatsoever;
- (ii) any insolvency, bankruptcy, reorganization or similar proceedings by the County;
- (iii) abatement through damage, destruction or non-availability of the Project; or
- (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing.

Section 3.5 Estoppel.

The County hereby certifies, recites and declares that all things, conditions and acts required by the constitution and statutes of the State of Oregon and by this Financing Agreement and the Escrow Agreement to exist, to have happened and to have been performed precedent to and in the execution and the delivery of this Financing Agreement, do exist, have happened and have been performed in due time, form and manner, as required by law, and that this Financing Agreement is a valid and binding obligation of the County which is enforceable against the County in accordance with its terms, except to the extent that enforceability may be limited by applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other laws or judicial decisions or principles of equity relating to or affecting the enforcement of creditors' rights or contractual obligations generally.

ARTICLE IV. ASSIGNMENT

Section 4.1 By the Escrow Agent.

The Escrow Agent may assign its rights under this Financing Agreement only as specifically permitted by the Escrow Agreement.

Section 4.2 By the County.

The rights and obligations of County under this Financing Agreement may be assigned or transferred to any entity which succeeds or replaces the County, or any entity into which the County may

be merged, but only if the assignee or transferee assumes all of the County's obligations under this Financing Agreement. The rights and obligations of County under this Financing Agreement shall not otherwise be assigned or transferred.

ARTICLE V. TITLE; FUTURE ENCUMBRANCES AND PARITY OBLIGATIONS

Section 5.1 Title.

The Escrow Agent agrees that the County shall be entitled to exclusive possession and enjoyment of the Project while this Financing Agreement is in effect, without interference from the Escrow Agent or the Owners. THE ESCROW AGENT SHALL HAVE NO MORTGAGE, SECURITY INTEREST OR OTHER RIGHT TO THE PROJECT.

Section 5.2 Future Encumbrances and Parity Obligations.

The Obligations are not secured by any interest in the Project and the County reserves the right to sell, lease or grant other interests in the Project, subject only to the County's obligations under Section 2.1 herein. The County reserves the right to commit its full faith and credit and available general funds for other purposes without limitation.

Section 5.3 Maintenance; Modification; Taxes; Insurance and Other Matters.

The County will pay, or cause to be paid, all taxes, insurance and other governmental charges that are lawfully assessed or levied against the Project. The County will also pay, when due, all utility charges incurred in the operation, maintenance, use occupancy and upkeep of the Project.

The County has the sole responsibility to maintain, repair and make improvements or additions to the Project.

The Escrow Agent shall have no obligation to maintain or modify the Project, or to pay any taxes, fees or charges associated with the Project or to obtain insurance coverage for the Project, or to take any action related to the Project except actions specifically required by this Financing Agreement or the Escrow Agreement.

Section 5.4 Substitution.

The County may substitute for any item of property constituting a portion of the Project acquired under this Financing Agreement another item of real or personal property provided such substitution will not adversely affect the exemption of the interest component of Financing Payments from federal income taxation. The County shall be responsible for all costs and expenses, including counsel fees, of the Trustee in connection with any such substitution.

ARTICLE VI. EVENTS OF DEFAULT AND REMEDIES

Section 6.1 Events of Default Defined.

(a) The following shall be events of default under this Financing Agreement and the terms "events of default" and "default" shall mean, whenever they are used in this Financing Agreement, any one or more of the following events:

- (i) The County's failure to pay the Financing Payments, when due;

(ii) The County's failure to comply with any other covenant, condition or agreement of the County under the Agreements for a period of sixty (60) days after written notice thereof from the Escrow Agent absent an extension of time by the Escrow Agent;

(iii) The commencement by the County of a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect or an assignment by the County for the benefit of its creditors, or the entry by the County into an agreement of composition with creditors, or the taking of any action by the County in furtherance of any of the foregoing; or

(iv) Any statement, representation or warranty made by the County in or pursuant to the Financing Agreement or Escrow Agreement shall have proven to be false, incorrect, misleading or breached in any material respect on the date when made.

Section 6.2 Remedies on Default.

(a) Whenever any event of default referred to in Section 6.1 herein shall have happened and be continuing, the Escrow Agent shall have the right, at its sole option without any further demand or notice, to exercise any remedy described in Section 9.2 of the Escrow Agreement.

(b) The Escrow Agent shall exercise its rights hereunder only in accordance with the Escrow Agreement. No remedy referred to in this Section 6.2 is exclusive, but each shall be cumulative and in addition to any other remedy referred to herein or otherwise available to the Escrow Agent at law or in equity. In the event that the Escrow Agent exercises or begins to exercise any one or more of such remedies, such action shall not preclude the simultaneous or later exercise by the Escrow Agent of any other remedies. No express or implied waiver by the Escrow Agent of an event of default shall constitute a waiver of any other or subsequent event of default.

ARTICLE VII. MISCELLANEOUS

Section 7.1 Notices.

(a) All written notices to be given under this Escrow Agreement to any party to this Escrow Agreement shall be given via mail or via facsimile to the following addressees (unless the addressee has previously notified the other party in writing of a change in address):

If to the Escrow Agent:
U.S. Bank National Association
555 SW Oak Street, PD-OR-P6TD
Portland, Oregon 97204

Telephone: (503) 275-5708
Facsimile: (503) 275-5738

If to the County
Multnomah County
501 SE Hawthorne Blvd., Suite 531
Portland, Oregon 97214-3501
Attn: Chief Financial Officer

Telephone: (503) 988-3312
Facsimile: (503)

(b) All notices, obligations or other communications hereunder shall be sufficiently given and shall be deemed given when delivered via facsimile or mailed by registered mail (return receipt requested), postage prepaid.

Section 7.2 Binding Effect.

This Financing Agreement shall inure to the benefit of and shall be binding upon the Escrow Agent and the County and their respective successors and assigns.

Section 7.3 Severability.

In the event any provisions of this Financing Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provisions hereof.

Section 7.4 Amendments.

This Financing Agreement may be amended only as provided in the Escrow Agreement.

Section 7.5 Applicable Law.

This Financing Agreement shall be governed by and construed in accordance with the laws of the State of Oregon. Any action regarding this Financing Agreement or the transactions contemplated hereby shall be brought in an appropriate court for the Multnomah County, Oregon.

Section 7.6 Headings.

The headings, titles and table of contents in this Financing Agreement are provided for convenience and shall not affect the meaning, construction or effect of this Escrow Agreement. All references herein to Sections, and other subdivisions which do not specify the document in which the subdivision is located shall be construed as references to this Financing Agreement.

Section 7.7 Execution in Counterparts.

This Financing Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

(REMAINDER OF PAGE LEFT BLANK INTENTIONALLY)

EXHIBIT B
PREPAYMENT PROVISIONS
MULTNOMAH COUNTY, OREGON
FULL FAITH AND CREDIT OBLIGATIONS
SERIES 2012
FINANCING AMOUNT: \$128,000,000

Prepayment Provisions

Optional Prepayment. The Obligations maturing in years 2014 through 2022, inclusive, are not subject to optional prepayment prior to maturity. The Obligations maturing on June 1, 2023 and on any date thereafter are subject to prepayment at the option of the County prior to their stated maturity dates at any time on or after June 1, 2022, as a whole or in part, and if in part, with maturities to be selected by the County at a price of par, plus accrued interest, if any, to the date of prepayment.

For as long as the Obligations are in book-entry only form, if fewer than all of the Obligations of a maturity are called for prepayment, the selection of Obligations within a maturity to be redeemed shall be made by DTC in accordance with its operational procedures then in effect. If the Obligations are no longer held in book-entry only form, then the Escrow Agent would select Obligations for prepayment by lot.

(This page left blank intentionally)

ESCROW AGREEMENT

between

U.S. BANK NATIONAL ASSOCIATION

“Escrow Agent”

and

MULTNOMAH COUNTY, OREGON

“County”

Relating to:

MULTNOMAH COUNTY, OREGON

**\$128,000,000
FULL FAITH AND CREDIT OBLIGATIONS
SERIES 2012**

DATED: DECEMBER 13, 2012

HAWKINS DELAFIELD & WOOD LLP

TABLE OF CONTENTS

| | |
|---|-----------|
| ARTICLE I. DEFINITIONS; RECITALS; AND TRANSFER OF RIGHTS | 1 |
| Section 1.1 Definitions..... | 1 |
| Section 1.2 Recitals..... | 3 |
| ARTICLE II. THE SERIES 2012 FULL FAITH AND CREDIT OBLIGATIONS | 3 |
| Section 2.1 Authorization, Delivery and Terms of Obligations..... | 3 |
| Section 2.2 Payment of Obligations..... | 4 |
| Section 2.3 Book-Entry Only System. | 4 |
| Section 2.4 Form of Obligations. | 5 |
| Section 2.5 Execution. | 5 |
| Section 2.6 Registration of Transfer and Exchange..... | 5 |
| Section 2.7 Mutilated, Lost, Destroyed or Stolen Obligations..... | 6 |
| Section 2.8 Execution of Documents. | 6 |
| Section 2.9 Obligation Register. | 6 |
| Section 2.10 Prepayment..... | 7 |
| Section 2.11 Provisions for Printed Obligations. | 8 |
| ARTICLE III. ACCOUNTS | 8 |
| Section 3.1 Obligation Payment Account. | 8 |
| Section 3.2 Additional Charges. | 9 |
| Section 3.3 Deposits at Closing. | 9 |
| ARTICLE IV. MONEYS IN FUNDS; INVESTMENT | 9 |
| Section 4.1 Moneys and Investments Held in Escrow..... | 9 |
| Section 4.2 Investments Authorized. | 9 |
| Section 4.3 Accounting. | 10 |
| Section 4.4 Allocation of Earnings. | 10 |
| Section 4.5 Disposition of Investments..... | 10 |
| Section 4.6 Deposit and Investment of Moneys in Accounts. | 10 |
| ARTICLE V. THE ESCROW AGENT | 11 |
| Section 5.1 Compensation of the Escrow Agent..... | 11 |
| Section 5.2 Removal of Escrow Agent. | 11 |
| Section 5.3 Resignation of Escrow Agent..... | 11 |
| Section 5.4 Merger or Consolidation. | 12 |
| Section 5.5 Acceptance of Appointment by Successor Escrow Agent. | 12 |
| Section 5.6 Duties and Responsibilities of the Escrow Agent Prior to and During Default. | 12 |
| Section 5.7 Protection and Rights of the Escrow Agent. | 13 |
| Section 5.8 Indemnification | 14 |
| ARTICLE VI. CONCERNING THE OBLIGATION OWNERS | 15 |
| Section 6.1 Evidence of Action Taken by Owners. | 15 |
| Section 6.2 Action Taken by Owners Irrevocable. | 15 |
| Section 6.3 Certain Obligations Disregarded..... | 15 |
| ARTICLE VII. MODIFICATION OF ESCROW AGREEMENT | 15 |
| Section 7.1 Limitations. | 15 |
| Section 7.2 Supplemental Escrow Agreement Without Consent of Owners. | 16 |
| Section 7.3 Supplemental Escrow Agreement with Consent of the Owners. | 16 |
| Section 7.4 Effect of Supplemental Escrow Agreement. | 17 |
| Section 7.5 Amendments to Financing Agreement Not Requiring Consent of Owners. | 17 |
| Section 7.6 Amendments to Financing Agreement Requiring Consent of the Owners. | 18 |

| | |
|---|-----------|
| ARTICLE VIII. COVENANTS; NOTICES | 18 |
| Section 8.1 Compliance With and Enforcement of Financing Agreement | 18 |
| Section 8.2 Notice in Event of Late Financing Payment | 18 |
| Section 8.3 Notice of Default..... | 18 |
| Section 8.4 Tax Covenants..... | 19 |
| Section 8.5 Prosecution and Defense of Suits..... | 19 |
| Section 8.6 Further Assurances..... | 19 |
| ARTICLE IX. EVENTS OF DEFAULT | 19 |
| Section 9.1 Events of Default..... | 19 |
| Section 9.2 Remedies on Default..... | 19 |
| Section 9.3 No Remedy Exclusive..... | 20 |
| Section 9.4 Agreement to Pay Attorneys' Fees and Expenses..... | 20 |
| Section 9.5 No Additional Waiver Implied by One Waiver..... | 20 |
| Section 9.6 Application of Moneys Upon Default..... | 20 |
| Section 9.7 Action by Owners..... | 21 |
| ARTICLE X. LIMITATION OF LIABILITY | 21 |
| Section 10.1 Limited Liability of County..... | 21 |
| Section 10.2 No Liability of County for Escrow Agent Performance..... | 21 |
| Section 10.3 No Liability of Escrow Agent for Financing Payments by County..... | 22 |
| Section 10.4 Opinion of Counsel; Experts..... | 22 |
| Section 10.5 Limitation of Rights to Parties and Owners..... | 22 |
| ARTICLE XI. MISCELLANEOUS..... | 22 |
| Section 11.1 Defeasance..... | 22 |
| Section 11.2 Notices..... | 23 |
| Section 11.3 Applicable Law..... | 23 |
| Section 11.4 Partial Invalidity..... | 23 |
| Section 11.5 Binding Effect; Successors..... | 24 |
| Section 11.6 Headings..... | 24 |
| Section 11.7 Execution in Counterparts..... | 24 |

EXHIBIT A - Form of Full Faith and Credit Obligation
EXHIBIT B – Prepayment Provisions

ESCROW AGREEMENT

THIS ESCROW AGREEMENT, dated as of December 13, 2012, is entered into by and between **U.S. BANK NATIONAL ASSOCIATION**, having corporate trust offices in Portland, Oregon and being qualified to accept and administer the trusts hereby created, as escrow agent (the “Escrow Agent”), and the **MULTNOMAH COUNTY, OREGON** (the “County”). The parties hereby agree as follows:

ARTICLE I. DEFINITIONS; RECITALS; AND TRANSFER OF RIGHTS

Section 1.1 Definitions.

Unless the context clearly requires otherwise, capitalized terms not defined in this Section 1.1 shall have the meanings defined for such terms in the Financing Agreement. Capitalized terms used in this Escrow Agreement which are defined in this Section 1.1 shall have the following meanings, unless the context clearly requires otherwise:

“Additional Charges” means the amounts specified as such pursuant to Section 3.2 of the Financing Agreement.

“Beneficial Owner” means the Beneficial Owner of the Obligations as described in Section 2.3(c) herein.

“Business Day” means any day other than a Saturday, Sunday or a day on which the Escrow Agent is authorized by law to remain closed.

“Closing Date” means December 13, 2012.

“Code” means the Internal Revenue Code of 1986, as amended, including regulations, rulings and judicial decisions promulgated thereunder.

“County” means Multnomah County, Oregon, or its successors.

“County’s Representative” means the Chief Financial Officer, or his designee, to act under this Escrow Agreement or the Financing Agreement.

“Defeasance Obligations” means direct obligations of the United States of America or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

“Escrow Agent” means the entity serving as escrow agent under this Escrow Agreement, which as of the date of this Escrow Agreement, is U.S. Bank National Association.

“Escrow Agreement” means this Escrow Agreement, as it may be amended and supplemented.

“Event of Default” has the meaning defined for that term in Section 9.1 of this Escrow Agreement.

“Financing Agreement” means the Tax-Exempt Financing Agreement for the Project which is dated as of December 13, 2012 and is signed by the Escrow Agent and the County, including the exhibits attached thereto, as it may be amended and supplemented.

“Financing Payments” means the installment payments of principal and interest which the County is required to make under the Financing Agreement to repay the Financing Amount. “Financing Payments” includes both the scheduled payments and any permitted prepayments of those scheduled payments.

“Fiscal Year” means each year beginning on July 1 and ending on the following June 30.

“Obligation Register” or “Register” means the records kept for the registration of Obligations by the Escrow Agent pursuant to Section 2.9 herein.

“Obligations” means the Full Faith and Credit Obligations, Series 2012 authorized by Section 2.1 herein.

“Outstanding” means, when used as of any particular time with respect to Obligations, all Obligations theretofore executed by the Escrow Agent and registered and delivered by the Escrow Agent under this Escrow Agreement except:

- (i) Obligations previously canceled by the Escrow Agent or surrendered to the Escrow Agent for cancellation;
- (ii) Obligations for the payment or prepayment of which funds or Defeasance Obligations in the necessary amount have previously been deposited with the Escrow Agent (whether upon or prior to the maturity or prepayment date of such Obligations); and,
- (iii) Obligations in lieu of or in exchange for which other Obligations have previously been executed and delivered by the Escrow Agent pursuant to Section 2.7 herein.

“Owner” means the person in whose name an Outstanding Obligation is registered as of the Record Date.

“Payment Account” means the Full Faith and Credit Obligations, Series 2012 Payment Account established pursuant to Section 3.1 herein.

“Payment Date” means each June 1 and December 1, as provided in Exhibit A to the Financing Agreement, or the date on which any Financing Payment will be prepaid in accordance with this Escrow Agreement and the Financing Agreement.

“Project” means the real and personal property described in the Resolution.

“Qualified Investments” means the investments in which the County may invest surplus funds pursuant to Oregon Revised Statutes Section 294.035, as amended from time to time.

“Record Date” means the fifteenth day of the month preceding a month in which a Payment Date occurs, whether or not such date is a Business Day.

“Registered Owner” means the Registered Owner as described in Section 2.3 herein.

“Registrar” means the Escrow Agent, serving as Escrow Agent and Paying Agent hereunder.

“Resolution” means Resolution No. 2012-178 adopted by the Board of County Commissioners on October 18, 2012, as it may be amended.

“Special Counsel” means Hawkins Delafield & Wood LLP, or other nationally recognized bond counsel appointed by the County.

Section 1.2 Recitals.

(a) County’s Recitals.

(i) The County is authorized by ORS 271.390 and ORS 287A.360 to enter into financing agreements to finance or refinance any real or personal property that the Board of Commissioners of the County (the “Board”) determines is needed.

(ii) The County Board adopted its authorizing Resolution and has determined that the Project being financed is needed, and the Escrow Agent and the County have entered into the Financing Agreement in which the Escrow Agent has agreed to finance certain amounts to the County, and the County has agreed to borrow those amounts from the Escrow Agent to finance the Project.

(iii) The County enters into this Escrow Agreement to provide for the issuance of the Obligations which will be paid from Financing Payments the County makes under the Financing Agreement.

(b) The Escrow Agent recites that it has placed its rights under the Financing Agreement, including the right to receive Financing Payments, in escrow for the benefit of the Owners of the Obligations, that it accepts its obligations and responsibilities under this Escrow Agreement and the Financing Agreement and has agreed to execute and deliver the County’s Full Faith and Credit Obligations, Series 2012 evidencing proportionate interests in the Financing Payments. The Escrow Agent further recites that it is not in violation of any provision of its charter or bylaws, any applicable law or regulation, any order of a court or administrative body, or any agreement or other instrument to which it is a party or by which it presently is bound.

(c) The County and the Escrow Agent hereby agree that the following rights shall be held in escrow exclusively for the proportionate benefit of the Owners as provided in this Escrow Agreement:

- (i) all rights of the Escrow Agent under the Financing Agreement (except for the Escrow Agent’s right to payment from Additional Charges), and,
- (ii) all rights of the Escrow Agent and the County to amounts in the Payment Account.

ARTICLE II. THE SERIES 2012 FULL FAITH AND CREDIT OBLIGATIONS

Section 2.1 Authorization, Delivery and Terms of Obligations.

(a) The Obligations shall be dated, shall mature on the dates and in the stated principal amounts, and shall bear interest as shown in Exhibit A to the Financing Agreement. Interest shall be calculated on the basis of a 360-day year comprised of twelve 30-day months.

(b) The Escrow Agent is hereby authorized to register, execute, authenticate and deliver the Obligations in substantially the form shown in Exhibit A, attached hereto, to DTC. The Obligations shall be numbered serially and shall be signed by manual or facsimile signature of an authorized officer of the Escrow Agent. The Escrow Agent agrees to apply the Financing Payments as provided in this Escrow Agreement.

Section 2.2 Payment of Obligations.

(a) Each Obligation represents an ownership interest in and a right to receive:

(i) a proportionate share of the principal component of the Financing Payments due on the maturity date of that Obligation, plus

(ii) a proportionate share of the interest components of the Financing Payments which are allocable to that principal component.

(b) The County shall pay the Financing Payments to the Escrow Agent in immediately available funds as provided in the Financing Agreement. The Escrow Agent shall transfer the Financing Payments to the Owners as provided in Section 2.2(c) below.

(c) While the Obligations are held in book-entry form, the Escrow Agent shall transfer Financing Payments to the Owners as set forth in the rules and procedures of The Depository Trust Company (the "Depository"). If the Obligations cease to be a book-entry only issue, the Escrow Agent shall transfer Financing Payments on such Payment Date by check or draft mailed to such Owner at the address as it appears on the obligation register or at such address as is furnished to the Escrow Agent in writing by such Owner or, at the written request to the Escrow Agent of any Registered Owner of Obligations in the aggregate principal amount of at least \$100,000, by electronic transfer in immediately available funds, such request to be signed by such Owner, containing the name of the bank (which shall be in the continental United States), its address, its ABA routing number and the account number to which credit shall be made and be filed with the Escrow Agent no later than ten (10) Business Days before the applicable Record Date preceding such Payment Date. If payment is due on a day that is not a Business Day, payment will be made on the next succeeding Business Day with the same effect as if made on the day payment was due.

Section 2.3 Book-Entry Only System.

(a) The Obligations shall be initially executed and delivered as a book-entry only security issue with no Obligations being made available to the Owners in accordance with the blanket letter of representations the County has filed with the Depository. While the Obligations are in book-entry form, the Obligations shall be subject to the rules and procedures of the Depository.

(b) If the Depository determines not to continue to act as securities depository for the Obligations, or the County determines that the Depository shall no longer so act, then the County will discontinue the book-entry-only system with the Depository. If the County fails to designate another qualified securities depository to replace the Depository or elects to discontinue use of a book-entry-only system, the Obligations shall no longer be a book-entry-only issue but shall be registered in the registration books maintained by the Escrow Agent in the name of the Owner as appearing on the Obligation Register and thereafter in the name or names of the Owners of the Obligations transferring or exchanging Obligations in accordance with the provisions of this Section 2.3. The Escrow Agent shall authenticate and deliver printed Obligations to such Owners at the expense of the County.

(c) While the Obligations are in book entry form, the County and the Escrow Agent shall have no responsibility or obligation to any participant or correspondent of the depository or to any Beneficial Owner for:

(i) the accuracy of the records of the depository, its nominee or any participant, correspondent or Beneficial Owner with respect to any ownership interest in the Obligations;

(ii) the delivery to any participant, correspondent, Beneficial Owner or any other person, other than an Owner as shown in the registration books maintained by the Escrow Agent, of any notice or consent with respect to the Obligations, including any notice of prepayment;

(iii) the selection by the depository of the beneficial interest in Obligations to be prepaid if the County prepays the Obligations in part; or

(iv) the payment to any participant, correspondent, or any other person other than the Owner of the Obligations as shown in the registration books maintained by the Escrow Agent, of any amount with respect to principal, premium, if any, or interest with respect to the Obligations.

(d) Notwithstanding the book-entry-only system, the County and the Escrow Agent may treat and consider the person in whose name each Obligation is registered in the registration books maintained by the Escrow Agent as the absolute owner of such Obligation for the purpose of payment of principal, premium, if any, and interest with respect to such Obligation, or for the purpose of giving notices of prepayment and other matters with respect to such Obligation, or for the purpose of registering transfers with respect to such Obligation, or for all other purposes whatsoever. The County shall pay or cause to be paid all principal, premium, if any, and interest with respect to the Obligations only to or upon the order of the Owners, as shown in the registration books maintained by the Escrow Agent and all such payments shall be valid and effective to fully satisfy and discharge the County's obligation with respect to payment thereof to the extent of the sum or sums so paid.

Section 2.4 Form of Obligations.

The Obligations shall be executed and delivered in fully registered form in denominations of \$5,000 or any integral multiple thereof within a single maturity. The Obligations and the form of assignment shall be substantially in the form set forth in Exhibit A, attached hereto. The Obligations shall be numbered beginning with R-1.

Section 2.5 Execution.

The Obligations shall be executed by and in the name of the Escrow Agent by the manual or facsimile signature of an authorized officer of the Escrow Agent and shall be authenticated by manual signature of an authorized officer of the Escrow Agent. Only Obligations which are substantially in the form set forth in Exhibit A, attached hereto, and which have been manually authenticated by the Escrow Agent shall be valid for any purpose or entitled to the benefits of this Escrow Agreement.

Section 2.6 Registration of Transfer and Exchange.

The provisions of this Section 2.6 apply only if the Obligations cease to be a book-entry only issue. The registration of any Obligation may, in accordance with its terms, be transferred upon the Obligation Register by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Obligation for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Escrow Agent and duly executed by the Owner or his or

her authorized attorney. Obligations may be exchanged at the office of the Escrow Agent for a like aggregate principal amount of Obligations or other authorized denominations of the same maturity. The Escrow Agent may require the Obligation Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange. Whenever any Obligation or Obligations shall be surrendered for registration of transfer or exchange, the Escrow Agent shall execute and deliver a new Obligation or Obligations of the same maturity, for like aggregate principal amount; provided that the Escrow Agent shall not be required to register transfers or make exchanges of:

- (a) Obligations for a period of fifteen (15) days next preceding any selection of the Obligations to be prepaid;
- (b) any Obligations chosen for prepayment; or
- (c) Obligations for a period of fifteen days prior to any Payment Date.

Section 2.7 Mutilated, Lost, Destroyed or Stolen Obligations.

(a) If any Obligation becomes mutilated, the Escrow Agent, at the expense of the Owner of such Obligation, shall execute and deliver a new Obligation of like tenor and maturity but bearing a different number in exchange and substitution for the Obligation so mutilated, but only upon surrender to the Escrow Agent of the Obligation so mutilated. Every mutilated Obligation so surrendered to the Escrow Agent shall be canceled by it.

(b) If any Obligation is lost, destroyed or stolen, evidence of such loss, destruction or theft shall be submitted to the Escrow Agent and, if such evidence is satisfactory to the Escrow Agent and, if an indemnity satisfactory to the Escrow Agent shall be given, the Escrow Agent, at the expense of the Owner of the Obligation in question, shall execute and deliver a new Obligation of like tenor and maturity and numbered as the Escrow Agent shall determine in lieu of and in substitution for the Obligation so lost, destroyed or stolen.

(c) The Escrow Agent may require payment of an appropriate fee for each new Obligation delivered under this Section 2.7 and of the expenses which may be incurred by the Escrow Agent in carrying out the duties under this Section 2.7.

Section 2.8 Execution of Documents.

The Escrow Agent may accept any evidence of execution of documents by Owners which the Escrow Agent reasonably deems sufficient. Any request or consent of the Owner of any Obligation shall bind every future Owner of the same Obligation.

Section 2.9 Obligation Register.

The Escrow Agent will maintain the Obligation Register, and shall record the registration and transfer of all Obligations in the Obligation Register. The Obligation Register shall be open to inspection by the County during regular business hours upon reasonable notice.

Section 2.10 Prepayment.

- (a) Terms of Prepayment.

The Obligations shall be subject to prepayment as provided in Exhibit B to this Escrow Agreement and Exhibit B to the Financing Agreement and notice shall be given by the County pursuant to Section 3.3(b) of the Financing Agreement.

- (b) Selection of Obligations for Prepayment.

If Obligations are selected for prepayment and less than all the Outstanding Obligations will be prepaid, the Escrow Agent, unless otherwise directed by the County, shall select such Obligations for prepayment from each remaining maturity pro rata in proportion to the principal amount of Obligations in each such maturity. The Escrow Agent shall select Obligations for prepayment within a maturity by lot. The Escrow Agent shall promptly notify the County in writing of the Obligations so selected for prepayment.

- (c) Notice of Prepayment (No Depository).

The provisions of this Section 2.10(c) shall apply only if the Obligations cease to be a book-entry-only issue. The Escrow Agent shall give to the Obligation Owners notice of prepayment ("Notice of Prepayment") of the Obligations at the expense of the County. Each Notice of Prepayment shall state (a) the prepayment date, (b) the place or places of prepayment (including the name and address of any prepayment agent), (c) if only a portion of the Obligations are being prepaid, the distinctive number of the Obligations of such maturity to be prepaid, (d) the Obligations or designated portions thereof (in the case of prepayment of the Obligations in part but not in whole), (e) the prepayment price, (f) the CUSIP numbers (if any) assigned to the Obligations to be prepaid and (g) the dated date of the Obligations, the interest rate and stated maturity date with respect to each Obligation to be prepaid in whole or in part. Each such Notice of Prepayment shall also state that on said date there shall become due and payable on each of said Obligations the principal amount with respect thereto (or a portion thereof in the case of an Obligation to be redeemed in part only), together with interest accrued with respect thereto to the prepayment date, and that from and after such prepayment the interest thereon shall cease to accrue, and shall require that such Obligations be then surrendered. Notice of Prepayment shall be given by mailing, first class, postage prepaid, not more than sixty (60) days nor less than thirty (30) days prior to said prepayment date, copies thereof to the County and the Owners of the Obligations whose Obligations or a portion thereof are to be prepaid.

- (d) Notice of Prepayment (Depository).

The Escrow Agent shall notify the Depository of any prepayment not less than twenty (20) days prior to the prepayment, and shall provide such information in connection therewith as required by the blanket issuer letter of representations the County has filed with the Depository Trust Company.

- (e) Notice of Prepayment Required by Continuing Disclosure Certificate.

In addition to the other notices of prepayment required by this Escrow Agreement, the Escrow Agent shall give notices of redemption or prepayment which are required to be provided by the County to the entities listed in the Continuing Disclosure Certificate for the Obligations.

(f) Partial Prepayment of Obligations.

Upon surrender of any Obligation which is not in book-entry form and is prepaid in part only, the Escrow Agent shall execute and deliver to the Owner thereof, at the expense of that Owner, a new Obligation or Obligations of authorized denominations equal in aggregate principal amount to the portion of the surrendered Obligation which is not prepaid and with the same stated interest rate and the same maturity. Such partial prepayment shall be valid upon payment of the amount thereby required to be paid to such Owner, and the County, the Escrow Agent and the Escrow Agent shall be released and discharged from all liability to the extent of such payment.

(g) Effect of Prepayment.

If notice of prepayment has been given as provided in this Section 2.10, and the moneys for the prepayment (including the interest to the applicable date of prepayment) have been set aside in the Payment Account, the Obligations shall become due and payable on the date of prepayment upon presentation and surrender thereof at the office or offices specified in said notice, and interest with respect to the Obligations shall cease to accrue after the date fixed for prepayment. All moneys held by or on behalf of the Escrow Agent for the prepayment of Obligations shall be held in trust for the account of the Owners of the Obligations so to be prepaid. All Obligations paid at maturity or prepaid prior to maturity pursuant to the provisions of this Section 2.10, if any, shall be canceled upon surrender thereof.

Failure to give notice or any defect in notices shall not affect the validity of the proceedings for the prepayment of the Obligations or portions thereof with respect to which no such failure or defect has occurred.

Section 2.11 Provisions for Printed Obligations.

If the County discontinues use of the book-entry only system or termination thereof occurs without designation of a new qualified securities depository, then the provisions of this Section 2.11 shall apply to the Obligations. Upon receipt of a printed Obligation, the Beneficial Owner shall become the Registered Owner. The principal with respect to such Obligations shall be payable upon presentation at the office of the Escrow Agent.

ARTICLE III. ACCOUNTS

Section 3.1 Obligation Payment Account.

The Escrow Agent shall establish a special account designated as the "Full Faith and Credit Obligations, Series 2012 Payment Account" which is defined in this Escrow Agreement as the "Payment Account." The Escrow Agent shall keep the Payment Account separate and apart from all other funds and moneys held by it and shall administer and maintain the Payment Account as provided in this Escrow Agreement.

(a) To secure the payment of Financing Payments, three (3) Business Days preceding each Payment Date, the County shall transfer the deposits described in Section 3.2(b)(i) of the Financing Agreement to the Escrow Agent. The Escrow Agent shall credit these deposits in the Payment Account.

(b) On each Payment Date the Escrow Agent shall withdraw from the Payment Account and transfer to Owners an amount equal to the principal and interest components of the Financing Payment due and payable on such Payment Date, but solely from moneys on deposit in the Payment Account.

(c) Subject to the provisions of Section 9.6 hereof, if on any Payment Date, the amount of the Financing Payment then due and payable exceeds the amounts deposited with the Escrow Agent and available therefor, the Escrow Agent shall pay to the Owners the moneys on hand, and the Escrow Agent shall apply such money first to the payment of the interest component, which shall be distributed by the Escrow Agent pro rata among the Owners if necessary, and second, to the payment of the principal component, which shall be distributed by the Escrow Agent pro rata among the Owners if necessary.

(d) Any amounts in the Payment Account in excess of the amount necessary to pay the principal and interest components of the Financing Payments shall be retained in the Payment Account and upon written direction of the County, shall be invested until needed for payment of the Obligations; the excess and any earnings thereon shall be credited against the deposits due from the County as provided in Section 3.2(b)(ii) of the Financing Agreement. The Escrow Agent shall provide the County, not less than thirty (30) days before each date a deposit is required under Section 3.2(b) of the Financing Agreement, an invoice which sets forth the amount of the next deposit.

(e) Any surplus remaining in the Payment Account after payment of all Financing Payments and all Obligations Outstanding and payment of any applicable fees and expenses of the Escrow Agent, or provision for such prepayment or payment of all Financing Payments having been made to the satisfaction of the Escrow Agent in accordance with Section 11.1 herein, shall be remitted to the County.

Section 3.2 Additional Charges.

If the Escrow Agent receives Additional Charges pursuant to the Financing Agreement, such Additional Charges shall be applied by the Escrow Agent solely to the payment of any costs in respect of which such Additional Charges were received, and shall not be commingled in any way with any other funds received by the Escrow Agent pursuant to the Financing Agreement or this Escrow Agreement, except as provided above.

Section 3.3 Deposits at Closing.

Proceeds of the Obligations received by the County will be deposited with the County and used for financing the Project and costs relating to the issuance of the Obligations. The County hereby agrees to establish a system for tracking such funds and such funds shall be invested in accordance with County investment policies.

ARTICLE IV. MONEYS IN FUNDS; INVESTMENT

Section 4.1 Moneys and Investments Held in Escrow.

The moneys and investments held by the Escrow Agent under this Escrow Agreement are irrevocably held in escrow for the purposes herein specified, and such moneys and any other income or interest earned thereon shall be expended only as provided in this Escrow Agreement, and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of the County, the Escrow Agent or any Owner.

Section 4.2 Investments Authorized.

(a) Moneys held by the Escrow Agent hereunder shall be invested and reinvested by the Escrow Agent in Qualified Investments as directed in writing by the County. If the County notifies the Escrow Agent verbally, the County shall promptly confirm its notification and instructions in writing. In

the event the Escrow Agent does not receive written direction regarding investments, then the deposits will not be invested.

(b) Qualified Investments in the Payment Account shall mature on or before the date the amounts invested are required for use under this Escrow Agreement. The Escrow Agent shall not be liable for any gain or loss of funds on any investment made in accordance with the instructions from the County.

(c) The Escrow Agent may purchase or sell from itself or any affiliate, as principal or agent, investments authorized by this Section 4.2 and which shall be entitled to its customary fee. Such investments and reinvestments shall be made giving full consideration for the time at which funds are required to be available. The Escrow Agent may act as purchaser or agent in the making or disposing of any investment.

(d) The County acknowledges that regulations of the Comptroller of the Currency grant the County the right to receive brokerage confirmations of the security transactions as they occur. The County specifically waives such notification to the extent permitted by law and will receive periodic cash transaction statements from the Escrow Agent which will detail all investment transactions.

Section 4.3 Accounting.

The Escrow Agent shall furnish to the County, at least annually, an accounting of each fund and account and of all investments made by the Escrow Agent. Except as provided in Section 5.6 herein, the Escrow Agent shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with this Escrow Agreement.

Section 4.4 Allocation of Earnings.

Interest earnings and investment income on moneys held by the Escrow Agent shall inure to the benefit of the County, but shall be held by the Escrow Agent for application as provided in this Escrow Agreement and the Financing Agreement. Any interest or investment income earned on moneys deposited in the Payment Account shall be credited to the Payment Account.

Section 4.5 Disposition of Investments.

The Escrow Agent may sell at the then current market price, or present for prepayment, any Qualified Investment so purchased by the Escrow Agent whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the Payment Account, and, except as provided in Section 5.6 herein, the Escrow Agent shall not be liable or responsible for any loss resulting from the disposition of such investment. The County may instruct the Escrow Agent at any time to sell any Qualified Investment which may be sold at a profit; proceeds of such sale shall be deposited in the account to which the Qualified Investment was credited.

Section 4.6 Deposit and Investment of Moneys in Accounts.

The Escrow Agent may commingle any of the funds held by it pursuant to this Escrow Agreement in a separate fund or funds for investment purposes; provided, however, that all funds or accounts held by the Escrow Agent hereunder shall be accounted for separately notwithstanding such commingling by the Escrow Agent.

ARTICLE V. THE ESCROW AGENT

Section 5.1 Compensation of the Escrow Agent.

The County shall from time to time pay to the Escrow Agent reasonable compensation for its services and will pay or reimburse Escrow Agent upon its request for all reasonable expenses, disbursements and advances made by the Escrow Agent in accordance with the provisions of this Escrow Agreement (including the reasonable expenses and fees of its counsel and agents), except any such expense, disbursement or advance as may arise from its negligence or bad faith. Fees for the Escrow Agent's services shall be those specified in the contract between the County and the Escrow Agent. The Escrow Agent shall also be entitled to receive extraordinary fees and its extraordinary expenses if it is requested to render services in connection with a default or under circumstances not provided for in this Escrow Agreement.

Section 5.2 Removal of Escrow Agent.

(a) The Escrow Agent may be removed and a successor Escrow Agent appointed:

(i) by the County at any time if, in the good faith opinion of the County, expressed in writing and delivered to the Escrow Agent and the successor Escrow Agent, it would not be materially adverse to the interests of the Owners of the Obligations that the Escrow Agent be removed and a successor Escrow Agent appointed, or

(ii) at any time by written demand thereof filed with the Escrow Agent and the successor Escrow Agent by the Owners of a majority in aggregate principal amount of all Obligations Outstanding. Such removal shall become effective upon acceptance of appointment by the successor Escrow Agent.

(b) Any successor Escrow Agent appointed pursuant to the provisions of this section shall:

(i) be a trust company or bank in good standing, duly authorized to exercise trust powers and subject to examination by federal or state authority,

(ii) have substantial prior experience as a Escrow Agent for the benefit of the owners of municipal debt securities; and,

(iii) be a bank or trust company having (either singly or together with its parent holding company) a combined capital (exclusive of borrowed capital) and surplus of at least Seventy-Five Million Dollars (\$75,000,000) and subject to supervision or examination by federal or state authority.

Section 5.3 Resignation of Escrow Agent.

(a) The Escrow Agent or any successor may at any time resign by giving written notice to the County and by giving notice by first-class mail to the Owners of its intention to resign and of the proposed date of resignation, which shall be a date not less than sixty (60) days after the mailing of such notice, unless an earlier resignation date and the appointment of a successor Escrow Agent shall have been or are approved by the Owners of a majority in aggregate dollar amount of the Obligations then Outstanding.

(b) Upon receiving such notice of resignation, the County shall promptly appoint a successor Escrow Agent by an instrument in writing; provided, however, that if the County fails to appoint a successor Escrow Agent within thirty (30) days following receipt of such written notice of resignation, the Owners of a majority in aggregate principal amount of all Obligations Outstanding may appoint a successor Escrow Agent and if the Owners fail to appoint a successor Escrow Agent, within thirty (30) days following the expiration of such initial 30-day period, the resigning Escrow Agent may petition the appropriate court having jurisdiction to appoint a successor Escrow Agent.

(c) Notwithstanding any other provision of this Escrow Agreement, no removal, resignation or termination of the Escrow Agent shall take effect until a successor shall be appointed.

Section 5.4 Merger or Consolidation.

Any company or national banking association into which the Escrow Agent may be merged or converted or with which it may be consolidated or any company or national banking association resulting from any merger, conversion or consolidation to which it shall be a party or any company or national banking association to which the Escrow Agent may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under Section 5.2(b) of this Agreement, shall be the successor to such Escrow Agent without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

Section 5.5 Acceptance of Appointment by Successor Escrow Agent.

(a) Any successor Escrow Agent appointed as provided in Section 5.3 or Section 5.4 above shall execute, acknowledge and deliver to the County and to its predecessor Escrow Agent an instrument accepting its appointment, and the appointment shall take effect on execution of that acceptance. Upon request of any successor Escrow Agent, the County and the prior Escrow Agent shall execute any documents the successor Escrow Agent may reasonably require to confirm its rights and powers under this Escrow Agreement and the Financing Agreement.

(b) Upon acceptance of appointment by a successor Escrow Agent as provided in this Section 5.5, the successor Escrow Agent shall mail, first class, postage prepaid, notice of its appointment to the Owners.

Section 5.6 Duties and Responsibilities of the Escrow Agent Prior to and During Default.

(a) The Escrow Agent undertakes, prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default which may have occurred, to perform such duties and only such duties as are specifically set forth in this Escrow Agreement. In case any Event of Default has occurred (which has not been cured or waived) the Escrow Agent shall exercise such of the rights and powers vested in it by this Escrow Agreement, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(b) No provision of this Escrow Agreement shall be construed to relieve the Escrow Agent from liability for its own negligent action, its negligent failure to act or its own willful misconduct, except that:

(i) Prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default which may have occurred, the duties and obligations of the Escrow Agent shall be determined solely by the express provisions of this Escrow Agreement, and the Escrow

Agent shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Escrow Agreement, and no covenants or obligations shall be implied into this Escrow Agreement adverse to the Escrow Agent;

(ii) The Escrow Agent shall not be liable for any error of judgment made in good faith by a responsible officer of the Escrow Agent, unless it shall be proved that the Escrow Agent was negligent in ascertaining the pertinent facts;

(iii) The Escrow Agent shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of a majority in aggregate principal amount of the Obligations at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Escrow Agent, or exercising any trust or power conferred upon the Escrow Agent, under this Escrow Agreement; and

(iv) No provision contained in this Escrow Agreement shall require the Escrow Agent to expend or risk its own funds or otherwise incur liability in the performance of any of its duties or the exercise of any of its rights or powers, if there is reasonable ground for the Escrow Agent's believing that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(c) The Escrow Agent may execute any of the duties or powers hereof and perform any of its duties by and through attorneys, agents, or receivers not affiliated with the Escrow Agent if selected with reasonable care, and shall be entitled to advice of counsel concerning all matters or duties hereunder, and may in all cases pay such reasonable compensation to such attorneys, agents, receivers and employees as may reasonably be employed in connection with the duties hereof. The Escrow Agent may act upon the opinion or advice of counsel approved by the Escrow Agent in the exercise of reasonable care. The Escrow Agent shall not be responsible for any loss or damage resulting from any action or non-action in good faith or reliance upon such opinion or advice.

Section 5.7 Protection and Rights of the Escrow Agent.

(a) The Escrow Agent shall be protected and shall incur no liability in acting or proceeding in good faith upon any ordinance, notice, telegram, request, consent, waiver, certificate, statement, affidavit, voucher, bond, requisition or other paper or document which it shall in good faith believe to be genuine and to have been passed or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of this Escrow Agreement, and the Escrow Agent shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Escrow Agent shall not be bound to recognize any person as an Owner of any Obligation or to take any action at his request unless such Obligation shall be deposited with the Escrow Agent or satisfactory evidence of the ownership of such Obligation shall be furnished to the Escrow Agent. The Escrow Agent may consult with counsel, who may be counsel to the County, with regard to legal questions and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith in accordance therewith.

(b) Whenever in the administration of its duties under this Escrow Agreement, the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) shall be deemed to be conclusively proved and established by the certificate of the Escrow Agent's representative or the County's Representative and such certificate shall be full warranty

to the Escrow Agent for any action taken or suffered under the provisions of this Escrow Agreement upon the faith thereof, but in its discretion the Escrow Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

(c) The Escrow Agent may become the Owner of Obligations with the same rights it would have if it were not the Escrow Agent; may acquire and dispose of other certificates or evidences of indebtedness of the County with the same rights it would have if it were not the Escrow Agent; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners, whether or not such committee shall represent the Owners of the majority in aggregate principal amount of the Obligations then Outstanding.

(d) The recitals, statements and representations by the County contained in this Escrow Agreement or in the Obligations shall be taken and construed as made by and on the part of the County, as the case may be, and not by the Escrow Agent, and the Escrow Agent does not assume, and shall not have, any responsibility or obligation for the correctness of any thereof. The Escrow Agent shall have no responsibility with respect to any information, statement, or recital in an offering memorandum, official statement or other disclosure material prepared or distributed with respect to the Obligations.

(e) The Escrow Agent may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder, and the Escrow Agent shall not be answerable for the default or misconduct of any such attorney, agent, or receiver selected by it with reasonable care.

(f) The Escrow Agent shall not be required to take notice or be deemed to have notice of any default hereunder, except failure of the County to make Financing Payments to the Escrow Agent or any default of which the Escrow Agent has actual knowledge, unless the Escrow Agent shall have received written notice of such default from the County or from the Owners of twenty-five percent (25%) of the unpaid principal component of Financing Payments.

Section 5.8 Indemnification

(a) To the extent permitted by law, the County covenants and agrees to indemnify and save the Escrow Agent harmless against any loss, expense or liability which it may incur arising out of or in the exercise or performance of its duties and powers hereunder, including the costs and expenses of defending against any claim or liability, or enforcing any of the rights or remedies granted to it under the terms of this Escrow Agreement, excluding any losses or expenses which are due to the Escrow Agent's breach of fiduciary duties, negligence or willful misconduct. The obligations of the County under this Section 5.8 shall survive the resignation or removal of the Escrow Agent under this Escrow Agreement and the payment of the Obligations and discharge under this Escrow Agreement. The damages claimed against the County shall not exceed the damages which may be allowed under the Oregon Tort Claims Act, Oregon Revised Statutes Section 30.260, et seq., unless the provisions and limitations of such act are preempted by federal law, including, but not limited to the federal securities laws.

(b) Before taking any action under ARTICLE IX, Section 9.2 and Section 9.3 hereof or Section 5.3 of the Financing Agreement, the Escrow Agent may require payment of its fees and expenses, including reasonable attorney's fees, and upon receipt of indemnity satisfactory to it be furnished by Owners of the Obligations for the reimbursement of all further expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful default by reason of any action so taken.

ARTICLE VI. CONCERNING THE OBLIGATION OWNERS

Section 6.1 Evidence of Action Taken by Owners.

Whenever in this Escrow Agreement it is provided that the Owners of a specified percentage in aggregate principal amount of the Outstanding Obligations may take any action (including the making of any demand or request, the giving of any notice, consent or waiver or the taking of any other action), the fact that at the time of taking any such action the Owners of such specified percentage have joined therein may be evidenced:

(a) by any instrument or any number of instruments of similar tenor executed by Owners in person or by agent or proxy appointed in writing, or

(b) by the record of the Owners voting in favor thereof at any meeting of Owners, or

(c) by a combination of such instrument or instruments and any such record of such a meeting of Owners.

Section 6.2 Action Taken by Owners Irrevocable.

Any consent to the taking of any action by any Owner of an Outstanding Obligation shall be irrevocable and shall be conclusive and binding upon such Owner and upon all future Owners of such Obligation and of any Obligation executed and delivered in exchange or substitution therefor, irrespective of whether or not any notation and regard thereto is made upon such Obligation. Any action taken by the Owners of the percentage in aggregate principal amount of the Outstanding Obligations specified in this Escrow Agreement in connection with such action shall be conclusive and binding upon the County, the Escrow Agent and the Owners of all the Obligations.

Section 6.3 Certain Obligations Disregarded.

In determining whether the Owners of the requisite aggregate principal amount of Obligations have concurred in any direction or consent under this Escrow Agreement, Obligations which are owned by the Escrow Agent or the County or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with the Escrow Agent or the County shall be disregarded and treated as though they were not Outstanding for the purpose of any such determination; provided that for the purposes of determining whether the Escrow Agent shall be protected in relying on any such direction or consent only Obligations which the Escrow Agent knows are so owned shall be so disregarded. Obligations so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this section, if the pledgee shall establish to the satisfaction of the Escrow Agent the pledgee's right to vote such Obligations and that the pledgee is not a person directly or indirectly controlling or controlled by or under direct or indirect common control with the Escrow Agent or the County. In case of a dispute as to such right, any decision by the Escrow Agent taken upon the advice of counsel shall be full protection to the Escrow Agent.

ARTICLE VII. MODIFICATION OF ESCROW AGREEMENT

Section 7.1 Limitations.

This Escrow Agreement may be modified or amended only in accordance with this ARTICLE VII.

Section 7.2 Supplemental Escrow Agreement Without Consent of Owners.

The County and the Escrow Agent may at any time enter into supplemental Escrow Agreements without the consent of or notice to the Owners, for the following purposes:

- (a) To cure any formal defect, omission, inconsistency or ambiguity in this Escrow Agreement; provided that such action shall not, in the reasonable judgment of the County, materially and adversely affect the interests of the Owners;
- (b) To grant to or confer or impose upon the Escrow Agent for the benefit of the Owners any additional rights, remedies, or powers or to amend this Escrow Agreement in any other way for the benefit of the Owners; provided that no such amendment may have, in the reasonable judgment of the County, a material and adverse effect on any Owner which has not consented to the Supplemental Escrow Agreement;
- (c) To modify, alter, amend or supplement this Escrow Agreement in any other respect which is not materially adverse to the Owners and which does not involve a change described in Section 7.3(a)(i), Section 7.3(a)(ii), Section 7.3(a)(iii), Section 7.3(a)(iv) herein and which, in the judgment of the Escrow Agent, is not to the prejudice of the Escrow Agent;

Before the Escrow Agent and the County shall enter into any Supplemental Escrow Agreement pursuant to this Section, the County shall deliver to the Escrow Agent an opinion of Special Counsel stating that the supplemental Escrow Agreement is authorized or permitted by this Escrow Agreement, complies with its terms, will, upon the execution and delivery thereof, be valid and binding upon the County in accordance with its terms, and will not adversely affect the exclusion from gross income for federal income tax purposes of interest payable on the Obligations.

Section 7.3 Supplemental Escrow Agreement with Consent of the Owners.

- (a) Any amendment to this Escrow Agreement which is not described in Section 7.2 herein requires the consent of the County, the Escrow Agent and the Owners of not less than sixty (60) percent in aggregate principal amount of the Obligations then Outstanding. However, the consent of all affected Owners of all the Obligations then Outstanding is required for:
 - (i) a change in the terms of the payment or prepayment of any portion of the Financing Payments, or
 - (ii) the creation of a claim or lien upon, or a pledge of the security ranking prior to or (except as expressly permitted by this Escrow Agreement) on a parity with the claim, lien or pledge created by this Escrow Agreement, or
 - (iii) the creation of a preference or priority of any Obligation or Obligations over any other Obligation or Obligations, or
 - (iv) a reduction in the aggregate principal amount of Obligations the consent of the Owners of which is required for any supplemental Escrow Agreement or which is required, under Section 7.6 herein, for any modification, alteration, amendment or supplement to the Financing Agreement.
- (b) If at any time the County shall request the Escrow Agent to enter into any supplemental Escrow Agreement for any of the purposes of this Section 7.3 which require Owners' consent, the Escrow

Agent shall cause notice of the proposed supplemental Escrow Agreement to be given by first-class mail, postage prepaid, to all affected Owners at their addresses as they appear in the Obligation Register. Such notice shall briefly set forth the nature of the proposed supplemental Escrow Agreement and shall state that a copy thereof is on file at the office of the Escrow Agent for inspection by all Owners. Within two years after the date of the first mailing, the Escrow Agent and the County may enter into such supplemental Escrow Agreement in substantially the form described in such notice, but only if there shall have first been delivered to the Escrow Agent (i) the required consents, in writing, of Owners of Obligations then Outstanding, and (ii) an opinion of Special Counsel stating that such supplemental Escrow Agreement is authorized or permitted by this Escrow Agreement, complies with its terms, will, upon the execution and delivery thereof, be valid and binding upon the Escrow Agent and the County in accordance with its terms and will not adversely affect the exclusion from gross income for federal income tax purposes of interest with respect to the Obligations.

- (c) If the Owners of not less than the percentage of Obligations then Outstanding required by this Section 7.3 shall have consented to and approved the execution and delivery thereof as herein provided, no Owner shall have any right to object to the execution and delivery of such supplemental Escrow Agreement, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution and delivery thereof, or to enjoin or restrain the Escrow Agent or the County from executing and delivering the same or from taking any action pursuant to the provisions thereof.

Section 7.4 Effect of Supplemental Escrow Agreement.

Upon the execution and delivery of any supplemental Escrow Agreement pursuant to the provisions of this Section 7.4, this Escrow Agreement shall be, and be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under this Escrow Agreement of the Escrow Agent, the County and all Owners of Obligations then Outstanding shall thereafter be determined, exercised and enforced under this Escrow Agreement subject in all respects to such modifications and amendments.

Section 7.5 Amendments to Financing Agreement Not Requiring Consent of Owners.

- (a) The County, with the consent of the Escrow Agent but without the consent of or notice to the Owners, may amend, change or modify the Financing Agreement as may be required:
 - (i) By the provisions of the Financing Agreement and this Escrow Agreement,
 - (ii) To cure any ambiguity, formal defect or omission in the Financing Agreement,
 - (iii) To make any other change to the Financing Agreement which, in the reasonable judgment of the County, does not materially and adversely affect the Owners.
- (b) Before the County shall enter into, and the Escrow Agent shall consent to, any amendment change or modification pursuant to this Section 7.5 or Section 7.6 herein, there shall have been delivered to the Escrow Agent and the County an opinion of Special Counsel stating that such amendment, change or modification is authorized or permitted by this Escrow Agreement and the Financing Agreement, complies with their terms, will, upon the execution and delivery thereof, be valid and binding upon Escrow Agent and the County in accordance with its terms and will not adversely affect the exclusion from gross income for federal income tax purposes of interest with respect to the Obligations.

Section 7.6 Amendments to Financing Agreement Requiring Consent of the Owners.

(a) Any amendment to the Financing Agreement which is not described in Section 7.5 herein requires the consent of the County, the Escrow Agent and the Owners of not less than sixty (60) percent in aggregate principal amount of the Obligations Outstanding given as provided in this Section 7.6. However, the consent of the Owners of all affected Obligations then Outstanding is required for any amendment, change or modification of the Financing Agreement that would permit the termination or cancellation of the Financing Agreement or a reduction in or postponement of the payments under the said agreement or any change in the provisions relating to the payments thereunder.

(b) If at any time the County shall request the consent of the Escrow Agent to an amendment to the Financing Agreement which is not described in Section 7.5 herein, the Escrow Agent shall cause notice to be given of such proposed amendment, change or modification in the same manner as provided by Section 7.3 herein with respect to supplemental Escrow Agreements. Such notice shall briefly set forth the nature of such proposed amendment, change or modification, and shall state that copies of the instrument embodying the same are on file at the principal office of the Escrow Agent for inspection by all Owners at any time during reasonable business hours and upon reasonable prior notice. The County may enter into, and the Escrow Agent may consent to, any such proposed amendment, change or modification subject to the same conditions and with the same effect as provided in Section 7.3 herein with respect to supplemental Escrow Agreements, provided the County has obtained the opinion of Special Counsel which is described in Section 7.5 herein.

ARTICLE VIII. COVENANTS; NOTICES

Section 8.1 Compliance With and Enforcement of Financing Agreement.

(a) The County covenants and agrees with the Owners of the Obligations to perform all obligations and duties imposed on it under the Financing Agreement, and to enforce such agreement against the Escrow Agent in accordance with its terms.

(b) The Escrow Agent covenants and agrees with the Owners of the Obligations to perform all obligations and duties imposed on it under the Financing Agreement, and to enforce such Agreement against the County in accordance with its terms, subject to the rights of the County therein as provided in this Escrow Agreement and the Financing Agreement.

Section 8.2 Notice in Event of Late Financing Payment.

If the Escrow Agent does not receive any Financing Payment deposit within one (1) Business Day after the date on which it is due (which date is three (3) Business Days before the Payment Date) in accordance with the Financing Agreement, the Escrow Agent shall give prompt written and telephonic notice of such fact to the County.

Section 8.3 Notice of Default.

If an Event of Default occurs the Escrow Agent shall give written notice of such default to the Owners of the Obligations then Outstanding. Such notice shall specify that an Event of Default has occurred, and shall contain a brief description of the Event of Default. Any failure to give this notice shall not affect any rights of Owners. This shall be mailed by first class mail, postage prepaid, to each Owner within thirty (30) days of the Escrow Agent's actual knowledge of default. However, except for an Event of Default described in Section 9.1(a) herein, the Escrow Agent may withhold such notice if and

so long as the Escrow Agent in good faith determines that the withholding of such notice is in the interests of the Owners of Obligations.

Section 8.4 Tax Covenants.

To maintain the exclusion from gross income for federal income tax purposes of the interest component of each Financing Payment, the County has covenanted in the Financing Agreement to comply with the applicable provisions of the Code. The Escrow Agent hereby agrees to comply with any instructions received from the County in order to maintain such exclusion.

Section 8.5 Prosecution and Defense of Suits.

The County shall promptly take such action as may be necessary to cure any defect in the title to the Project or any part thereof, or the perfection of security interests in the Project, whether now existing or hereafter developing, and shall prosecute and defend all such suits, actions and all other proceedings as may be appropriate for such purpose.

Section 8.6 Further Assurances.

The Escrow Agent and the County will make, execute and deliver any and all such further ordinances, instruments and assurances as the Escrow Agent may deem reasonably necessary or proper to carry out the intention or to facilitate the performance of this Escrow Agreement, and for the better assuring and confirming to the Owners of the Obligations the rights and benefits provided herein.

ARTICLE IX. EVENTS OF DEFAULT

Section 9.1 Events of Default.

The occurrence of one or more of the following shall constitute Events of Default:

(a) The County's failure to pay the Financing Payments, when due;

(b) The County's failure to comply with any other covenant, condition or agreement of the County under the Agreements for a period of sixty (60) days after written notice thereof from the Escrow Agent absent an extension of time by the Escrow Agent;

(c) The commencement by the County of a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect or an assignment by the County for the benefit of its creditors, or the entry by the County into an agreement of composition with creditors, or the taking of any action by the County in furtherance of any of the foregoing; or

(d) Any statement, representation or warranty made by the County in or pursuant to the Financing Agreement or Escrow Agreement shall have proven to be false, incorrect, misleading or breached in any material respect on the date when made.

Section 9.2 Remedies on Default.

Upon the occurrence and continuance of any Event of Default, the Escrow Agent may proceed, and upon written request of the Owners of not less than a majority in aggregate principal amount of Obligations then Outstanding, shall proceed to take whatever action at law or in equity may appear necessary or desirable to enforce the Financing Agreement or to protect any of the rights vested in the

Escrow Agent or the Owners of Obligations by this Escrow Agreement or by the Obligations, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Escrow Agreement or in aid of the exercise of any power granted in this Escrow Agreement or for the enforcement of any other legal or equitable right vested in the Escrow Agent by this Escrow Agreement or by law; provided, however, that upon an EVENT OF DEFAULT THE ESCROW AGENT SHALL NOT HAVE THE RIGHT TO DECLARE THE UNPAID PRINCIPAL COMPONENTS OF THE FINANCING PAYMENTS IMMEDIATELY DUE AND PAYABLE.

The Escrow Agent may exercise the rights and powers conferred by this ARTICLE IX as the Escrow Agent in its discretion being advised by its Counsel shall deem most expedient and in the interests of the Owners.

Section 9.3 No Remedy Exclusive.

No remedy herein conferred upon or reserved to the Escrow Agent is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Escrow Agreement to the Escrow Agent, or given under the Financing Agreement to the Escrow Agent and assigned hereunder to the Escrow Agent, or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. To entitle the Escrow Agent to exercise any remedy reserved to it, it shall not be necessary to give any notice other than such notice as may be required in this Section 9.3 or by law.

Section 9.4 Agreement to Pay Attorneys' Fees and Expenses.

If any party to this Escrow Agreement should default under any of the provisions hereof and any nondefaulting party or parties should employ attorneys or incur other expenses for the collection of moneys on the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay, to the extent permitted by law, to such nondefaulting party or parties the reasonable fees of such attorneys and such other expenses incurred by such nondefaulting party or parties.

Section 9.5 No Additional Waiver Implied by One Waiver.

If any agreement contained in this Escrow Agreement should be breached by a party and thereafter waived by another party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 9.6 Application of Moneys Upon Default.

If at any time after an Event of Default has occurred the moneys in the Payment Account shall not be sufficient to pay the Financing Payments as the same become due and payable, such moneys together with any moneys available or thereafter becoming available for such purpose, whether through the exercise of the remedies provided for herein or otherwise, shall be applied by the Escrow Agent as follows:

(i) First: To the payments of costs, expenses and fees, and reasonable compensation of the Escrow Agent, its agents and attorneys, and all expenses and liabilities incurred and advances made by the Escrow Agent.

(ii) Second: To the payment to the persons entitled thereto of the interest components of Financing Payments as they become due in the order of the maturity of such Financing Payments, and, if the amount available shall not be sufficient to pay in full any particular interest component of a Financing Payment, then to the payment ratably, according to the amounts due on such interest portion, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Obligations;

(iii) Third: To the payment of the persons entitled thereto of the principal components of Financing Payments as they become due in the order of the maturity of such Financing Payments, and, if the amount available shall not be sufficient to pay in full any particular principal component of a Financing Payment, then to the payment ratably, according to the amounts due on such principal portion, to the persons entitled thereto, without discrimination or preference; and,

(iv) Fourth: To the County, but only if the Obligations are no longer Outstanding and all Additional Charges have been paid.

Section 9.7 Action by Owners.

If the Escrow Agent fails to take any action to eliminate an occurrence of an Event of Default, the Owners of more than fifty (50%) percent in aggregate principal amount of Obligations then Outstanding may institute any suit, action, mandamus or other proceeding in equity or at law for the protection or enforcement of any right under the Financing Agreement or this Escrow Agreement, but only if the Escrow Agent shall have been given written notice of such default (unless such default shall consist of a failure to make a Financing Payment when due) and the continuance thereof and if such percentage of Owners have first made written request of the Escrow Agent to institute such action or proceedings in its own name as Escrow Agent hereunder and shall have afforded the Escrow Agent sixty (60) days either to proceed to exercise the powers granted therein or granted under law or to institute such action, suit or proceeding in its name and unless also, the Escrow Agent shall have been offered reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Escrow Agent shall have refused or neglected to comply with such request within a reasonable time.

ARTICLE X. LIMITATION OF LIABILITY

Section 10.1 Limited Liability of County.

Except for the payment of Financing Payments and Additional Charges when due in accordance with the Financing Agreement, and the performance of the other covenants and agreements of the County contained in the Financing Agreement and this Escrow Agreement, the County shall have no obligation or liability to any of the other parties or to the Owners of the Obligations with respect to this Escrow Agreement or the terms, execution, delivery or transfer of the Obligations, or the distribution of Financing Payments to the Owners by the Escrow Agent.

Section 10.2 No Liability of County for Escrow Agent Performance.

The County shall not have any obligation or liability to any of the other parties or to the Owners of the Obligations with respect to the performance by the Escrow Agent of any duty imposed upon it under this Escrow Agreement.

Section 10.3 No Liability of Escrow Agent for Financing Payments by County.

The Escrow Agent shall not have any obligation or liability to the Owners of the Obligations with respect to the payment of the Financing Payments by the County when due, or with respect to the performance by the County of any other covenant made by it in the Financing Agreement.

Section 10.4 Opinion of Counsel; Experts.

(a) Before being required to take any action, the Escrow Agent may require an opinion of independent counsel acceptable to the Escrow Agent, which opinion shall be made available to the other parties hereto upon request, which counsel may be counsel to any of the parties hereto, or a verified certificate of any party hereto, or both, concerning the proposed action. If it does so in good faith, the Escrow Agent shall be absolutely protected in relying thereon.

(b) If an Event of Default occurs or a dispute arises under this Escrow Agreement or the Financing Agreement, the Escrow Agent may employ as its agents attorneys at law, certified public accountants and recognized authorities in their fields (who are not employees of the Escrow Agent), as it may deem necessary to carry out any of its obligations hereunder. The County shall reimburse the Escrow Agent for its reasonable expenses in so doing. The Escrow Agent shall not be responsible for any misconduct or negligence of any such agent appointed with due care by the Escrow Agent.

(c) The Escrow Agent may consult with counsel and the written advice of such counsel or any opinion of counsel shall be full and complete authorizations and protection in respect to any action taken or not taken by the Escrow Agent hereunder in good faith and in reliance thereon.

Section 10.5 Limitation of Rights to Parties and Owners.

Nothing in this Escrow Agreement or in the Obligations expressed or implied is intended or shall be construed to give any person other than the County, the Escrow Agent and the Owners of the Obligations, any legal or equitable right, remedy or claims under or in respect of this Escrow Agreement; all covenants, conditions and provisions are and shall be for the sole and exclusive benefit of the County, the Escrow Agent and the Owners.

ARTICLE XI. MISCELLANEOUS

Section 11.1 Defeasance.

(a) All or any portion of the Outstanding Obligations may be paid and discharged in any one or more of the following ways:

(i) By paying or causing to be paid the Financing Payments attributable to such Obligations as and when the same become due and payable;

(ii) By irrevocably depositing with the Escrow Agent or an independent escrow agent, in trust, before maturity, money which, together with the amounts then on deposit in the Payment Account, is fully sufficient to pay all Financing Payments attributable to such Obligations; or

(iii) By irrevocably depositing with the Escrow Agent or an independent escrow agent, in trust, Defeasance Obligations in such amount which will, together with the interest to accrue thereon, be sufficient to pay all Financing Payments attributable to such Obligations, as

and when the same become due and payable, as evidenced by a verification report, and providing the Escrow Agent with an opinion of Special Counsel that such deposits will not cause the interest component of Financing Payments to be includable in gross income under federal income tax laws.

(b) All obligations of the Escrow Agent and the County under this Escrow Agreement with respect to such Obligations which are paid or deemed paid hereunder shall cease and terminate, except for the obligation of the County to pay the Additional Charges specified in Section 3.2 of the Financing Agreement and to pay Financing Payments from the amount so deposited, and of the Escrow Agent to apply amounts on deposit to the payment of the Financing Payments.

(c) The Escrow Agent shall, so long as any Obligations remain Outstanding, keep complete and accurate records of all moneys received and disbursed under this Escrow Agreement, which shall be available for inspection by the County and any Owner, or the agent of any of them, at any time during reasonable business hours upon reasonable prior notice. Upon written notice, the Escrow Agent shall promptly make such records available to the County, any Owner, or their respective auditors and other representatives, and shall cooperate with them in auditing and reproducing the records.

Section 11.2 Notices.

(a) All written notices to be given under this Escrow Agreement to any party to this Escrow Agreement shall be given via mail or via facsimile. Notices to be mailed shall be sent to the following addresses (unless the addressee has previously notified the other party in writing of a change in address):

If to the Escrow Agent:

U.S. Bank National Association
555 SW Oak Street, PD-OR-P6TD
Portland, Oregon 97204

Telephone: (503) 275-5708
Facsimile: (503) 275-5738

If to the County

Multnomah County
501 SE Hawthorne Blvd., Suite 531
Portland, Oregon 97214-3501
Attn: Chief Financial Officer

Telephone: (503) 988-3312
Facsimile: (503)

(b) All notices, obligations or other communications hereunder shall be sufficiently given and shall be deemed given when delivered via facsimile or mailed by registered mail (return receipt requested), postage prepaid.

Section 11.3 Applicable Law.

This Escrow Agreement shall be governed by and construed in accordance with the laws of the State of Oregon. Any action regarding this Escrow Agreement or the transactions contemplated hereby shall be brought in an appropriate court for the Multnomah County, Oregon.

Section 11.4 Partial Invalidity.

Any provision of this Escrow Agreement found to be prohibited by law shall be ineffective only to the extent of such prohibition, and shall not invalidate any remainder of this Escrow Agreement.

Section 11.5 Binding Effect; Successors.

This Escrow Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. Whenever in this Escrow Agreement any party hereto is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all covenants and agreements contained in this Escrow Agreement by or on behalf of any party hereto shall bind and inure to the benefit of the successors and assigns thereof whether so expressed or not.

Section 11.6 Headings.

The headings, titles and table of contents in this Escrow Agreement are provided for convenience and shall not affect the meaning, construction or effect of this Escrow Agreement. All references herein to "Sections," and other subdivisions which do not specify the document in which the subdivision is located shall be construed as references to this Escrow Agreement.

Section 11.7 Execution in Counterparts.

This Escrow Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same agreement.

IN WITNESS WHEREOF, the Escrow Agent has executed this Escrow Agreement in its corporate name by its duly authorized officer and the County has caused this Escrow Agreement to be executed in its name by its duly authorized officer, all as of the date first above written.

U.S. BANK NATIONAL ASSOCIATION
as Escrow Agent

By: _____
Authorized Officer

MULTNOMAH COUNTY, OREGON
as County

By: _____
Mark Campbell, Chief Financial Officer

EXHIBIT A

(Form of Full Faith and Credit Obligation)

No. R-__ \$__,000

**FULL FAITH AND CREDIT OBLIGATION
SERIES 2012**

Evidencing a Proportionate Interest of the Owner Hereof in Certain Financing Payments
to be Made Under a Tax-Exempt Financing Agreement between

MULTNOMAH COUNTY, OREGON
as County

and

U.S. BANK NATIONAL ASSOCIATION,
as Escrow Agent

| DATED DATE | PRINCIPAL COMPONENT INTEREST RATE PER ANNUM | PRINCIPAL COMPONENT MATURITY DATE | CUSIP NUMBER |
|---|--|--|-------------------------|
| December 13, 2012 | ____% | | |
| REGISTERED OWNER: -----CEDE & CO.----- | | | |
| PRINCIPAL AMOUNT: ----- THOUSAND DOLLARS----- | | | |

This Obligation is executed and delivered by U.S. Bank National Association pursuant to an Escrow Agreement, dated as of December 13, 2012, by and between U.S. Bank National Association, as escrow agent (the "Escrow Agent"), and Multnomah County, Oregon (the "County"). The Escrow Agent and the County have entered into that certain Tax-Exempt Financing Agreement, dated as of December 13, 2012 (the "Financing Agreement"), pursuant to which the County is legally required to make financing payments (the "Financing Payments"). The County has assigned to the Escrow Agent all of its right, title and interest in the Financing Payments for the benefit of the Owners of the Obligations under the Escrow Agreement.

This Obligation is entitled proportionately to receipt of the principal component of Financing Payments in the amount set forth as Principal Amount above due on the Principal Component Maturity Date set forth above and is entitled proportionately to receipt of an amount of the interest component of Financing Payments each Payment Date attributable to the interest accruing on said principal component at the principal component interest rate set forth above.

ADDITIONAL PROVISIONS OF THIS OBLIGATION APPEAR ON THE REVERSE SIDE
HEREOF AND ON SUBSEQUENT PAGES; THESE PROVISIONS HAVE THE SAME EFFECT AS
IF THEY WERE PRINTED HEREIN.

U.S. Bank National Association, in Portland, Oregon, as the Escrow Agent and Registrar (the "Registrar"), shall pay to the Registered Owner specified above, or registered assigns, the Principal Amount specified above on the above Principal Component Maturity Date together with interest thereon from the dated date indicated above at the Principal Component Interest Rate per annum indicated above, but solely from amounts received from the County pursuant to the Financing Agreement and Escrow Agreement. Interest is payable semiannually on June 1 and December 1 of each year until maturity, commencing on June 1, 2013 (the "Payment Date") to the Owners of record as of the Record Date. Principal components of, and interest components of the Financing Payments on this Obligation shall be received by Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), or its registered assigns in same-day funds on each Payment Date. Such payments shall be made payable to the order of "Cede & Co.". All terms used in this Obligation and not otherwise defined herein shall have the respective meanings assigned thereto in the Financing Agreement and Escrow Agreement. The Obligations are payable from the Payment Account as provided in the Escrow Agreement.

This Obligation is one of a series of Full Faith and Credit Obligations, Series 2012 (the "Obligations"), being executed and delivered in the aggregate principal amount of \$128,000,000. The County is authorized to enter into the Financing Agreement and the Escrow Agreement by Resolution No. 2012-178 adopted by the Board of Commissioners of the County (the "Board") on October 18, 2012 (the "Resolution").

The Obligations shall be subject to optional and mandatory prepayment as provided in the Financing Agreement and Escrow Agreement. If this Obligation is called for prepayment and payment is duly provided therefor as specified in the Escrow Agreement, interest on this Obligation shall cease to accrue beginning on the date fixed for prepayment. Notice of prepayment shall be given by the Escrow Agent to DTC as required by the rules and procedures of DTC.

The Financing Payments are payable from the general non-restricted revenues of the County and other funds which may be available for that purpose, including taxes levied within the restrictions of Section 11b, Article XI of the Constitution of the State of Oregon. The obligation of the County to make Financing Payments is a full faith and credit obligation of the County, and is not subject to appropriation. THE REGISTERED OWNERS OF THE OBLIGATIONS DO NOT HAVE A LIEN OR SECURITY INTEREST IN THE PROJECT FINANCED WITH THE PROCEEDS OF THE OBLIGATIONS.

The Obligations are initially issued as a Book-Entry System issue with no certificates provided to the Owners. Records of Obligation ownership will be maintained by the Escrow Agent and DTC and its participants.

THE ESCROW AGENT HAS NO OBLIGATION OR LIABILITY TO THE OWNERS OF OBLIGATIONS FOR THE PAYMENT OF THE INTEREST OR PRINCIPAL PORTIONS PERTAINING TO THE OBLIGATION; THE ESCROW AGENT'S ONLY OBLIGATIONS ARE TO ADMINISTER, FOR THE BENEFIT OF THE DISTRICT AND THE OWNERS OF OBLIGATIONS, THE VARIOUS ACCOUNTS ESTABLISHED IN THE ESCROW AGREEMENT AND ONLY SUCH DUTIES AS SET FORTH IN THE ESCROW AGREEMENT.

IN WITNESS WHEREOF, the Escrow Agent has caused this Obligation to be executed by the manual or facsimile signature of an authorized officer as of the date set forth above.

U.S. BANK NATIONAL ASSOCIATION,
as Escrow Agent

By: _____
Authorized Officer

THIS OBLIGATION SHALL NOT BE VALID UNLESS PROPERLY AUTHENTICATED BY THE REGISTRAR IN THE SPACE INDICATED BELOW.

Date of Authentication: December 13, 2012.

CERTIFICATE OF AUTHENTICATION

This is one of the \$128,000,000 Full Faith and Credit Obligations, Series 2012, which represents an interest in the Financing Payments due under the Financing Agreement described herein, and is properly registered and authenticated pursuant to the Escrow Agreement.

U.S. BANK NATIONAL ASSOCIATION,
as Registrar

By: _____
Authorized Officer

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____.

(Please insert social security or other identifying number of assignee) this Bond and does hereby irrevocably constitute and appoint _____ as attorney to transfer this Bond on the books kept for registration thereof with the full power of substitution in the premises.

Dated: _____

NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears upon the face of this Bond in every particular, without alteration or enlargement or any change whatever.

NOTICE: The signatures to this Assignment must be guaranteed by a financial institution that is a member of the Securities Transfer Agents Medallion Program ("STAMP"), the Stock Exchange Medallion Program ("SEMP") or the New York Stock Exchange, Inc. Medallion Securities Program ("MSP").

Signature Guaranteed

(Bank, Trust Company or Brokerage Firm)

Authorized Officer

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

- TEN COM -- tenants in common
- TEN ENT -- as tenants by the entireties
- JT TEN -- as joint tenants with right of survivorship and not as tenants in common
- OREGON CUSTODIANS use the following:
- _____ CUST UL OREG _____ MIN as custodian for
- (as custodian for) (name of minor)
- OR UNIF TRANS MIN ACT (under the Oregon Uniform Transfer to Minors Act)

Additional abbreviations may also be used though not in the list above.

EXHIBIT B
PREPAYMENT PROVISIONS
MULTNOMAH COUNTY, OREGON
FULL FAITH AND CREDIT OBLIGATIONS
SERIES 2012
FINANCING AMOUNT: \$128,000,000

Prepayment Provisions

Optional Prepayment. The Obligations maturing in years 2014 through 2022, inclusive, are not subject to optional prepayment prior to maturity. The Obligations maturing on June 1, 2023 and on any date thereafter are subject to prepayment at the option of the County prior to their stated maturity dates at any time on or after June 1, 2022, as a whole or in part, and if in part, with maturities to be selected by the County at a price of par, plus accrued interest, if any, to the date of prepayment.

For as long as the Obligations are in book-entry only form, if fewer than all of the Obligations of a maturity are called for prepayment, the selection of Obligations within a maturity to be redeemed shall be made by DTC in accordance with its operational procedures then in effect. If the Obligations are no longer held in book-entry only form, then the Escrow Agent would select Obligations for prepayment by lot.