



Multnomah County Oregon

Board of Commissioners & Agenda

connecting citizens with information and services

BOARD OF COMMISSIONERS

Bill Farver, Interim Chair

501 SE Hawthorne Boulevard, Suite 600
Portland, Or 97214

Phone: (503) 988-3308 FAX (503) 988-3093

Email: mult.chair@co.multnomah.or.us

Pauline Anderson, Interim

Commission Dist. 1

501 SE Hawthorne Boulevard, Suite 600
Portland, Or 97214

Phone: (503) 988-5220 FAX (503) 988-5440

Email:

pauline.s.anderson@co.multnomah.or.us

Serena Cruz, Commission Dist. 2

501 SE Hawthorne Boulevard, Suite 600
Portland, Or 97214

Phone: (503) 988-5219 FAX (503) 988-5440

Email: serena.m.cruz@co.multnomah.or.us

Lisa Naito, Commission Dist. 3

501 SE Hawthorne Boulevard, Suite 600
Portland, Or 97214

Phone: (503) 988-5217 FAX (503) 988-5262

Email: lisa.h.naito@co.multnomah.or.us

Lonnie Roberts, Commission Dist. 4

501 SE Hawthorne Boulevard, Suite 600
Portland, Or 97214

Phone: (503) 988-5213 FAX (503) 988-5262

Email: lonnie.j.roberts@co.multnomah.or.us

ANY QUESTIONS? CALL BOARD

CLERK DEB BOGSTAD @ (503) 988-3277

Email: deborah.l.bogstad@co.multnomah.or.us

INDIVIDUALS WITH DISABILITIES PLEASE
CALL THE BOARD CLERK AT (503) 988-3277,
OR MULTNOMAH COUNTY TDD PHONE
(503) 988-5040, FOR INFORMATION ON
AVAILABLE SERVICES AND ACCESSIBILITY.

APRIL 12, 2001

BOARD MEETING

FASTLOOK AGENDA ITEMS OF INTEREST

| | |
|----------|--|
| Pg. 3 | 9:30 a.m. Thursday Approval of District Attorney's 2001-2002 C.A.M.I. Plan |
| Pg. 4 | 9:35 a.m. Thursday Recommendation to Oregon Legislative Assembly Regarding Redistricting and Reapportionment |
| Pg. 4 | 9:40 a.m. Thursday Auditor Briefing on Financial Condition of Multnomah County |
| Pg. 4 | 10:10 a.m. Thursday Audit Committee Presentation of Comprehensive Annual Financial Report and Single Audit Report |
| Pg. 4 | 10:30 a.m. Thursday Community Health Worker Project Update |
| Pg. 4 | 11:00 a.m. Thursday Homeless Families Plan Addendum and Update |
| Pg. 4 | 11:30 a.m. Thursday Multnomah County Affirmative Action Plan for 2001-2003 |
| Pg. 5 | Budget Deliberations Schedule |
| * | Board and Agenda Web Site: http://www.co.multnomah.or.us/cc/ind ex.html |

Thursday meetings of the Multnomah County Board of Commissioners are cable-cast live and taped and may be seen by Cable subscribers in Multnomah County at the following times:

Thursday, 9:30 AM, (LIVE) Channel 30
Friday, 11:00 PM, Channel 30
Saturday, 10:00 AM, Channel 30
(Saturday Playback for East County Only)
Sunday, 11:00 AM, Channel 30

Produced through Multnomah Community Television

Thursday, April 12, 2001 - 9:30 AM
Multnomah Building, First Floor Commissioners Boardroom 100
501 SE Hawthorne Boulevard, Portland

REGULAR MEETING

CONSENT CALENDAR - 9:30 AM

SHERIFF'S OFFICE

- C-1 Budget Modification MCSO 2 Appropriating \$2,270 Additional Revenue from Tri Met for a 3% First Responder Pay for the Deputy Sheriff Assigned to the Transit Police Division
- C-2 Budget Modification MCSO 3 Appropriating \$120,000 Revenue from the Social Security Administration for Reporting Information Regarding Certain Individuals Confined in Corrections Facilities per an Incentive Payment Memorandum of Understanding Agreement with the Social Security Administration
- C-3 Budget Modification MCSO 4 Appropriating \$89,495 Revenue from the Oregon Department of Transportation for the DUI Intense Supervision Program Grant

PUBLIC CONTRACT REVIEW BOARD

- C-4 ORDER Exempting from the Formal Competitive Bid Process the Contract with The Software Group for Modifications to the Application Software Package Previously Purchased from The Software Group

DEPARTMENT OF COMMUNITY AND FAMILY SERVICES

- C-5 Renewal of Intergovernmental Revenue Agreement 103588 with the U.S. Department of Housing and Urban Development, Providing Two Years Family Wages Supportive Housing Project Funding for Supportive Services and Administration
- C-6 Renewal of Intergovernmental Revenue Agreement 103598 with the U.S. Department of Housing and Urban Development, Providing Two Years Pathways Homeless Youth Mental Health 1 Supportive Housing Project Funding for Supportive Services and Administration
- C-7 Renewal of Intergovernmental Revenue Agreement 0010712 with the U.S. Department of Housing and Urban Development, Providing Three Years Horizons Homeless Families Supportive Housing Project Funding for Supportive Services, Leasing and Administration
- C-8 Renewal of Intergovernmental Revenue Agreement 9910393 with the U.S. Department of Housing and Urban Development, Providing Two Years Family Futures Supportive Housing Project Funding for Supportive Services, Leasing and Administration

DEPARTMENT OF SUSTAINABLE COMMUNITY DEVELOPMENT

- C-9 RESOLUTION Authorizing Execution of Deed D011771 Upon Complete Performance of a Contract with Jeffrey Paul Fish
- C-10 Intergovernmental Revenue Agreement 0110972 with the Oregon Department of Transportation, for the Morrison Bridge Multi-Use Path Preliminary Engineering

REGULAR AGENDA - 9:30 AM

PUBLIC COMMENT - 9:30 AM

Opportunity for Public Comment on Non-Agenda Matters. Testimony Limited to Three Minutes Per Person.

DISTRICT ATTORNEY'S OFFICE - 9:30 AM

- R-1 Approval of Plan for 2001-2002 and Receipt of Child Abuse Multidisciplinary Intervention (C.A.M.I.) Funds to Support Multnomah County's Multidisciplinary Child Abuse Intervention Team Services

NON-DEPARTMENTAL - 9:35 AM

- R-2 RESOLUTION: Recommendation to the 71st Oregon Legislative Assembly, Joint Committee on Rules and Redistricting Regarding Redistricting and Reapportionment
-

Thursday, April 12, 2001 - 9:40 AM
(OR IMMEDIATELY FOLLOWING REGULAR AGENDA)
Multnomah Building, First Floor Commissioners Boardroom 100
501 SE Hawthorne Boulevard, Portland

BOARD BRIEFINGS

- B-1 Multnomah County, Oregon Financial Condition Report. Presented by Suzanne Flynn, Judith DeVilliers, Dave Boyer and Dave Warren.
- B-2 Certificate of Achievement for Excellence in Financial Reporting Award for Comprehensive Annual Financial Report for June 30, 1999. Presented by Chair Bill Farver.
- B-3 Multnomah County Audit Committee Presentation of the Comprehensive Annual Financial Report and Single Audit Report. Presented by Katy Gallagher, Mindy Harris and Dave Boyer.
- B-4 Community Health Worker Project Update. Presented by Lillian Shirley, Noël Wiggins, and Community Health Workers.
- B-5 Homeless Families Plan for Multnomah County: Five-Year Roadmap for Service Development-Addendum and Update. Presented by Mary T. Li, Jean DeMaster, Will Grant, Theresa Monteverdi, Rick Nitti and Oscar Sweeten-Lopez.
- B-6 Connecting Multnomah County's Affirmative Action Plan to a Diverse Workforce. Presented by Cecilia Johnson and Staff.

2001-2002 Multnomah County Budget Deliberations Schedule

***All sessions to be held in the Multnomah Building,
Commissioners Boardroom 100, 501 SE Hawthorne
Boulevard, except as noted***

| | | |
|----------------------|-------------------|---|
| Thur, April 26, 2001 | 9:30 to noon | Executive Budget Overview Presentation to Board and Regular Board Meeting |
| Tue, May 1, 2001 | 9:00 to 3:00 p.m. | Opportunity for Commissioner Updates on Boards and Committees, followed by Board Budget Work Session on Issues |
| Thur, May 3, 2001 | 9:30 to noon | Board Approval of Budget for Transmission to Tax Supervising and Conservation Commission and Regular Board Meeting |
| Tue, May 8, 2001 | 9:30 to noon | Central Citizen Budget Advisory Committee Report & Department of Library Services Budget Hearing |
| Tue, May 8, 2001 | 1:30 to 4:00 p.m. | Department of Sustainable Community Development Budget Hearing |
| Wed, May 9, 2001 | 9:30 to noon | Department of Support Services Budget Hearing |
| Wed, May 9, 2001 | 1:30 to 4:00 p.m. | Non-Departmental and Special Service Districts Budget Hearings |

2001-2002 Multnomah County Budget Deliberations Schedule

***All sessions to be held in the Multnomah Building,
Commissioners Boardroom 100, 501 SE Hawthorne
Boulevard, except as noted***

| | | |
|----------------------------|--------------------------|--|
| *Thur, May 10, 2001 | 6:00 to 8:00 p.m. | Public Hearing and Testimony on the Multnomah County Budget, Midland Branch Library, 805 SE 122nd Avenue, Portland |
| Tue, May 15, 2001 | 9:30 to noon | Public Affairs Office Legislative Update discussion, followed by Department of Aging and Disability Services Budget Hearing |
| Tue, May 15, 2001 | 1:30 to 4:00 p.m. | Capital Program Budget Hearing and Mental Health System Briefing |
| Wed, May 16, 2001 | 9:30 to noon | Health Department Budget Hearing |
| Wed, May 16, 2001 | 1:30 to 4:00 p.m. | Department of Community and Family Services Budget Hearing |
| *Thur, May 17, 2001 | 6:00 to 8:00 p.m. | Public Hearing and Testimony on the Multnomah County Budget, North Portland Branch Library, 512 N Killingsworth, Portland |
| Tue, May 22, 2001 | 9:30 to noon | District Attorney's Office Budget Hearing |
| Tue, May 22, 2001 | 1:30 to 4:00 p.m. | Department of Juvenile and Adult Community Justice Budget Hearing |
| Wed, May 23, 2001 | 9:30 to noon | Sheriff's Office Budget Hearing |

2001-2002 Multnomah County Budget Deliberations Schedule
***All sessions to be in held in the Multnomah Building,**
Commissioners Boardroom 100, 501 SE Hawthorne
Boulevard, except as noted*

| | | |
|---------------------------|--------------------------|--|
| *Wed, May 23, 2001 | 6:00 to 8:00 p.m. | Public Hearing and Testimony on the Multnomah County Budget, Gresham Branch Library, 385 NW Miller, Gresham |
| Tue, May 29, 2001 | 9:30 to noon | Discussion, Follow-up Info, Review Budget Amendments Work Session |
| Tue, May 29, 2001 | 1:30 to 4:00 p.m. | Discussion, Follow-up Info, Review Budget Amendments Work Session |
| Wed, May 30, 2001 | 9:30 to noon | Discussion, Follow-up Info, Review Budget Amendments Work Session |
| Wed, May 30, 2001 | 1:30 to 4:00 p.m. | Discussion, Follow-up Info, Review Budget Amendments Work Session |
| Tue, June 5, 2001 | 9:30 to noon | Discussion, Follow-up Info, Review Budget Amendments Work Session |
| Tue, June 5, 2001 | 1:30 to 4:00 p.m. | Discussion, Follow-up Info, Review Budget Amendments Work Session |
| Wed, June 6, 2001 | 9:30 to noon | Discussion, Follow-up Info, Review Budget Amendments Work Session |
| Thur, June 7, 2001 | 1:30 to 3:00 p.m. | Tax Supervising and Conservation Commission Public Hearing and Testimony on Multnomah County Budget (quorum of BCC to attend) |

2001-2002 Multnomah County Budget Deliberations Schedule
***All sessions to be held in the Multnomah Building,
Commissioners Boardroom 100, 501 SE Hawthorne
Boulevard, except as noted***

Thur, June 7, 2001 **6:00 to 8:00 p.m. Public Hearing and Testimony on
the Multnomah County Budget**

Thur, June 14, 2001 **9:30 to noon Public Hearing and Testimony and
Adoption of Budget and
Amendments and Regular Board
Meeting**

MEETING DATE: APR 12 2001
AGENDA #: B-1
ESTIMATED START TIME: 9:40

(Above Space for Board Clerk's use only)

AGENDA PLACEMENT FORM

SUBJECT: Board Briefing on Financial Condition of Multnomah County

BOARD BRIEFING: DATE REQUESTED: Thursday, April 12, 2001

REQUESTED BY: Suzanne Flynn

AMOUNT OF TIME NEEDED: 30 minutes

REGULAR MEETING: DATE REQUESTED: _____

AMOUNT OF TIME NEEDED: _____

DEPARTMENT: Non-Departmental

DIVISION: Auditor's Office

CONTACT: Judy Rosenberger

TELEPHONE #: 503 988-3220

BLDG/ROOM #: 503/601

PERSON(S) MAKING PRESENTATION Suzanne Flynn, Judith DeVilliers, Dave Boyer, and Dave Warren

ACTION REQUESTED:

☒ INFORMATIONAL ONLY ☐ POLICY DIRECTION ☐ APPROVAL ☐ OTHER

SUGGESTED AGENDA TITLE:

Financial Condition of Multnomah County

SIGNATURES REQUIRED:

ELECTED OFFICIAL: _____

(OR)

DEPARTMENT

MANAGER: _____

ALL ACCOMPANYING DOCUMENTS MUST HAVE REQUIRED SIGNATURES

Any Questions? Call the Board Clerk @ (503) 988-3277

01 MAR 14 PM 8:50
MULTNOMAH COUNTY
OREGON
COUNTY COMMISSIONERS

Multnomah County

Financial Condition – FY91 through
FY00

Agenda

- ◆ Purpose & methodology
- ◆ Significant trends
- ◆ Discussion

Indicators

REVENUES

- ◆ Operating
- ◆ Intergovernmental
- ◆ Property tax
- ◆ Business income & car rental taxes
- ◆ User charges
- ◆ Short-term
- ◆ Shortfalls

EXPENDITURE

- ◆ Total
- ◆ Justice services
- ◆ Social and health services
- ◆ Library
- ◆ Roads and bridges
- ◆ General government
- ◆ Internal services
- ◆ Employees

Indicators

FINANCIAL HEALTH

- ◆ Unreserved fund balances
- ◆ General fund reserve
- ◆ Liquidity ratio
- ◆ Accounts payable
- ◆ Unfunded employee leave
- ◆ Capital spending
- ◆ Long term debt & leases

ECONOMIC & DEMOGRAPHIC

- ◆ Property values
- ◆ Uncollected property taxes
- ◆ Number of businesses
- ◆ Unemployment rate
- ◆ New construction
- ◆ Population
- ◆ Average income
- ◆ Households in poverty
- ◆ Reported crime

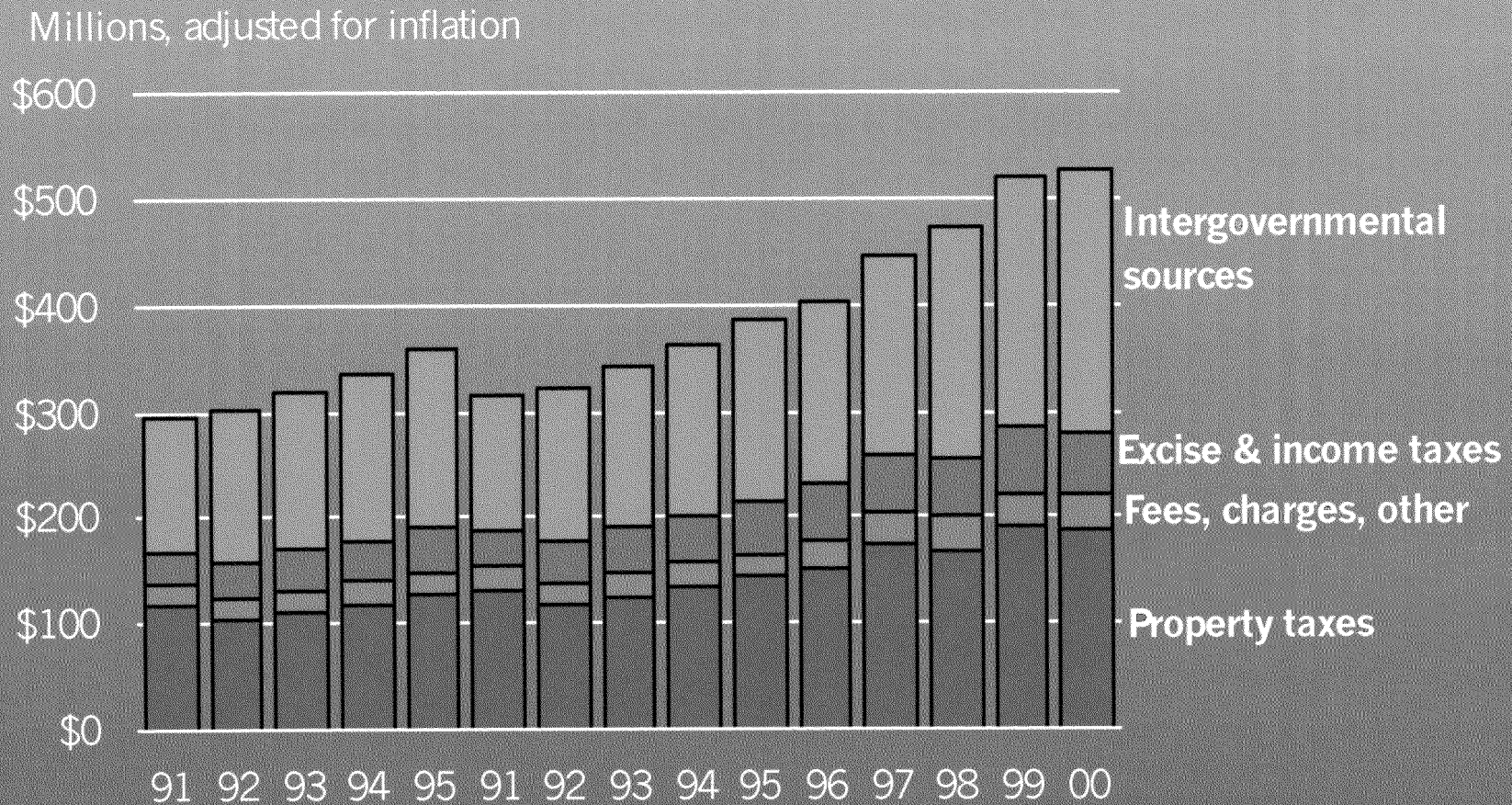
Trends worth noting

- ◆ Operating revenues have grown
- ◆ Dependence on revenues from other governments is increasing
- ◆ County is reliant on short-term revenues
- ◆ In most cases spending on services has grown

Trends worth noting

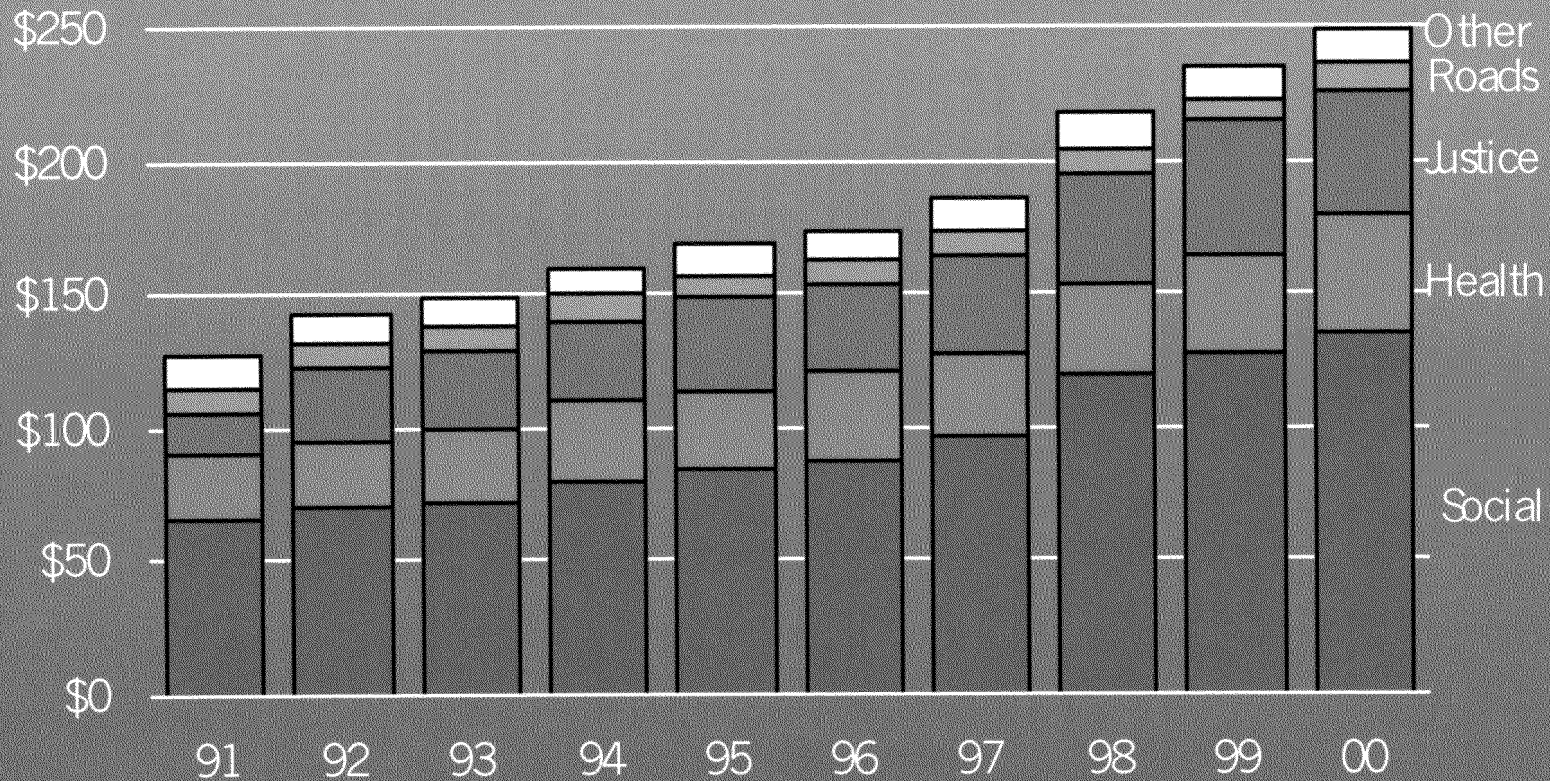
- ◆ % of unreserved fund balances decreased
- ◆ Liquidity ratio needs watching
- ◆ Unfunded employee leave is increasing
- ◆ Capital spending has increased
- ◆ Assessed property values continue to increase
- ◆ Economic & demographic trends show mixed signals

Operating Revenues



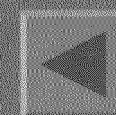
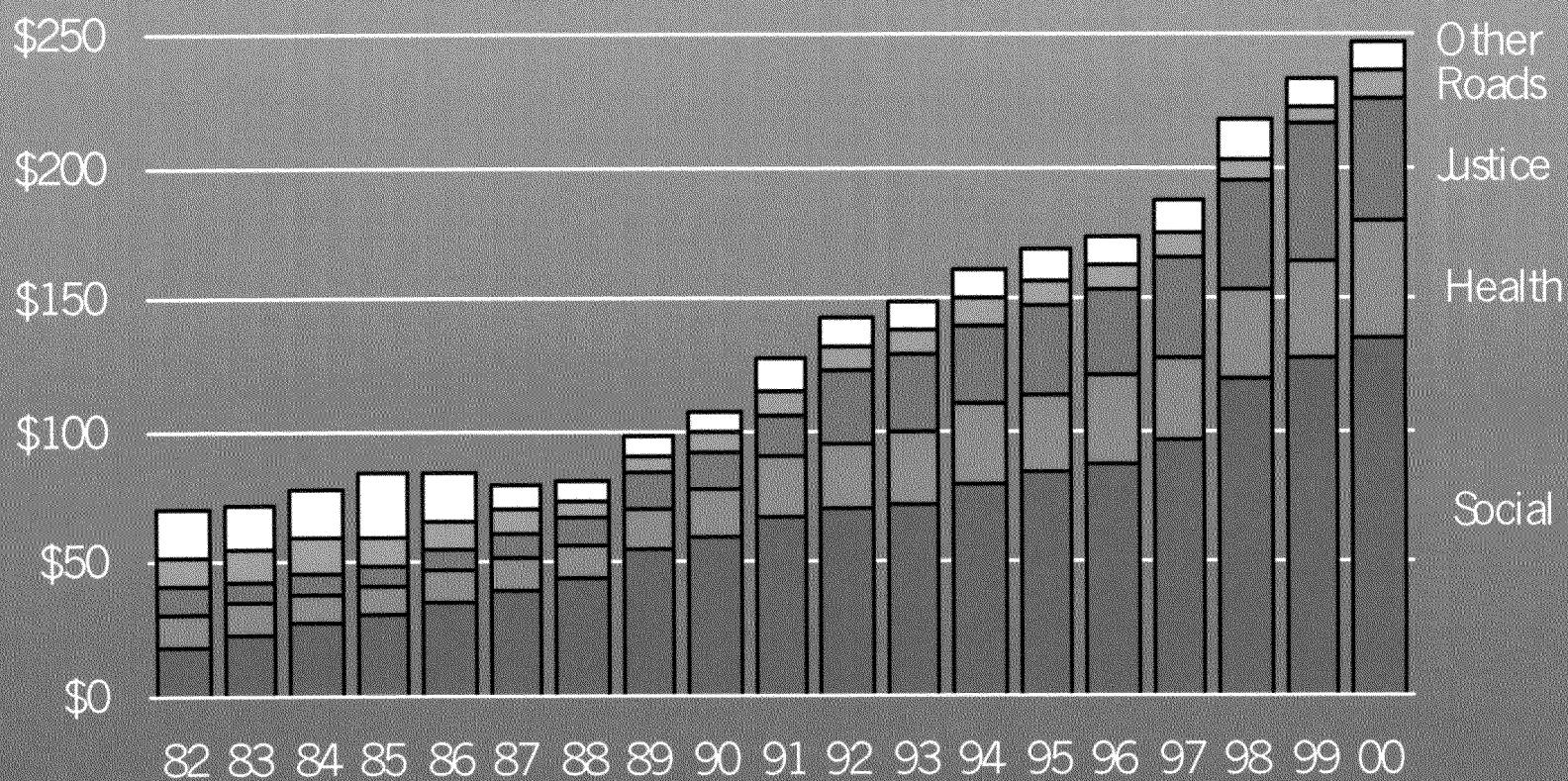
Intergovernmental revenues

Millions, adjusted for inflation



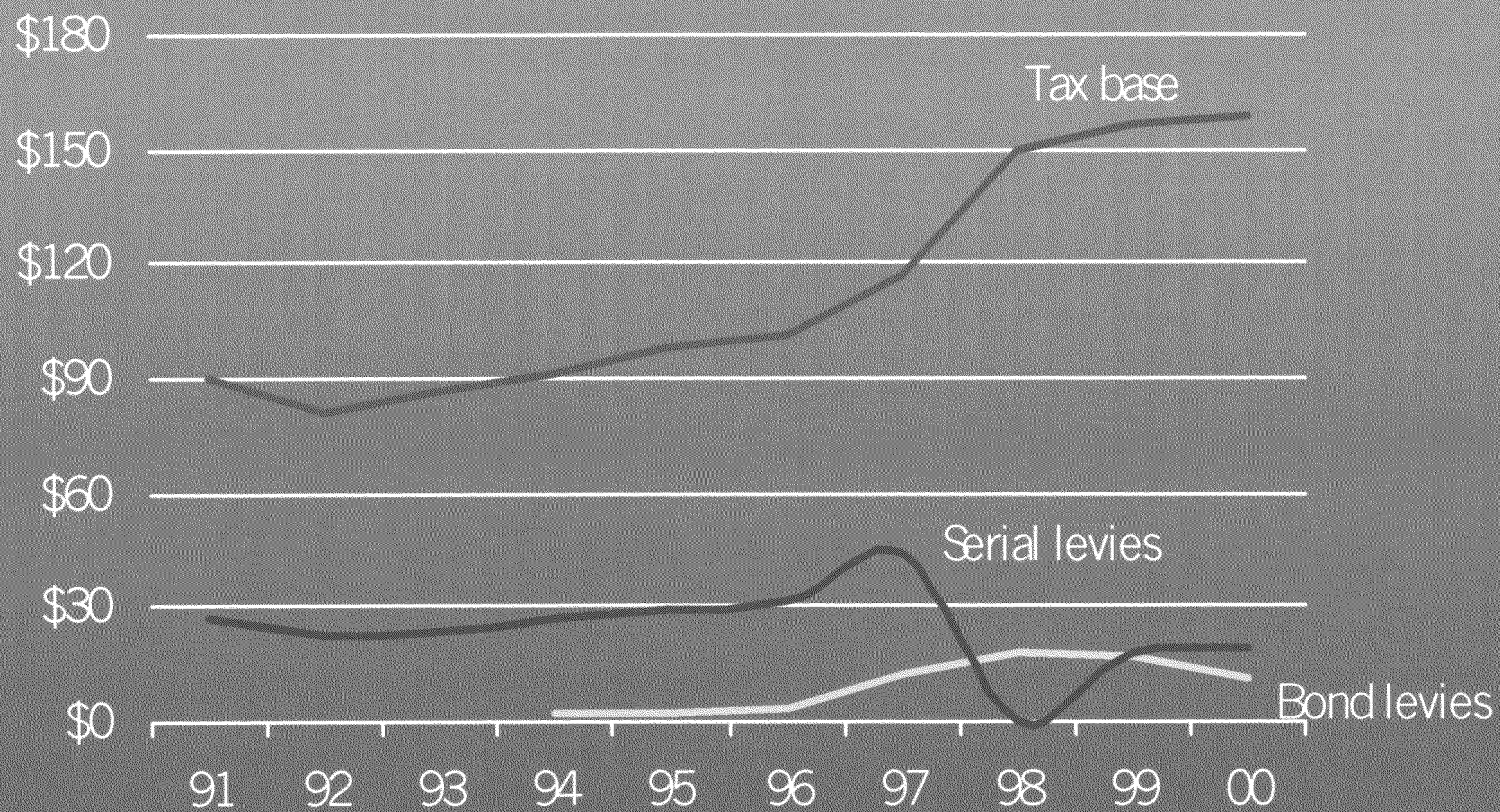
Intergovernmental revenues

Millions, adjusted for inflation



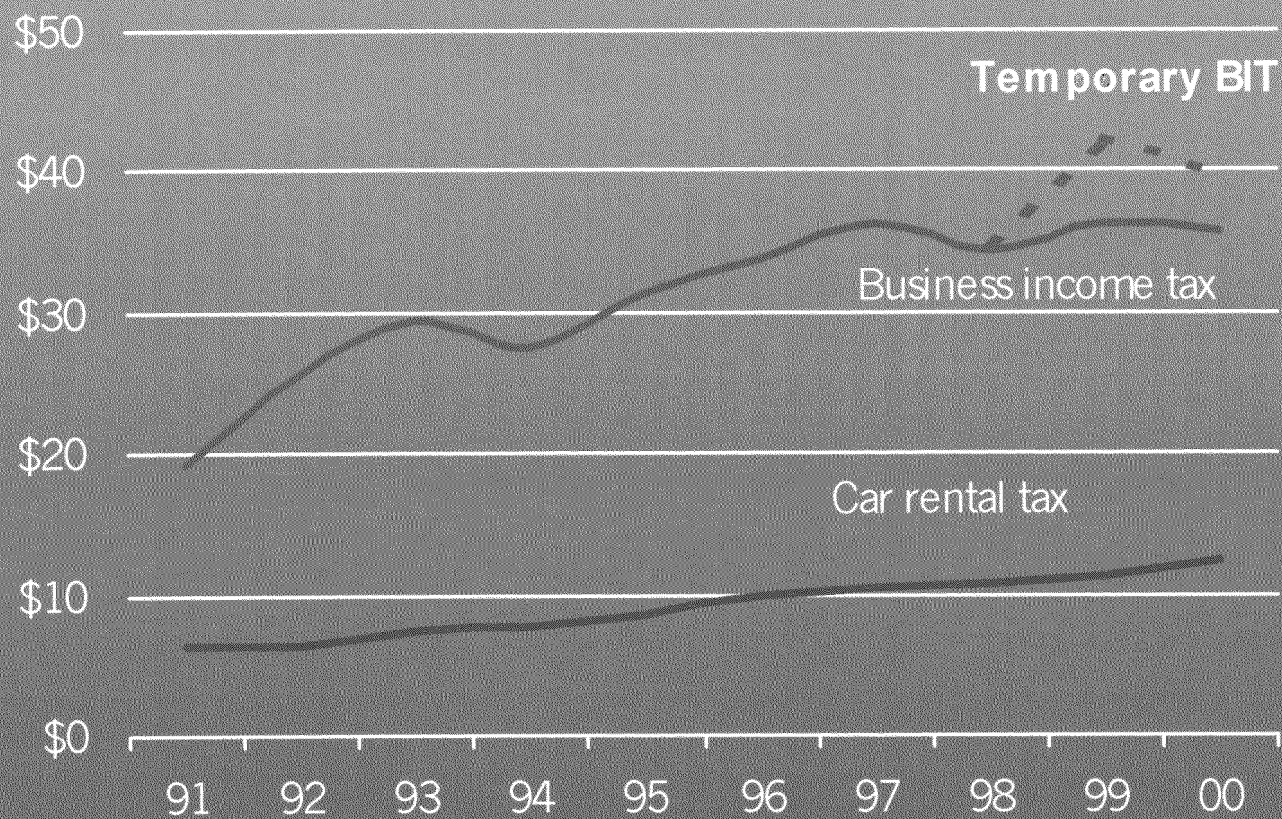
Property tax revenues

Millions, adjusted for inflation



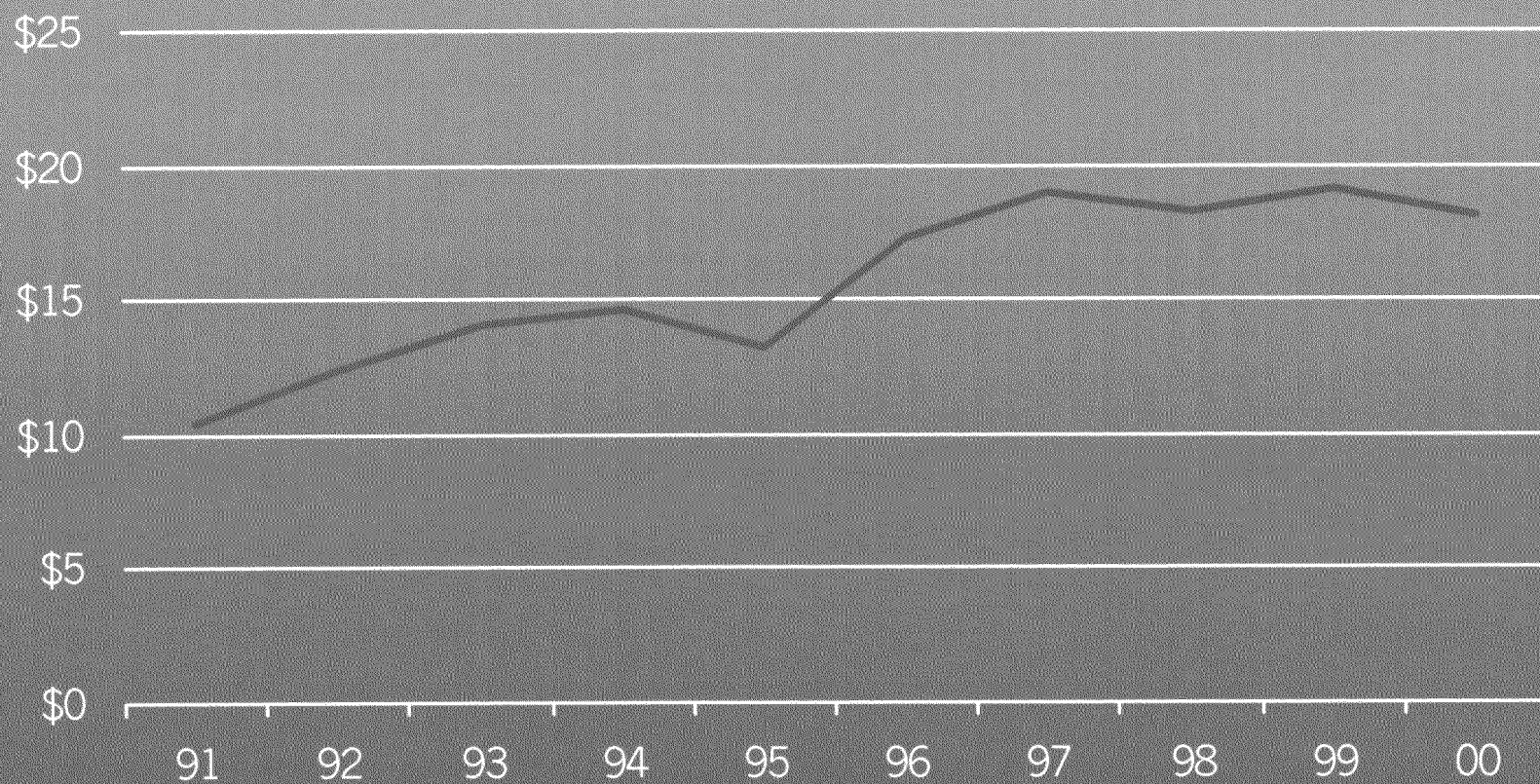
Business income & car rental Taxes

Millions, adjusted for inflation



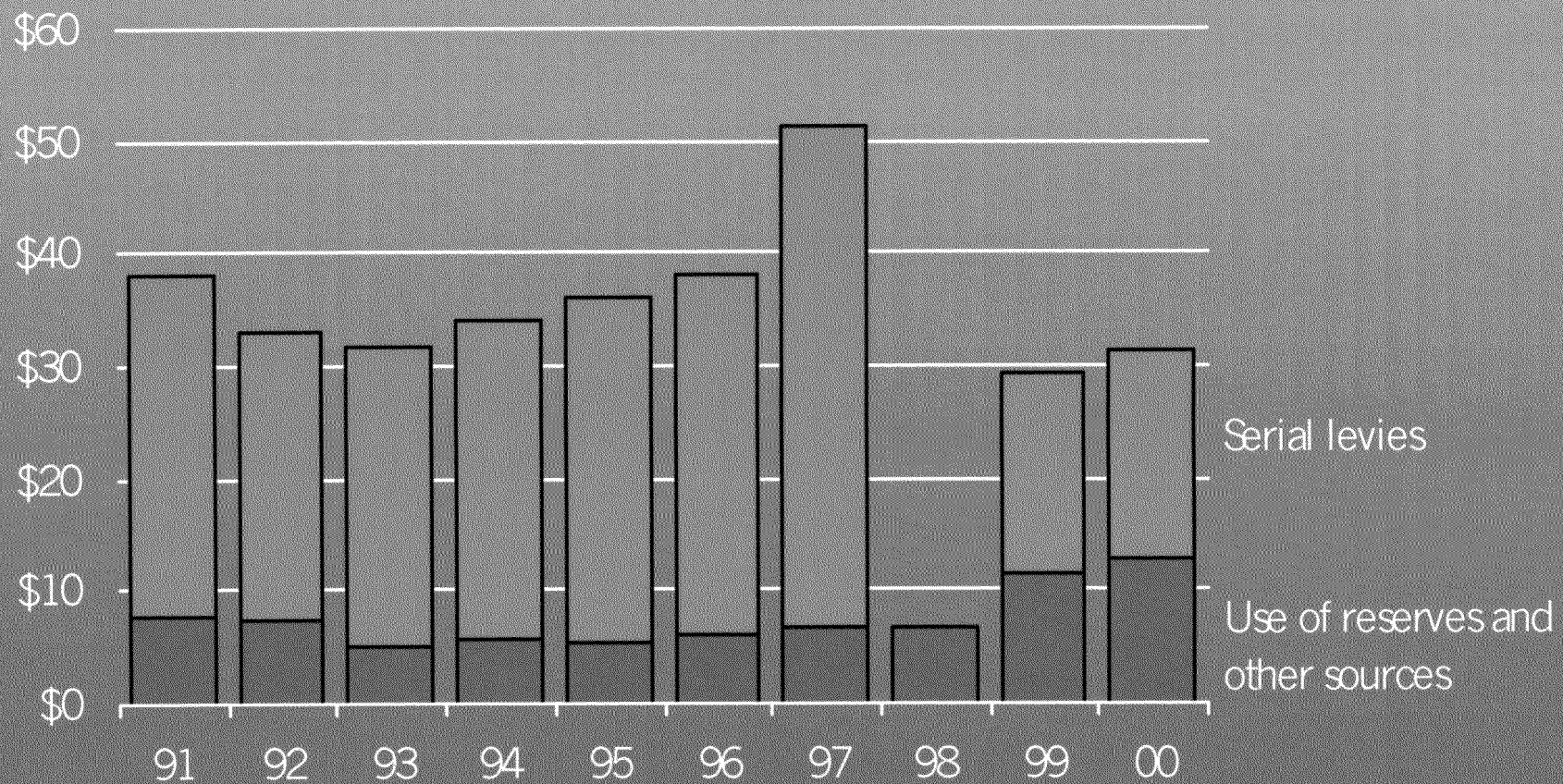
User charges

Millions, adjusted for inflation



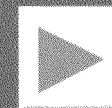
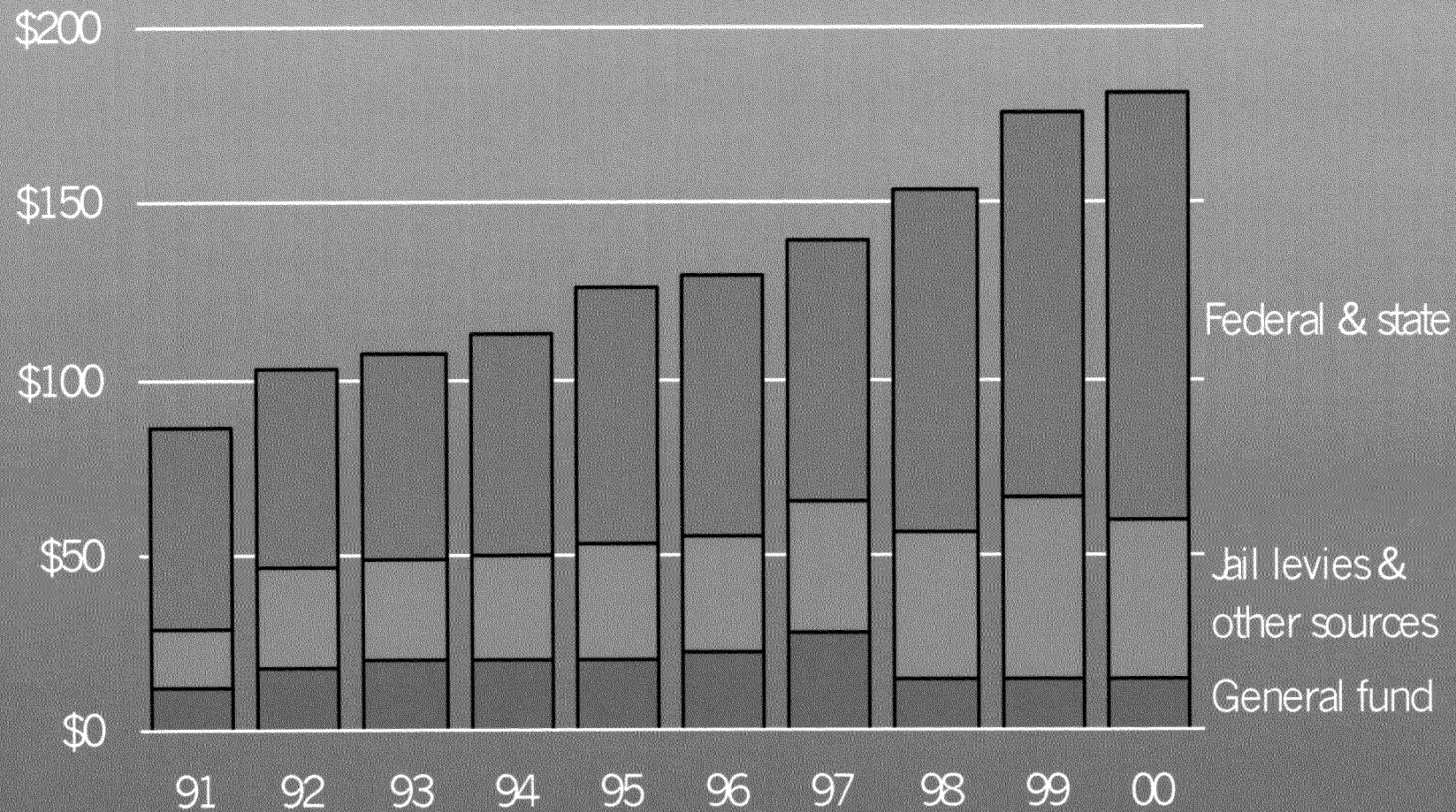
Short-term revenues

Millions, adjusted for inflation



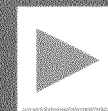
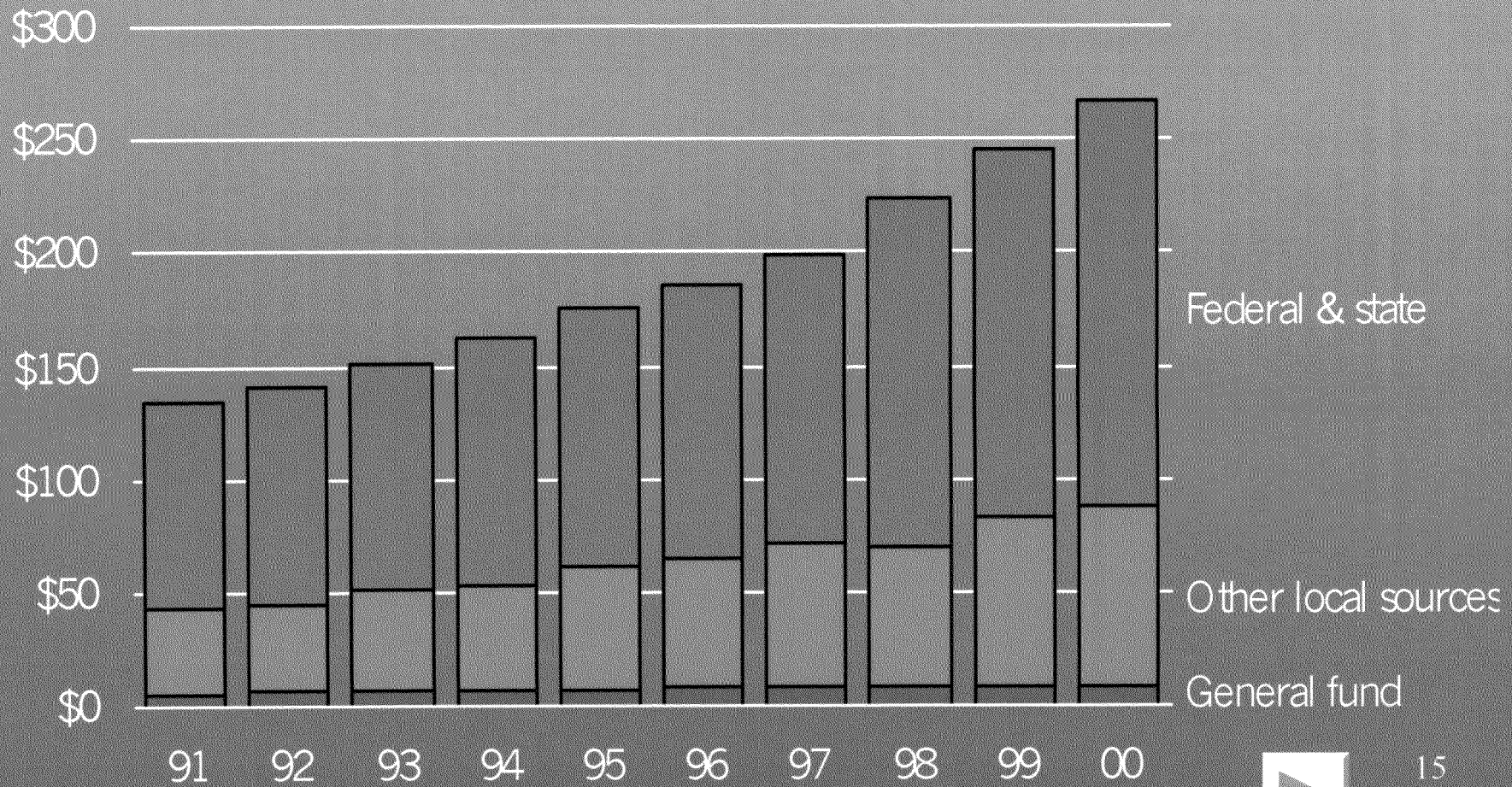
Justice services

Millions, adjusted for inflation



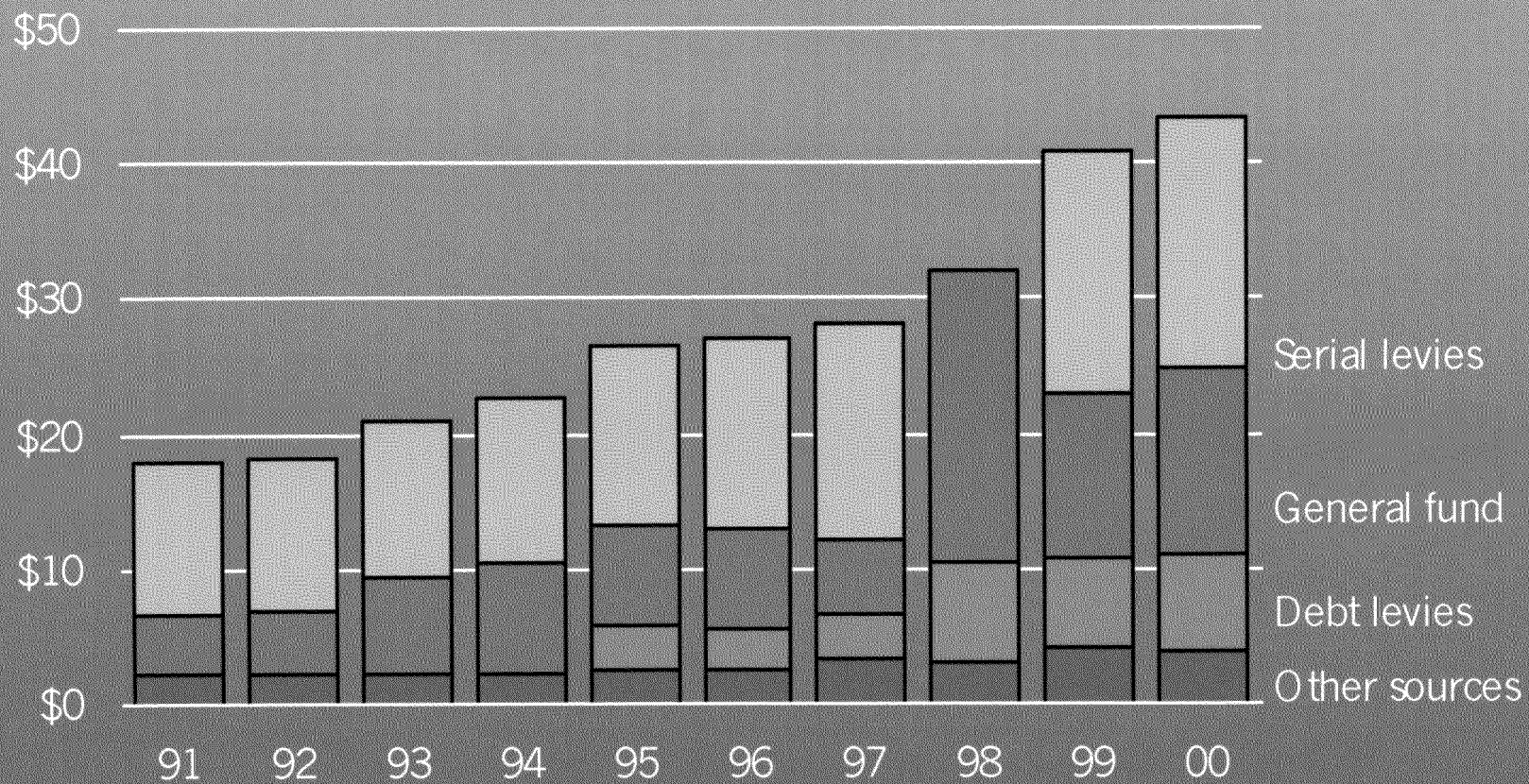
Social and health services

Millions, adjusted for inflation



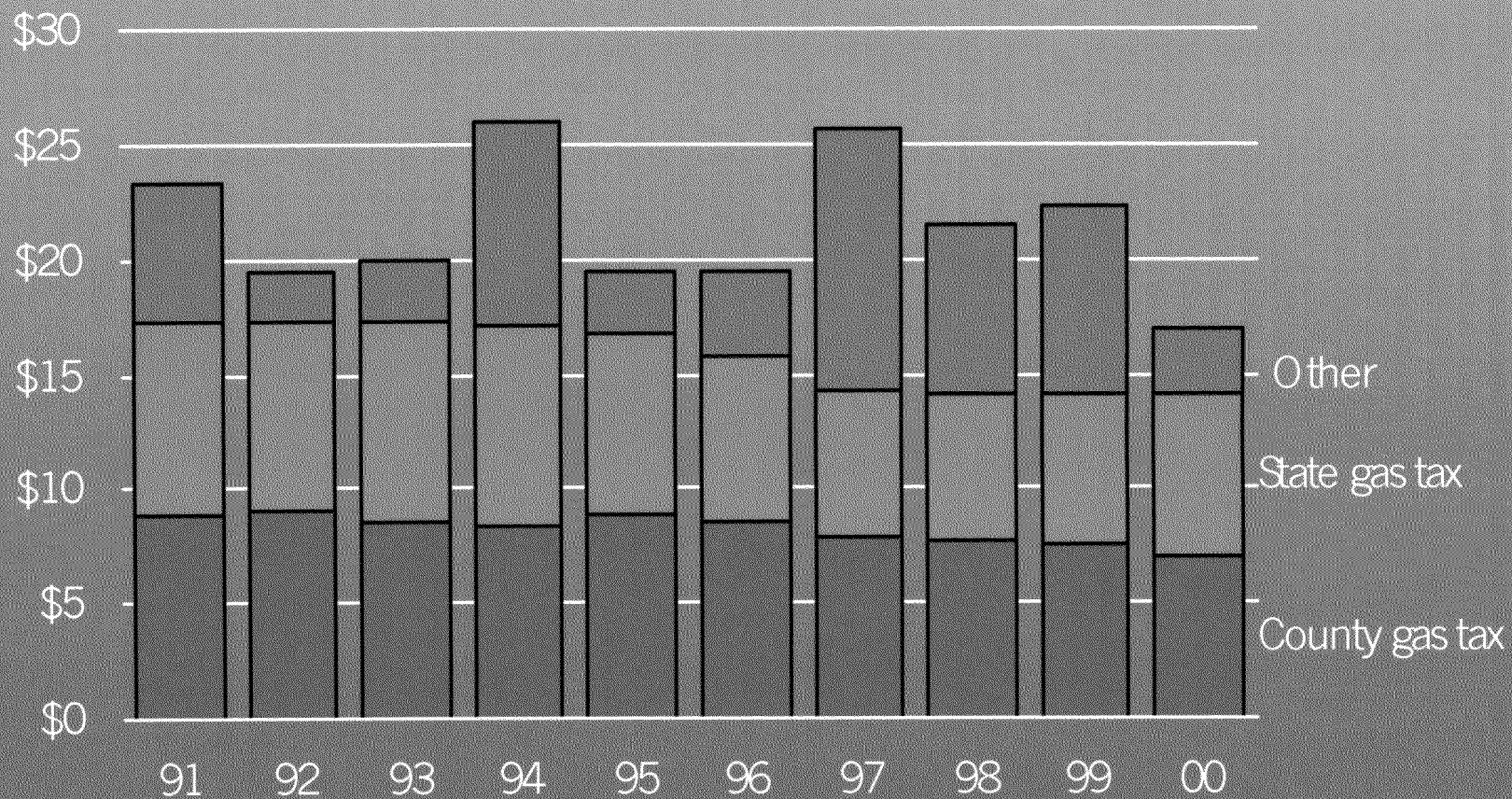
Library

Millions, adjusted for inflation



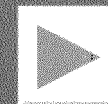
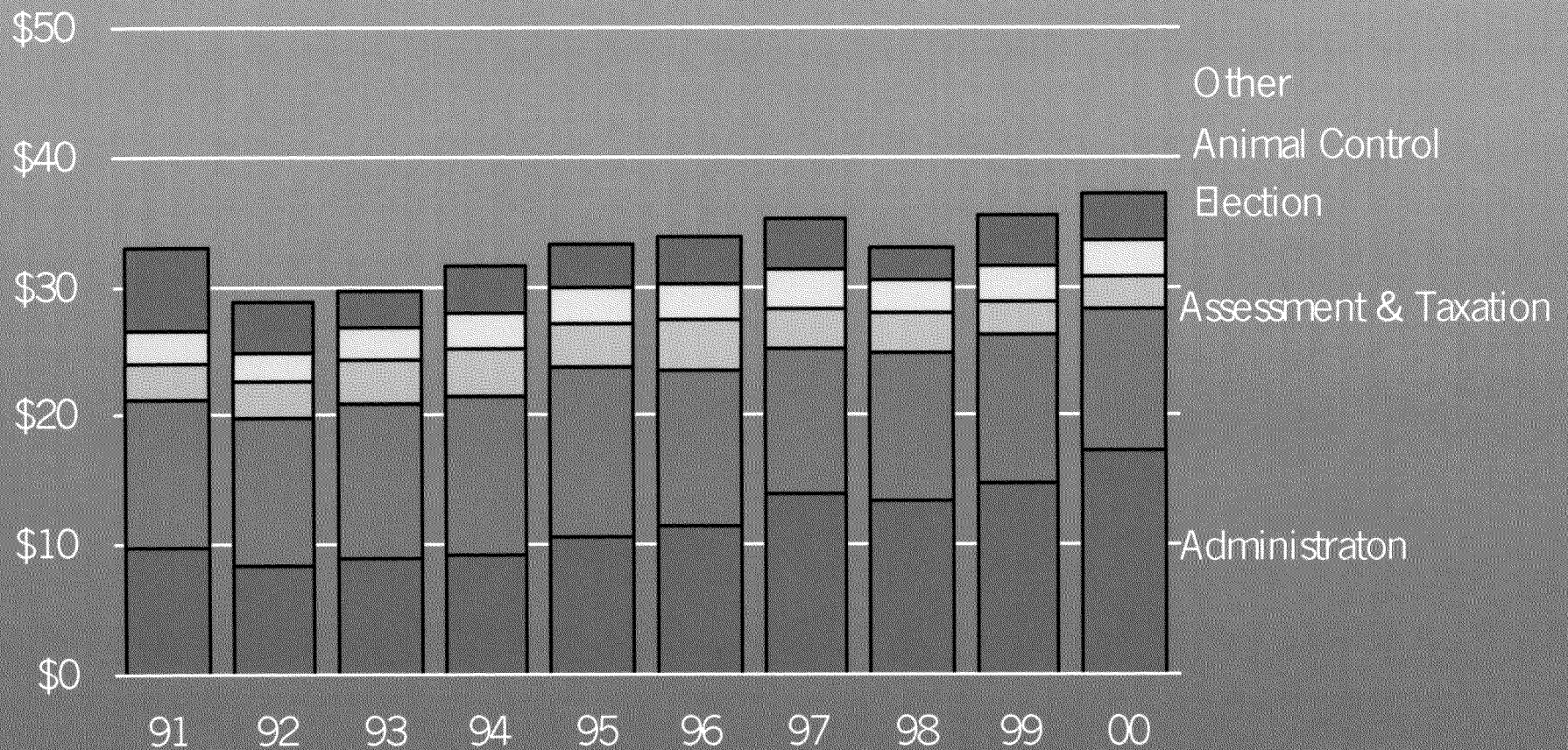
County roads and bridges

Millions, adjusted for inflation



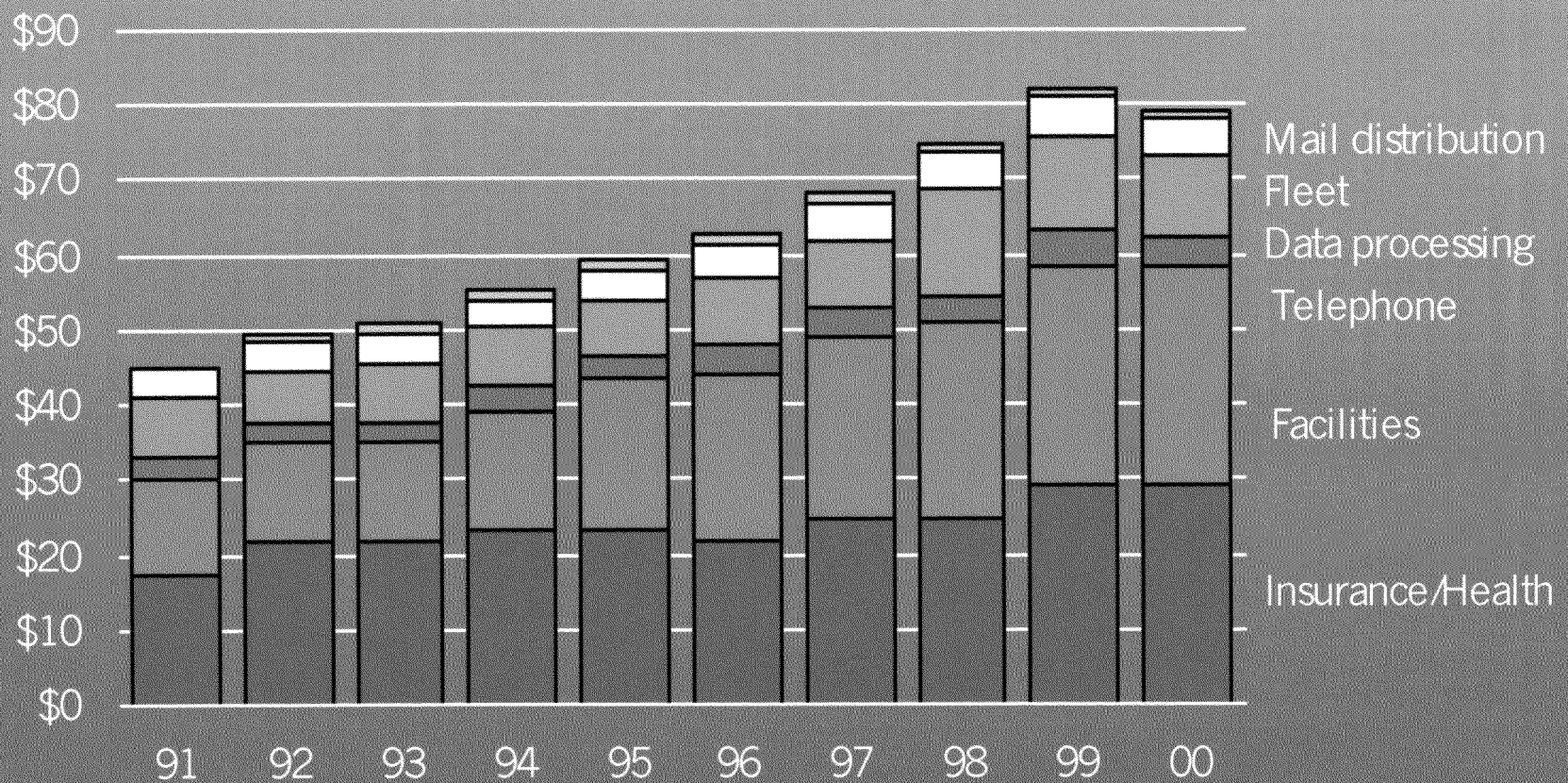
General government

Millions, adjusted for inflation



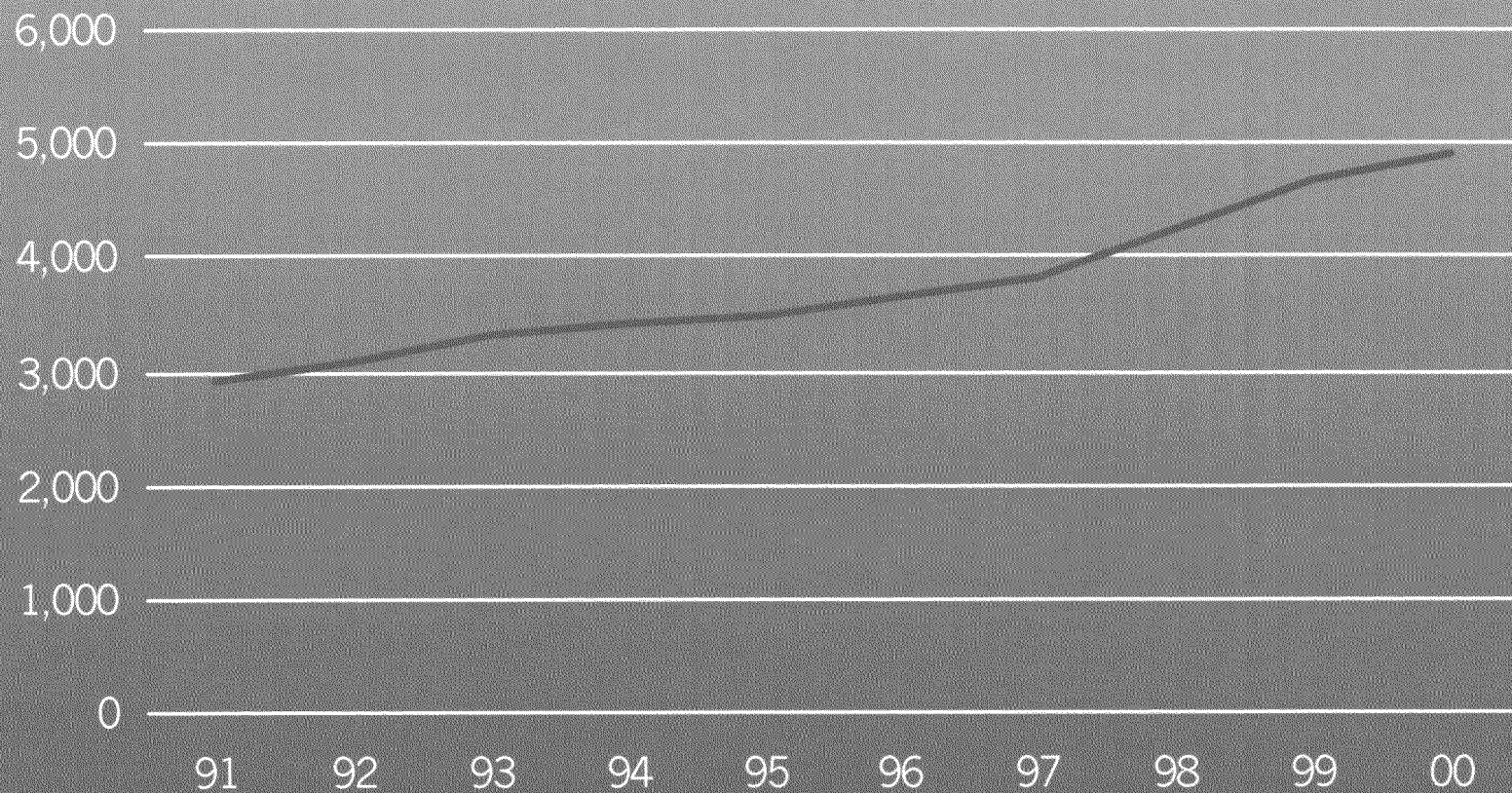
Internal services

Millions, adjusted for inflation

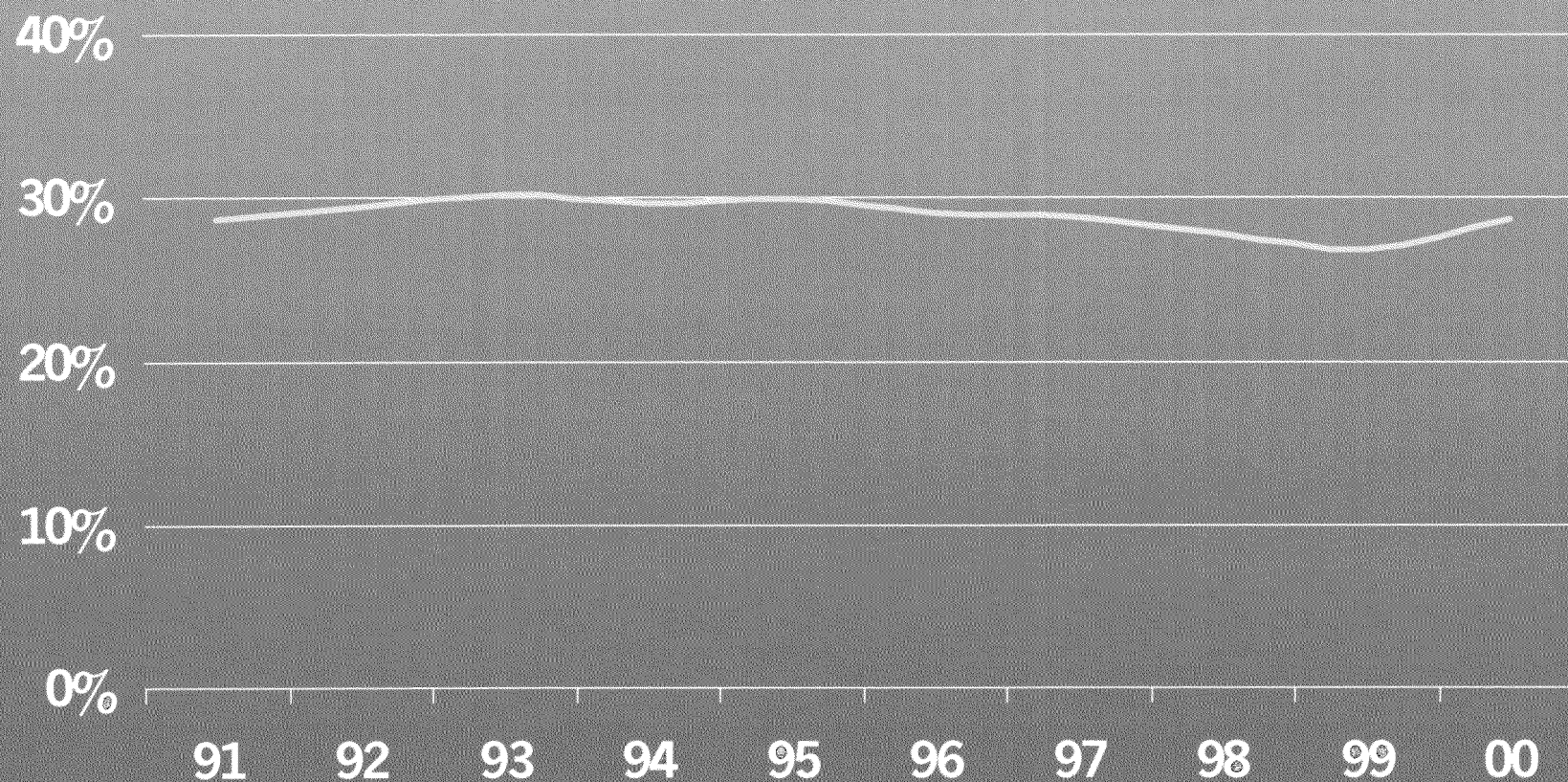


Number of employees

Full time equivalent positions



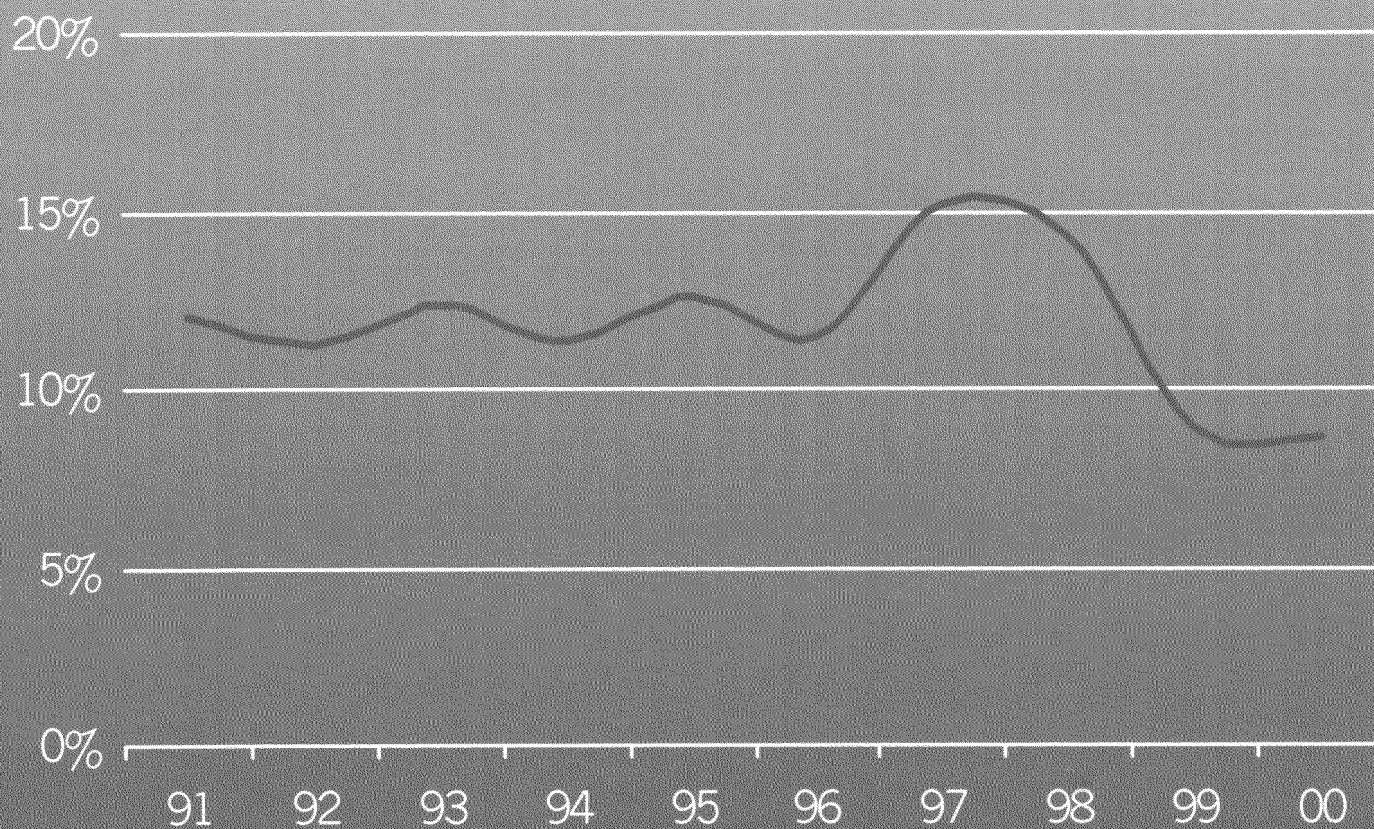
Employee benefits



Number of Employees

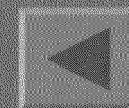
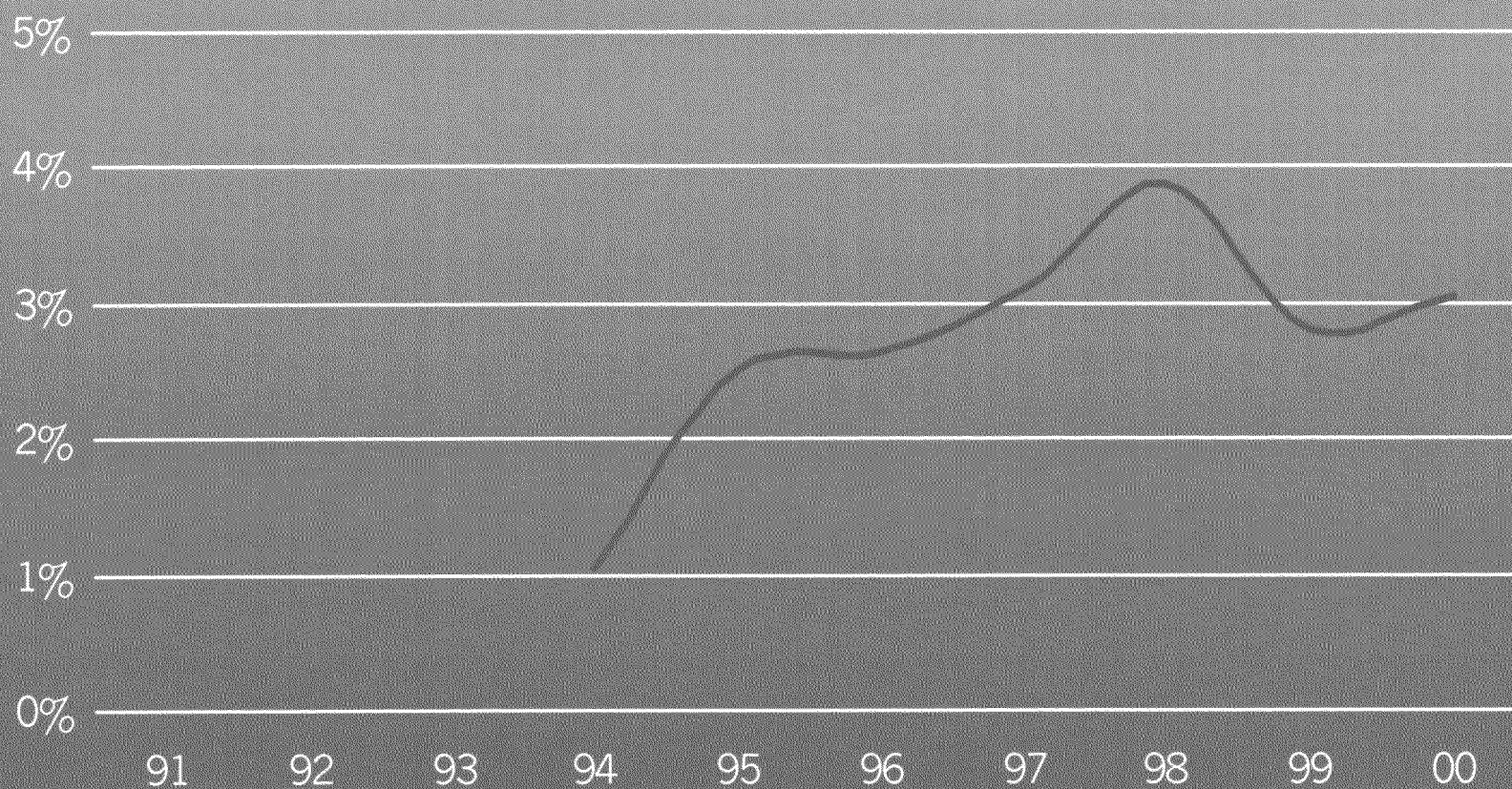
Unreserved fund balances

As % of revenues



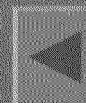
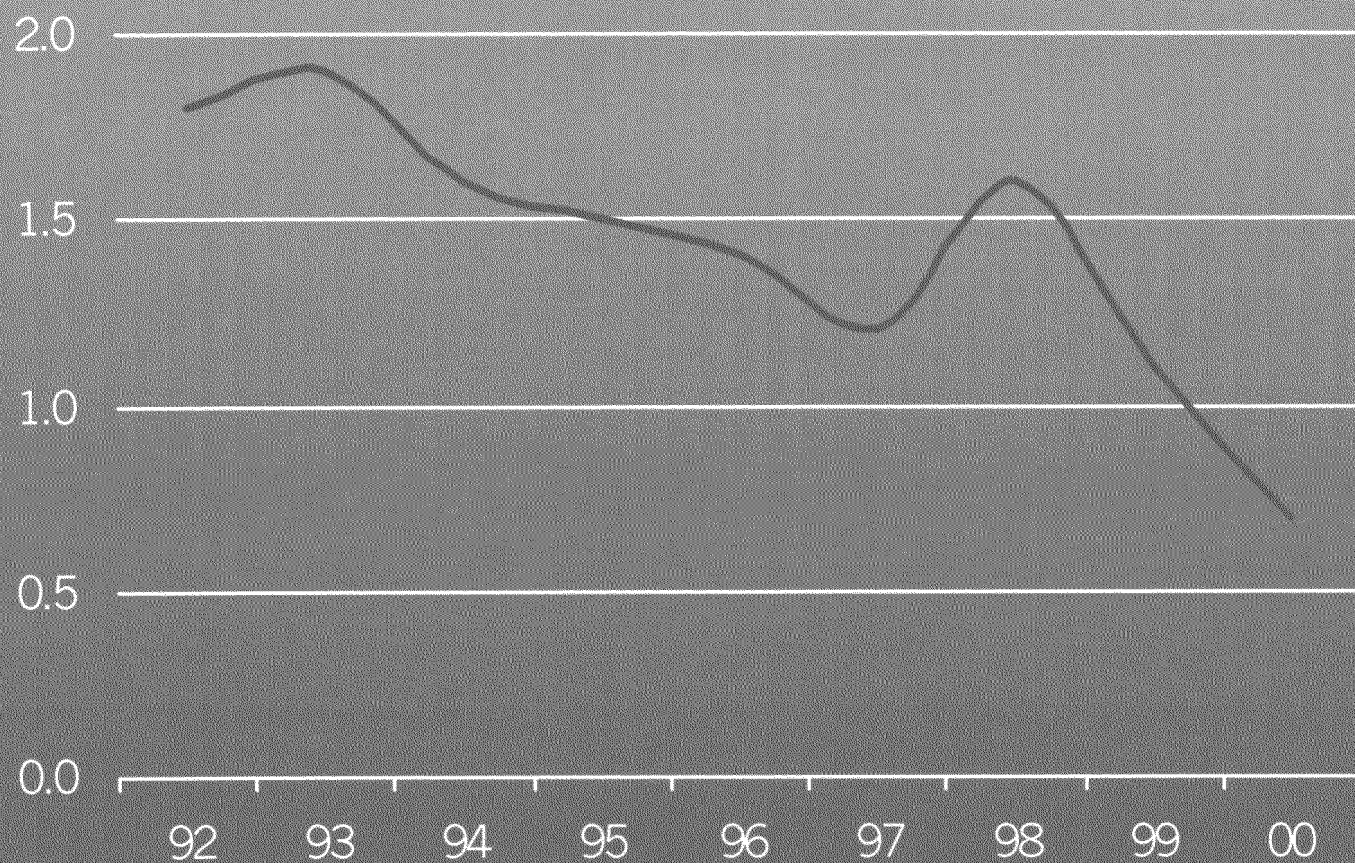
Budgeted General Fund Reserve

As a % of general fund budgeted expenditure



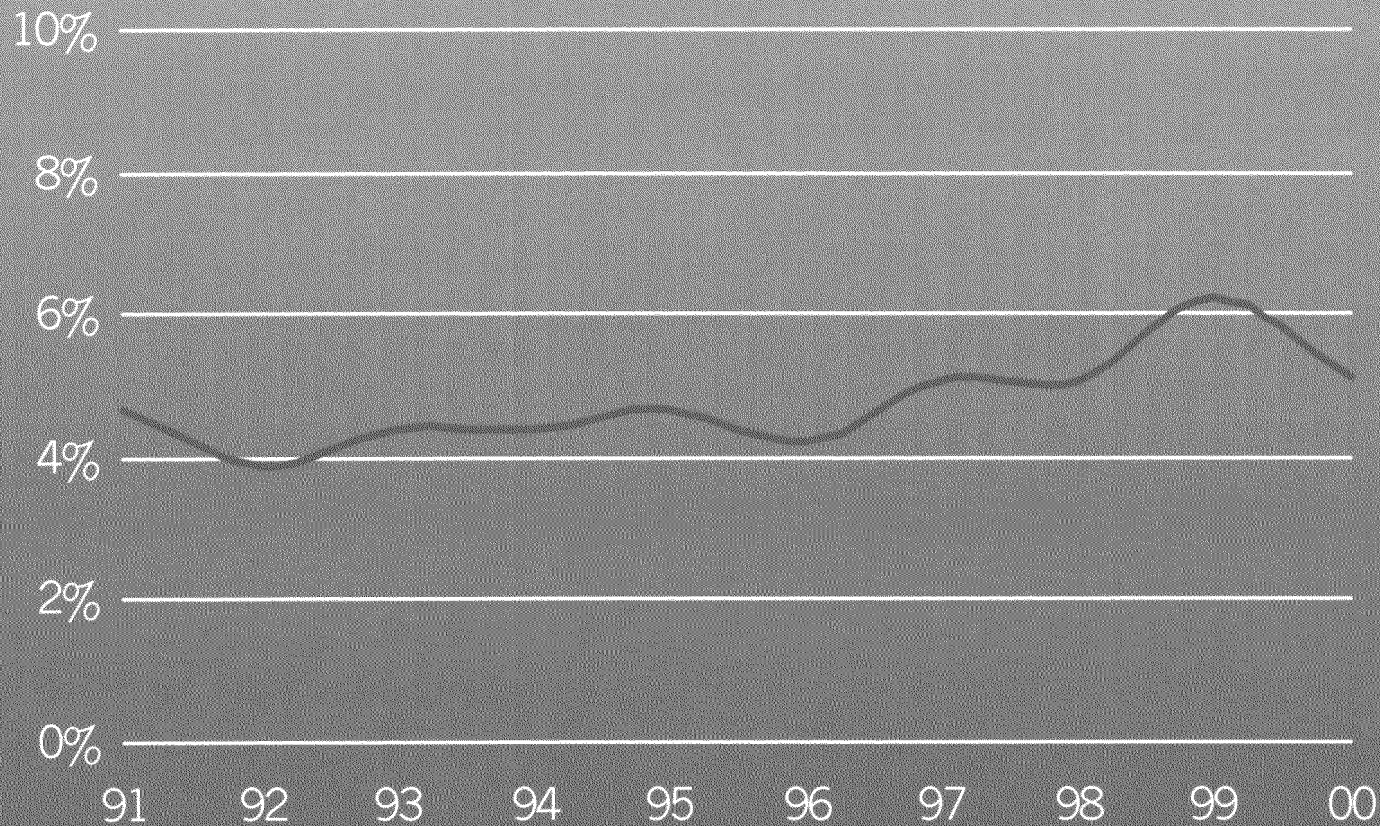
Liquidity Ratio

Ratio of cash and investments to short-term debt



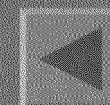
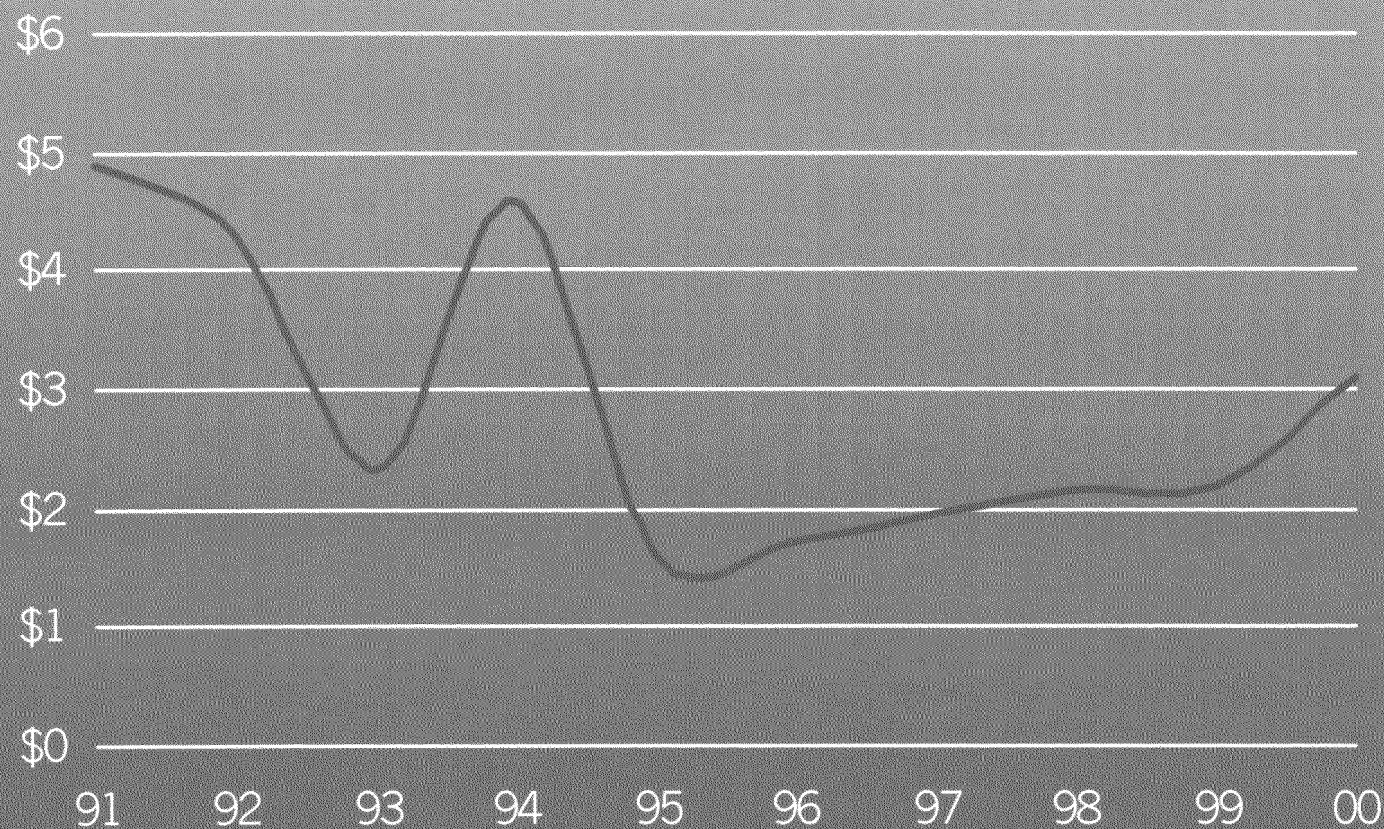
Accounts payable

As % of operating revenues



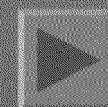
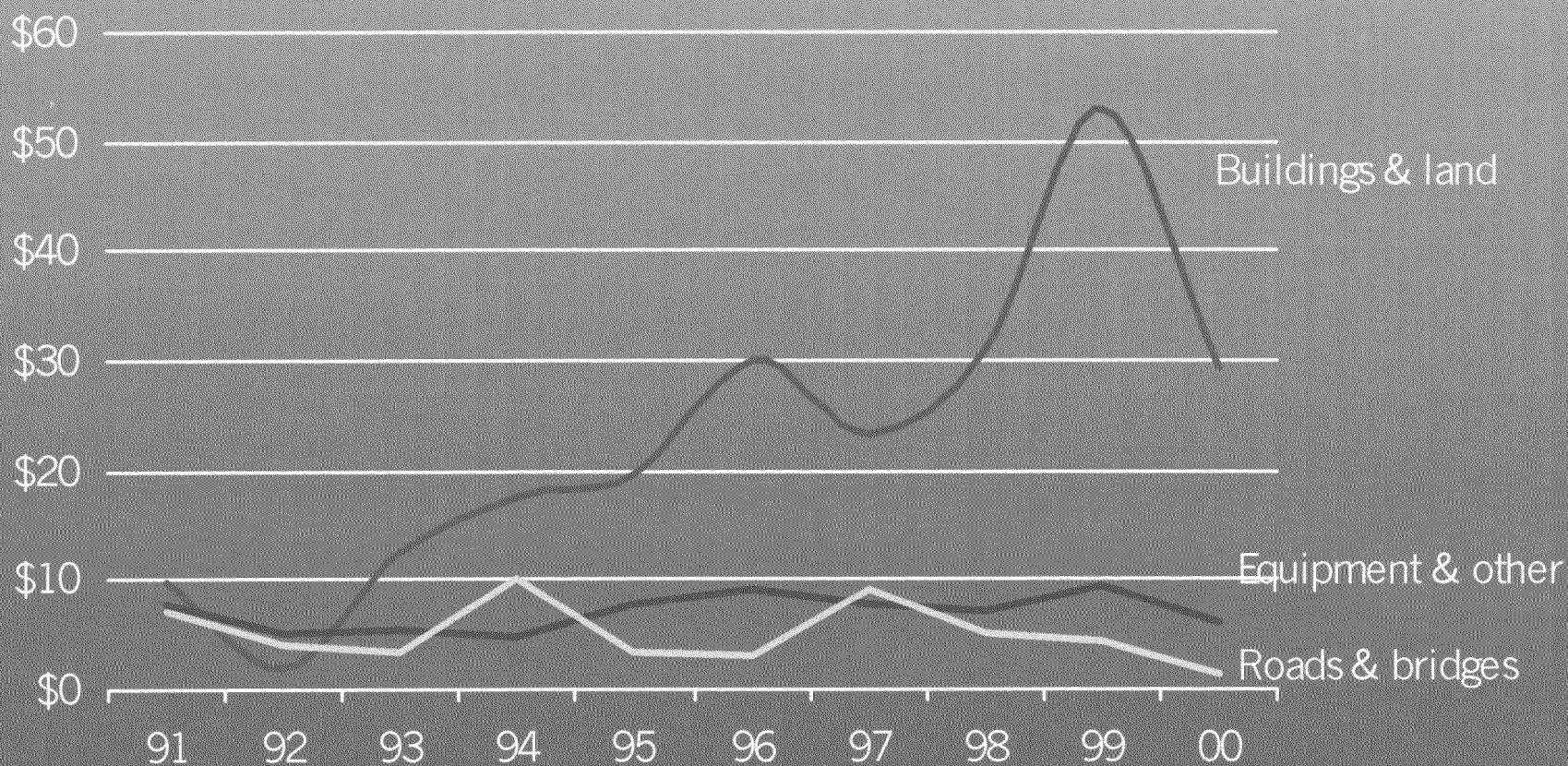
Unfunded liability for employee leave

In millions, adjusted for inflation



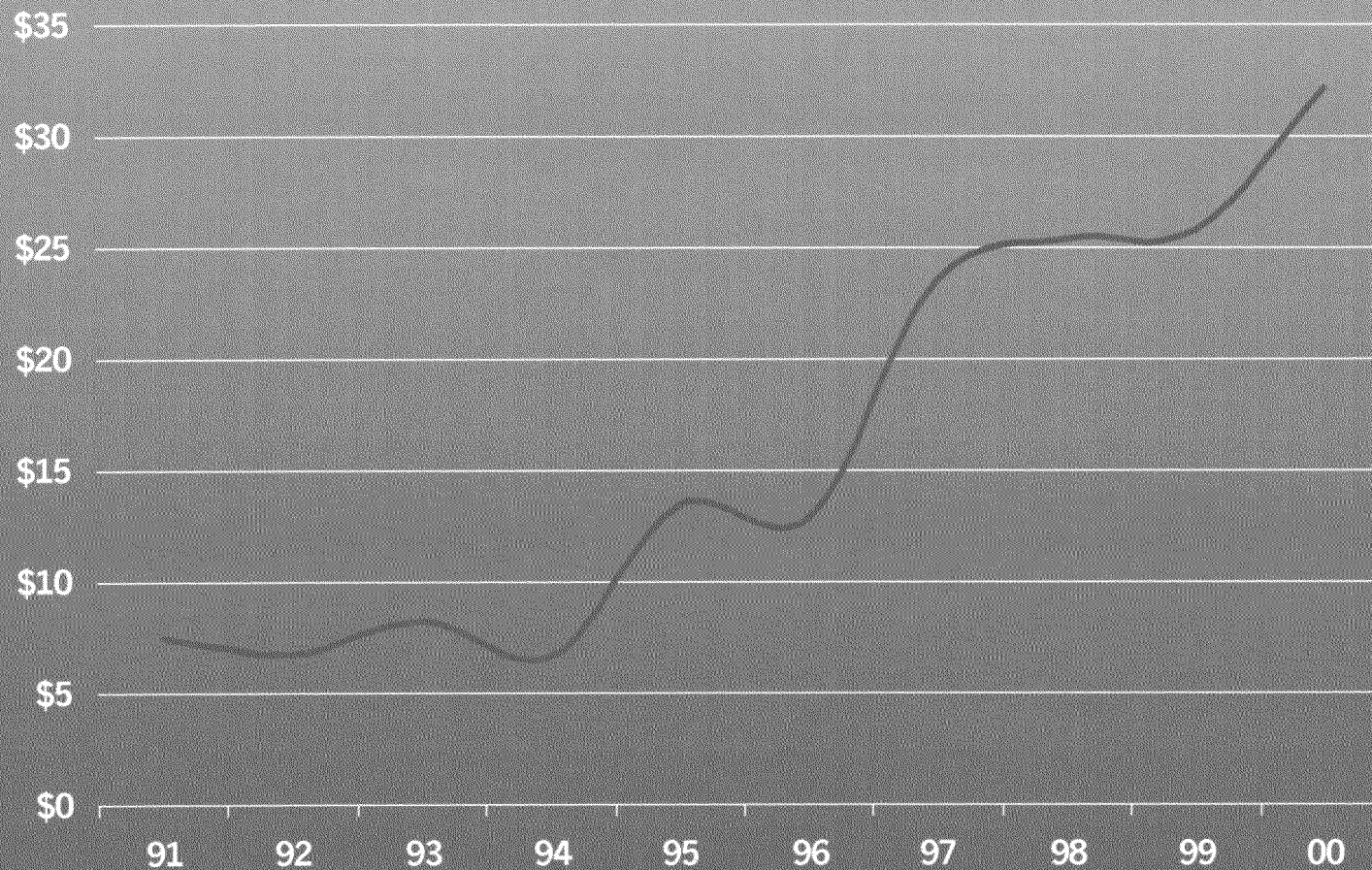
Capital Spending

in millions, adjusted for inflation

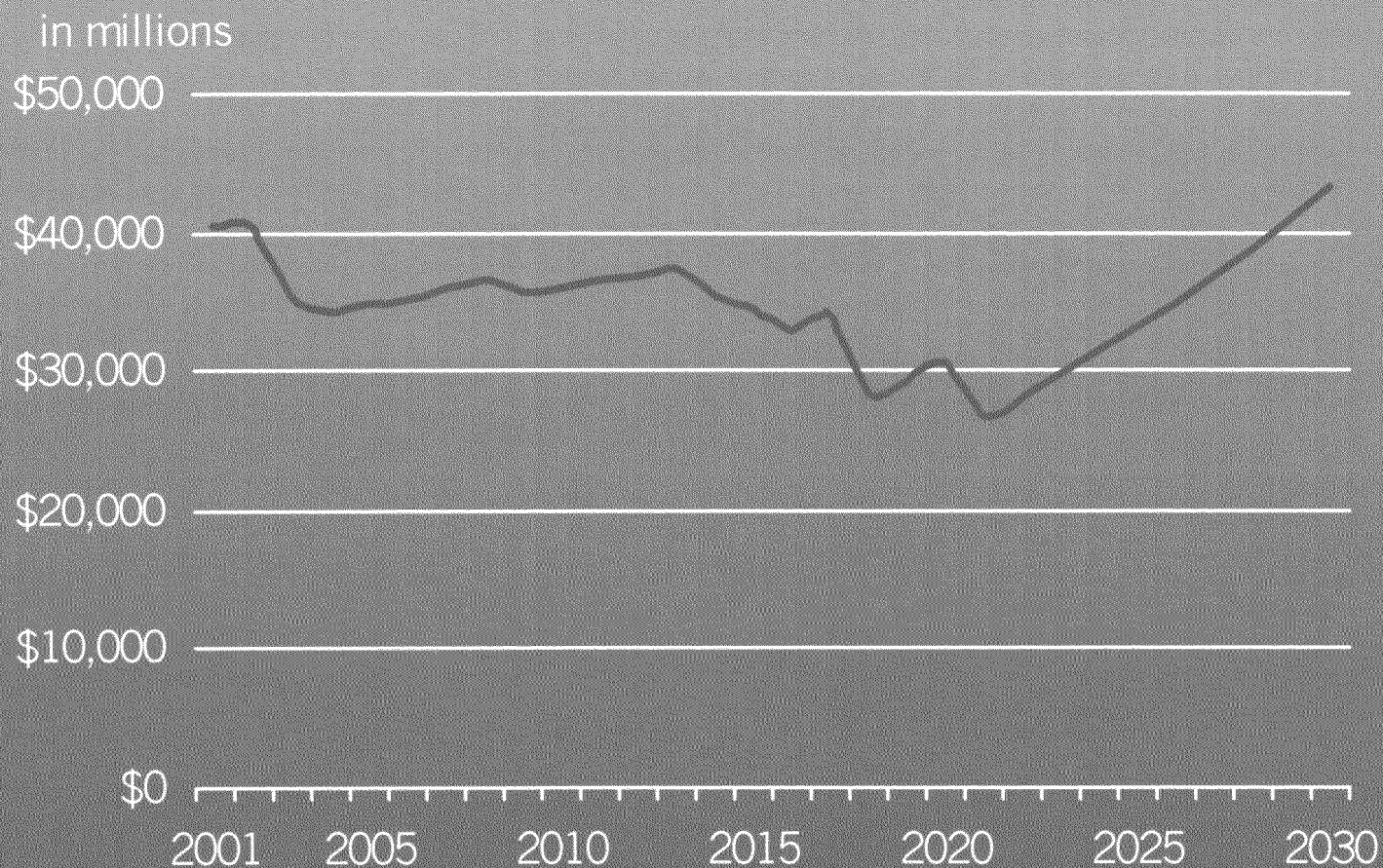


Fixed costs

in millions, adjusted for inflation

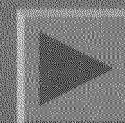
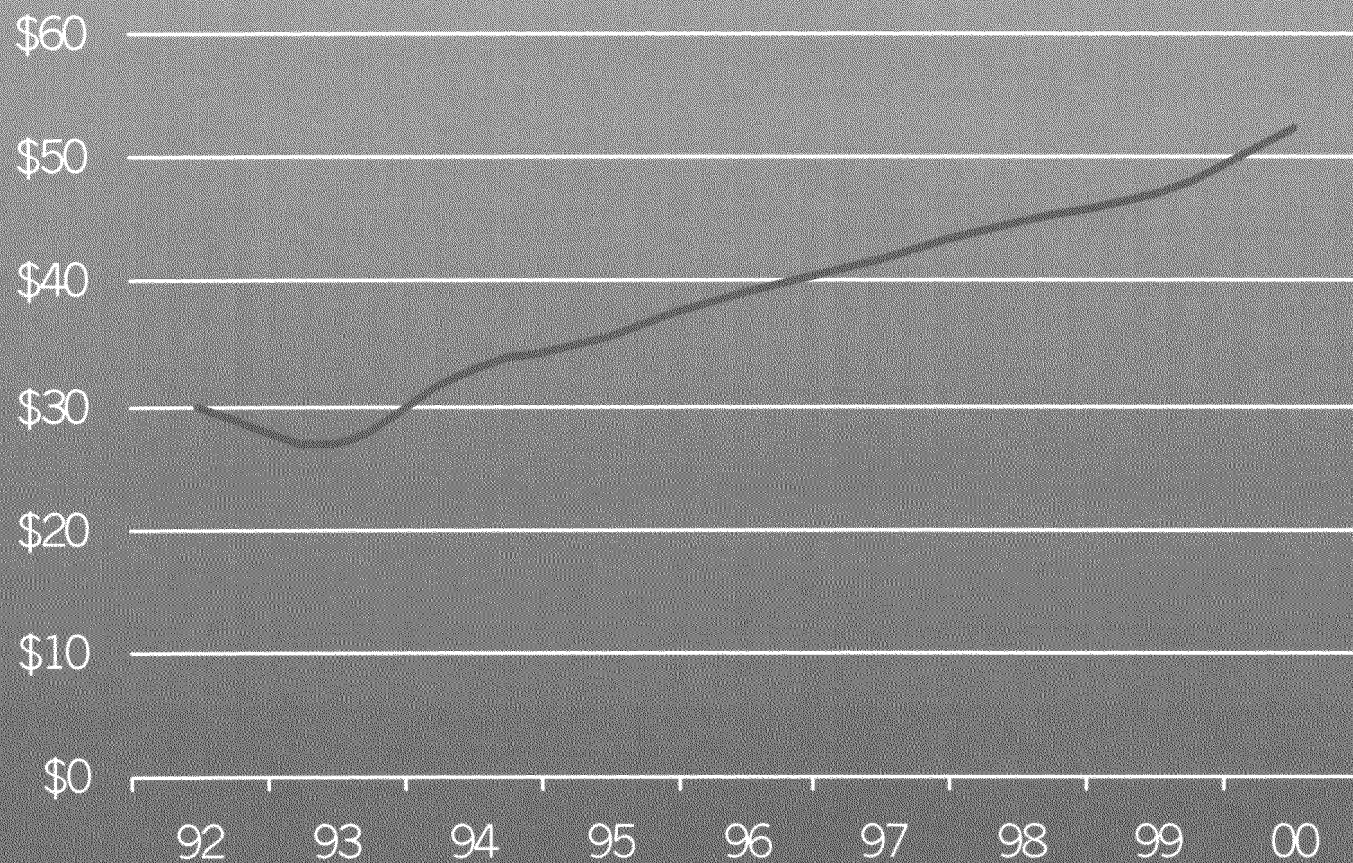


Projected principal and interest payments



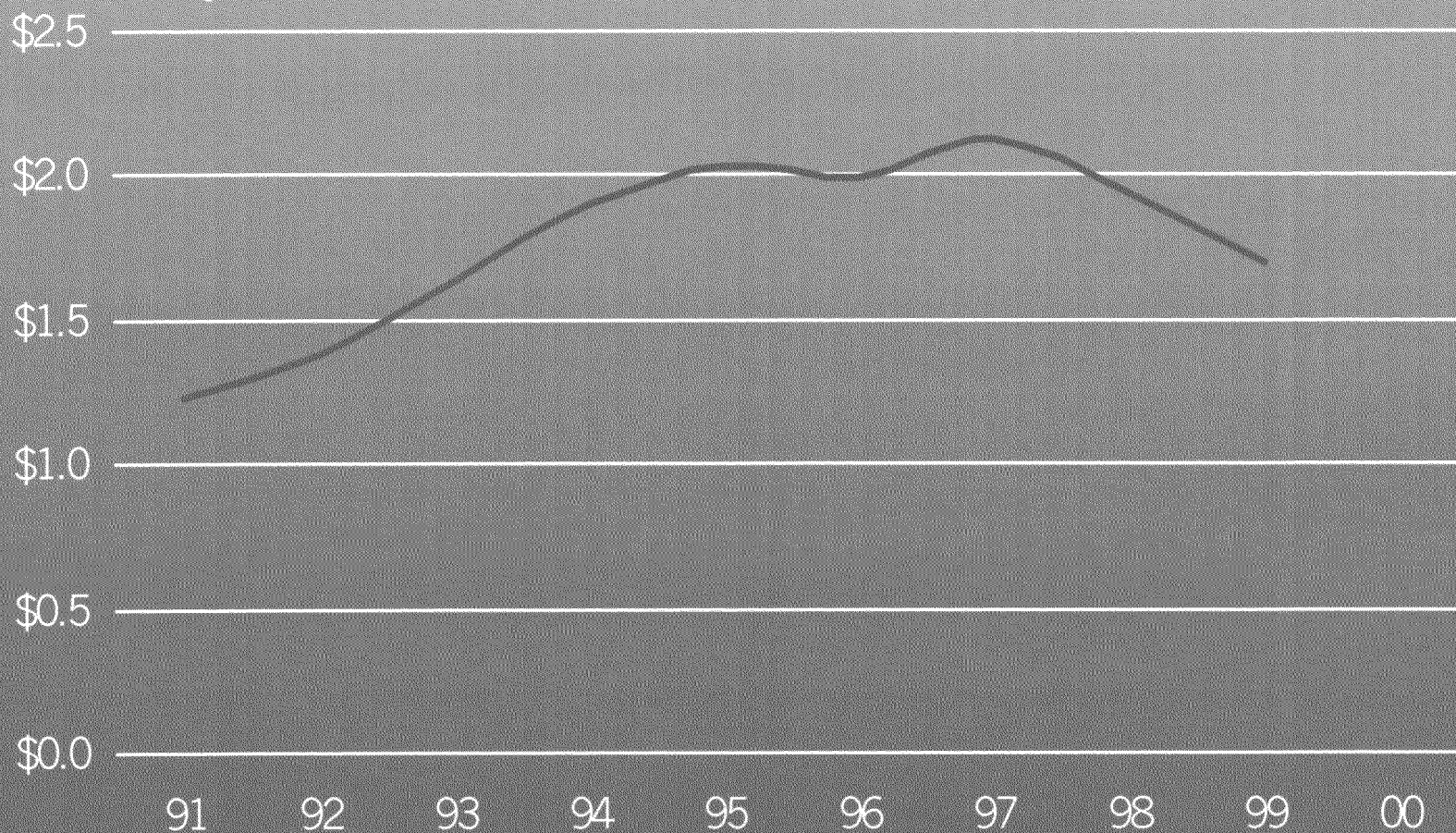
Assessed property values

billions, adjusted for inflation

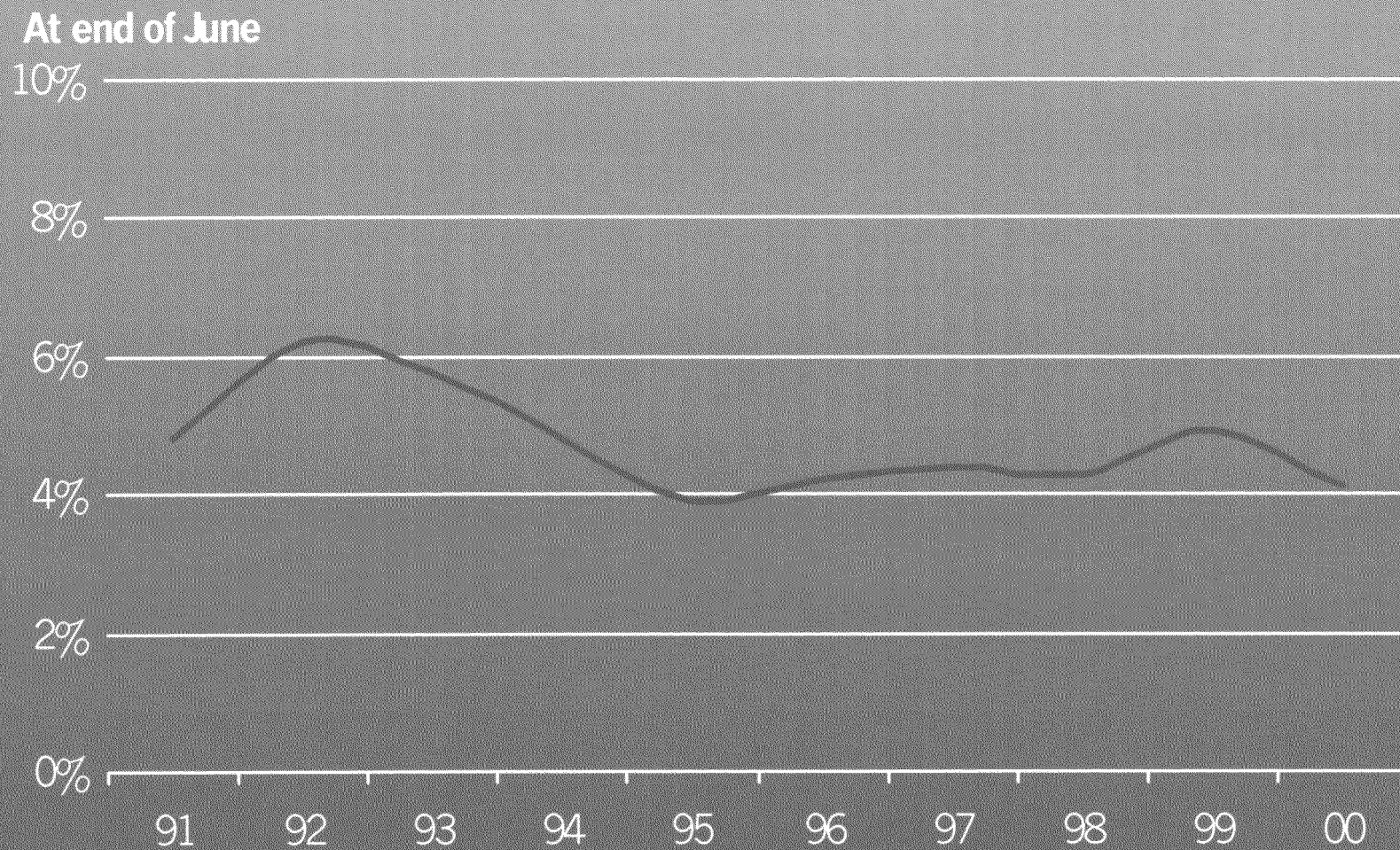


New construction in Tri-County area

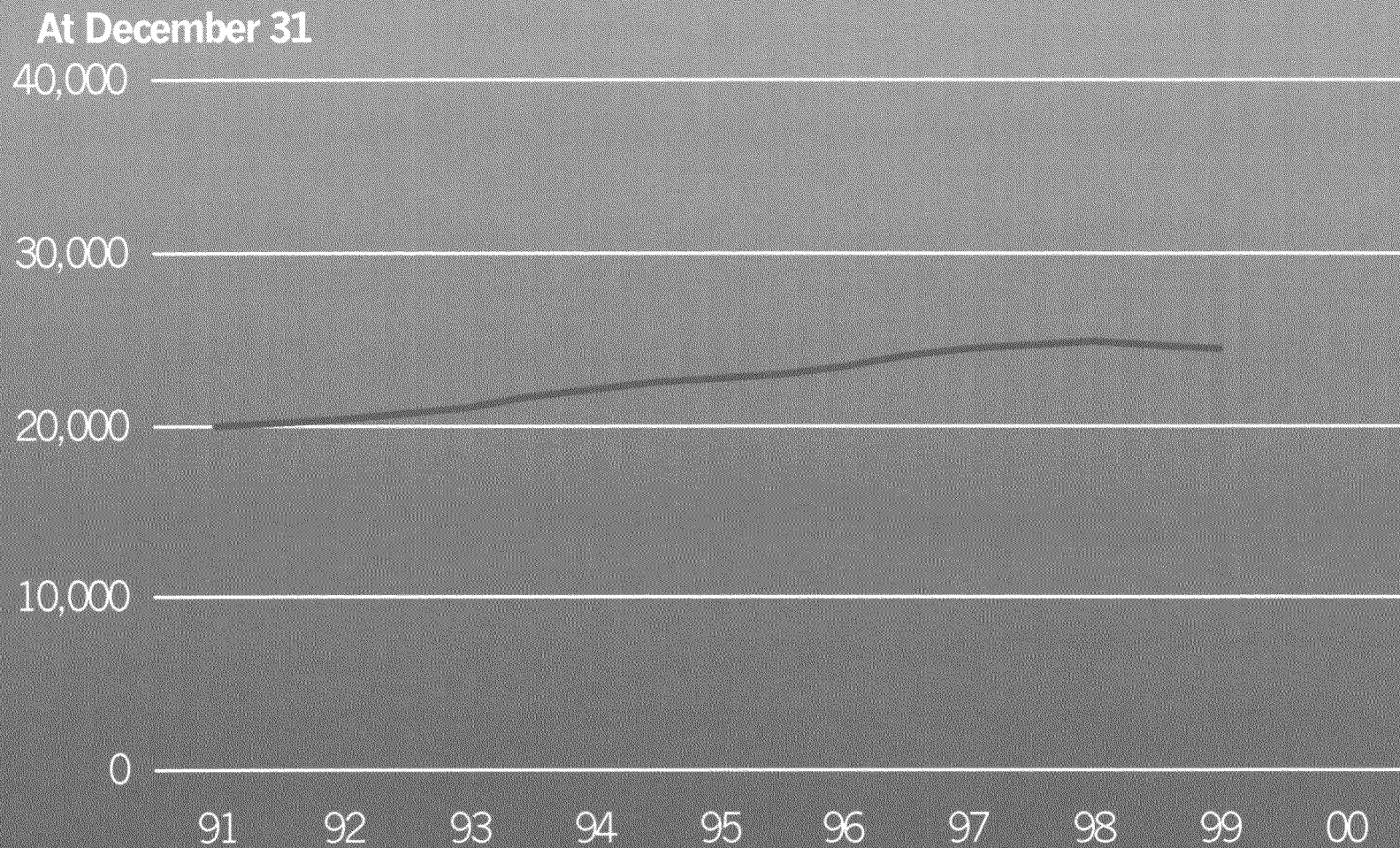
billions, adjusted for inflation



Unemployment

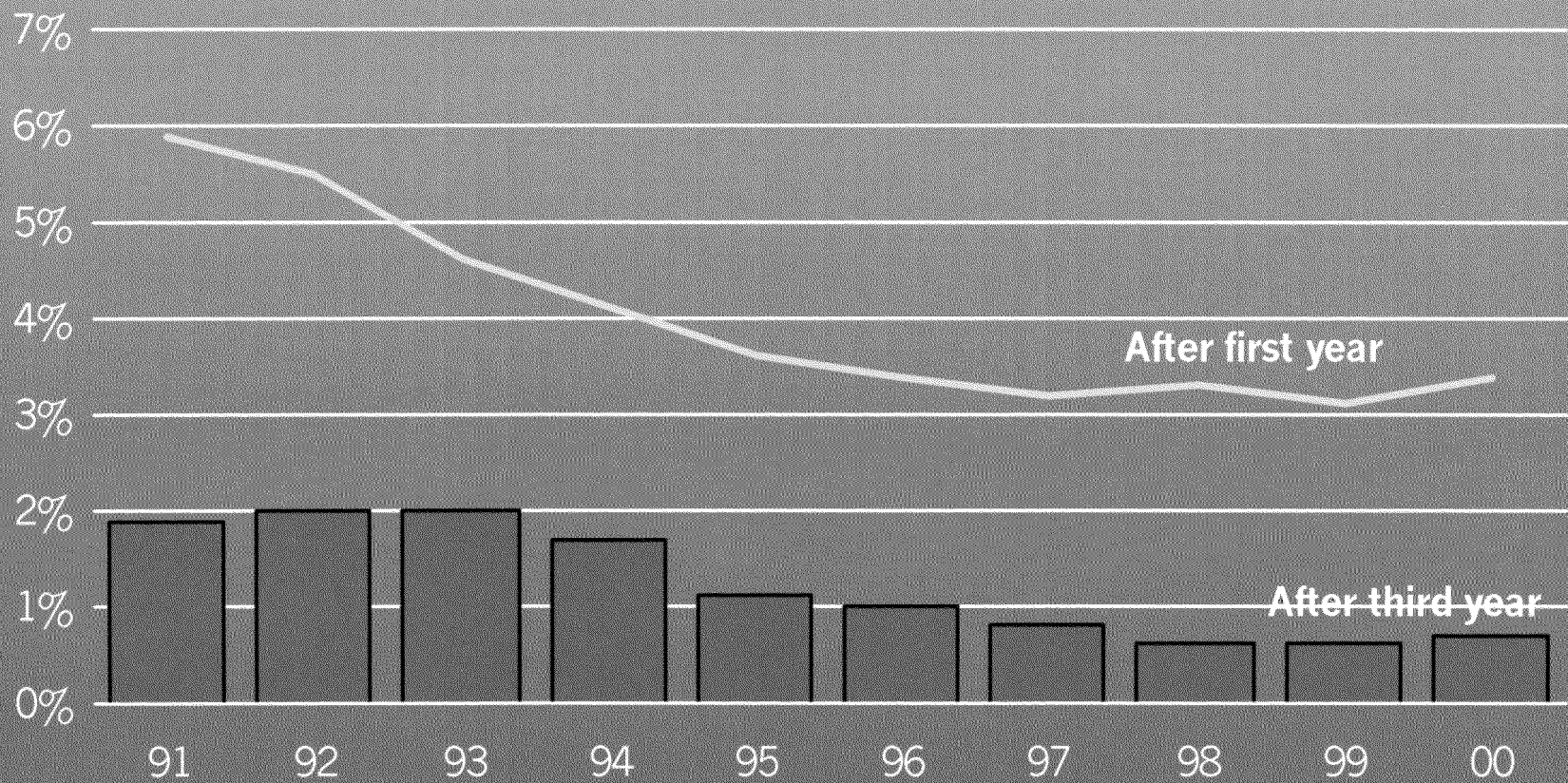


Number of businesses

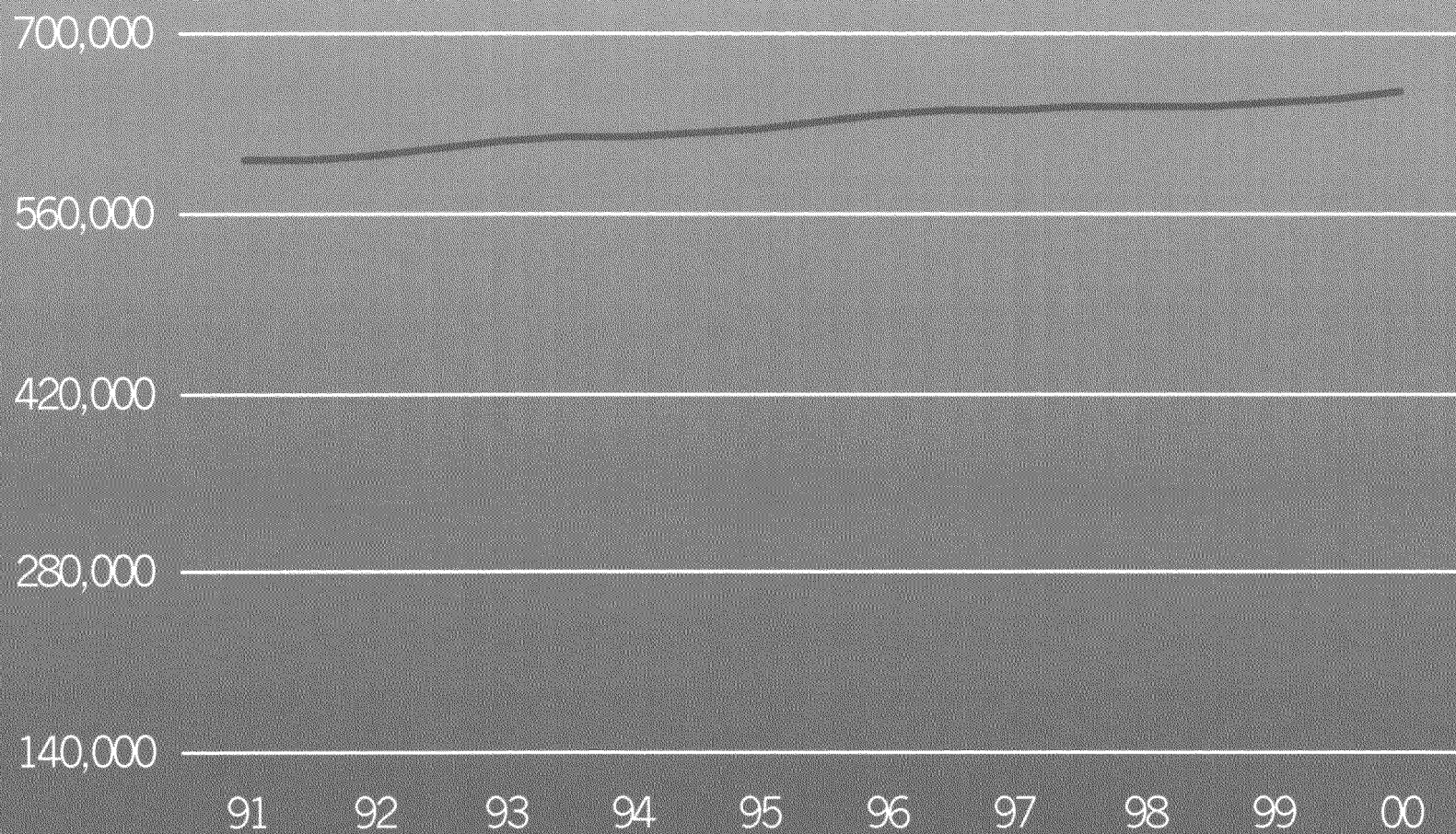


Uncollected property taxes

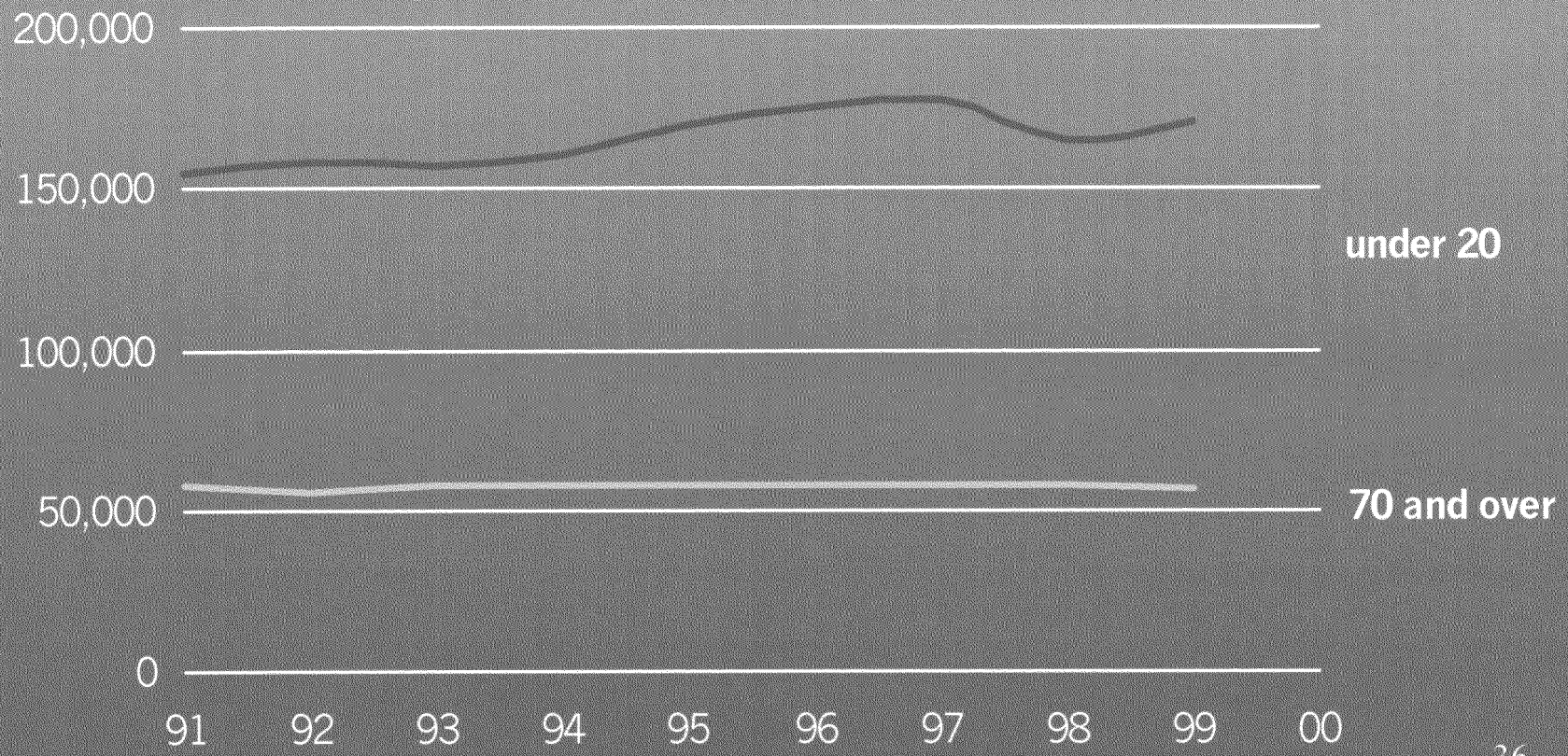
percent of taxes delinquent



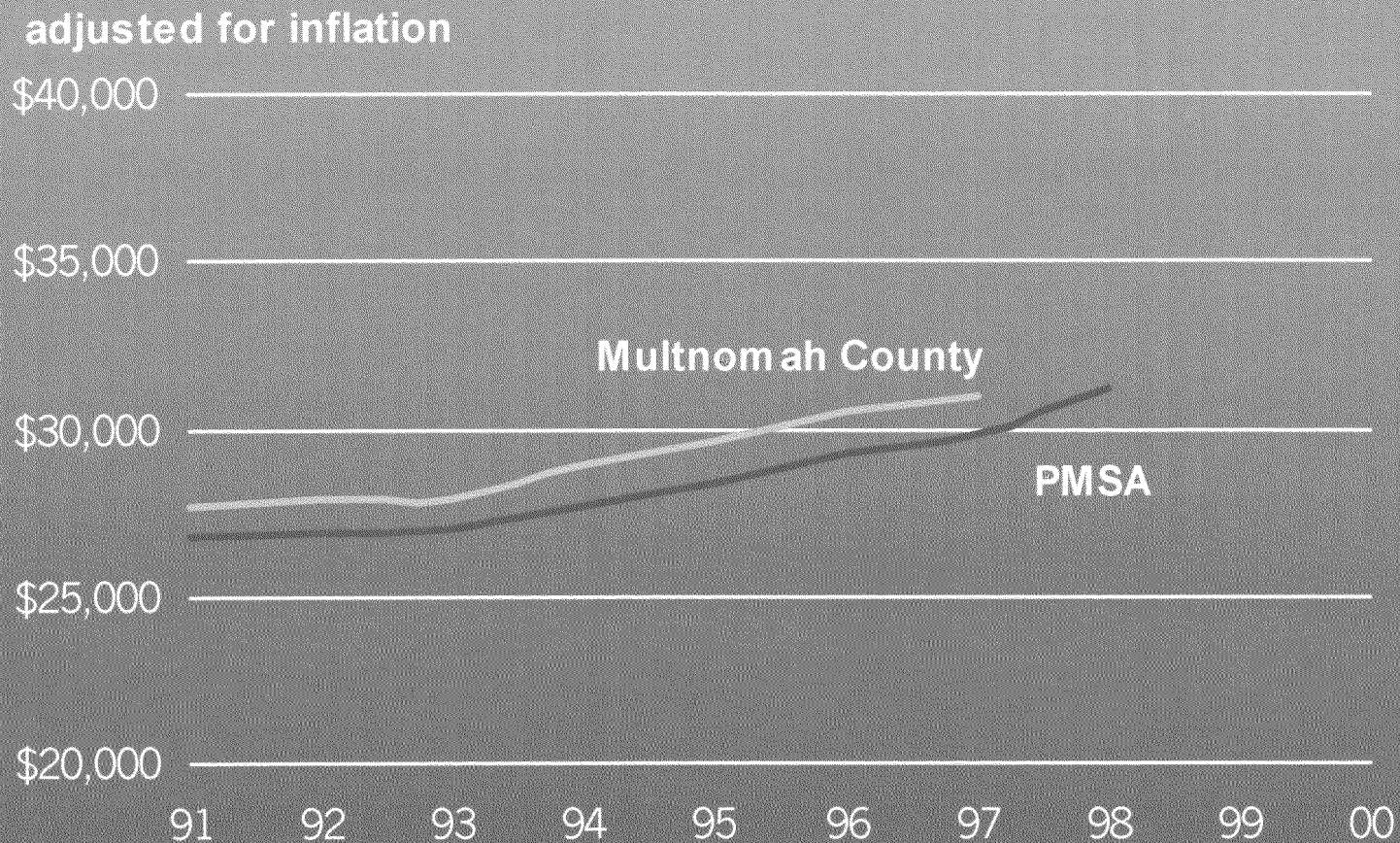
County population



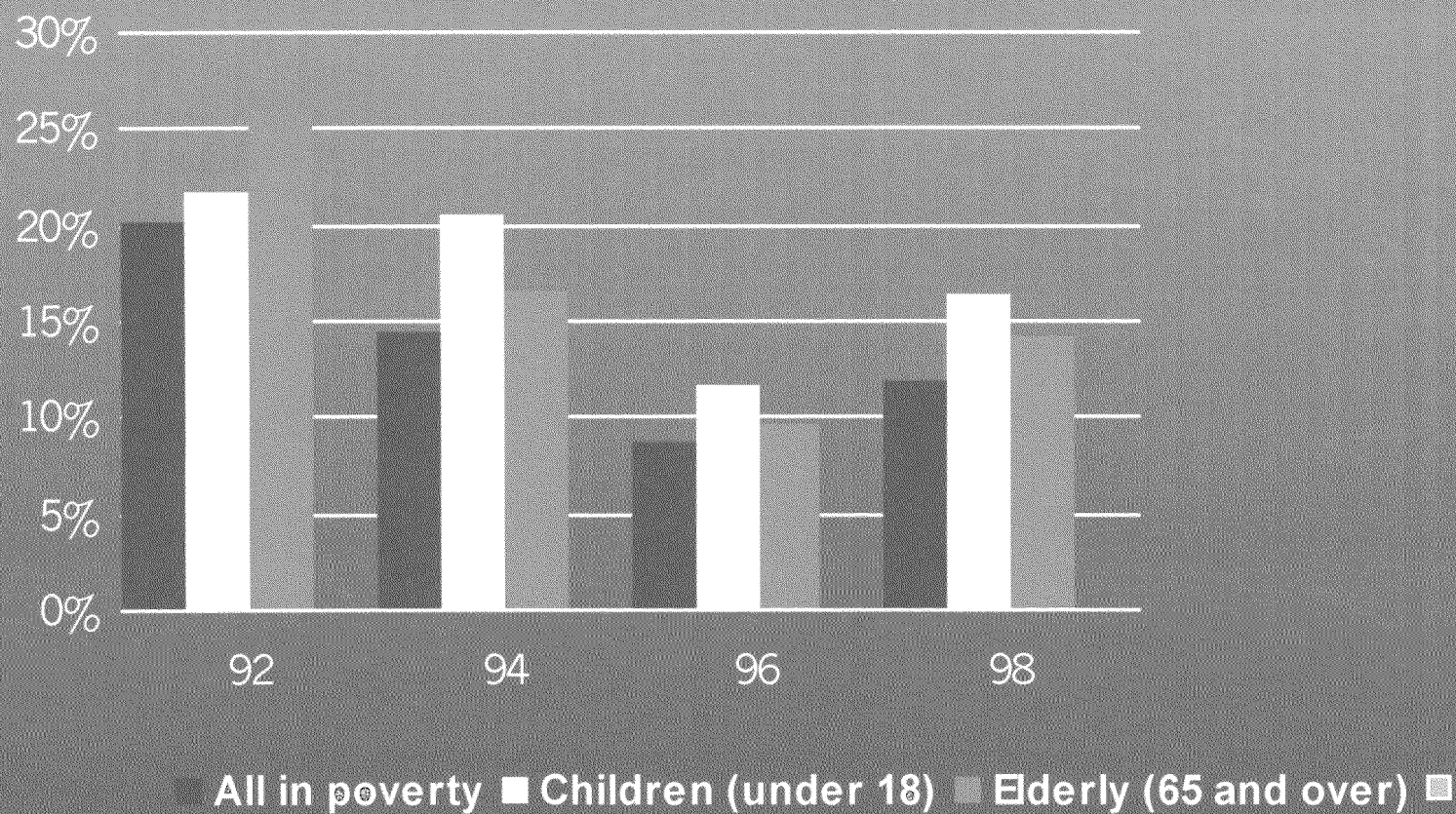
Age of population



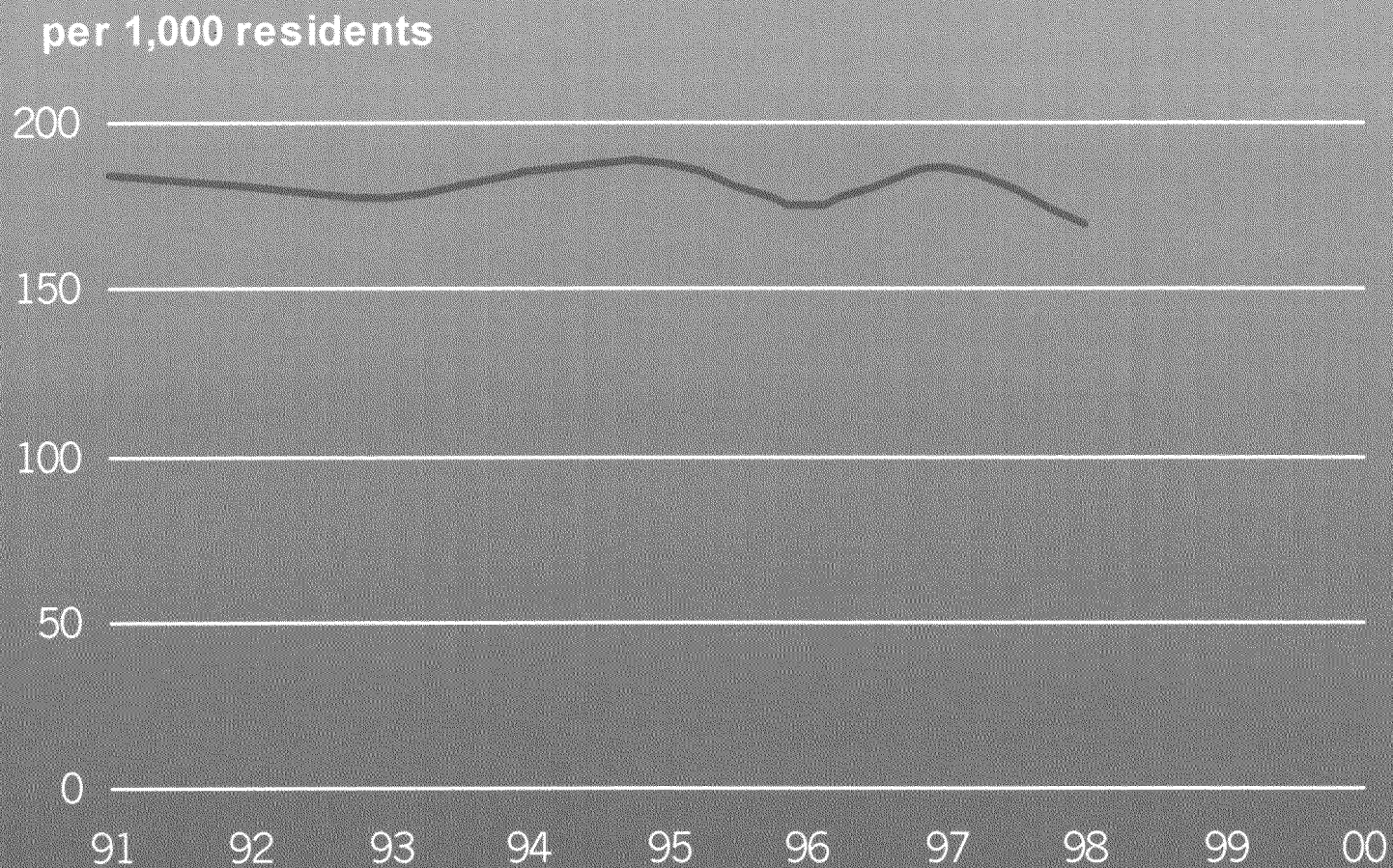
Average annual income



Households in poverty

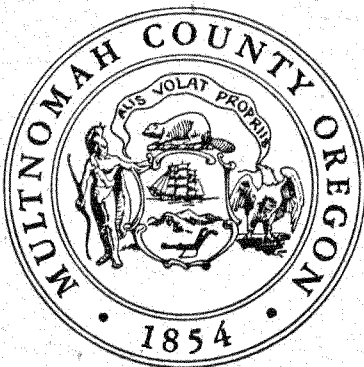


Reported crimes

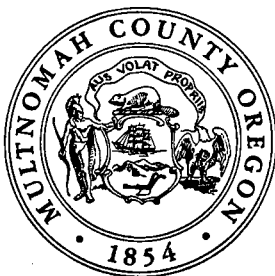


Financial Condition
Multnomah County, Oregon

April 2001



Suzanne Flynn
Multnomah County Auditor



SUZANNE FLYNN, Auditor
Multnomah County


501 SE Hawthorne, Room 601
Portland, Oregon 97214
Telephone (503) 988-3320
Telefax (503) 988-3019

www.multnomah.lib.or.us/aud

MEMORANDUM

Date: March 23, 2001

To: Bill Farver, Interim Multnomah County Chair
Pauline Anderson, Interim Commissioner, District 1
Serena Cruz, Commissioner, District 2
Lisa Naito, Commissioner, District 3
Lonnie Roberts, Commissioner, District 4

From: Suzanne Flynn, Multnomah County Auditor 

Subject: Financial Condition Report

The attached report covers our biennial review of the County's financial condition which was included in the FY00-01 Audit Schedule. This is the fifth report produced by the Auditor's Office and covers the financial period from FY91 to FY00.

This report is a ten year historical look at the County's financial health and does not reflect the current year situation. It is intended to identify areas that need attention and to add perspective to budget deliberations. Over the years, the County has responded to financial circumstances in a responsible and deliberative manner. One significant response to these reports was the development of a financial and budget policy. The challenge is to remain committed to that policy even in more difficult times.

This year's report identifies some strengths and other areas that need watching. Notable this year, the County alleviated the unfunded pension liability and should save \$35 million over the next 30 years. Two areas of concern are the continued reliance on short-term revenues to finance operations and the decrease in unreserved fund balances.

We have reviewed this report with the County Chair's Office and managers in the Department of Support Services. Their written response is in the last section of the report. We appreciate their assistance and cooperation.

Auditor: Judith DeVilliers

Table of Contents

| | |
|---|----|
| Executive Summary | 1 |
| Introduction | 2 |
| County Revenues | 3 |
| County Spending | 9 |
| Financial Health | 17 |
| Economic and Demographic Trends | 22 |
| Response to the Audit | 27 |
| Bill Farver, Interim Multnomah County Chair | 28 |
| Appendix | 30 |
| Ten Years of Change | 31 |

Executive Summary

The primary purpose of gathering data and evaluating trends is to provide a look into the future by reflecting on the past. Over time, financial indicators can identify warning trends and allow government to make corrections. Financial indicators can also add perspective to budget deliberations.

The last ten years have seen continued growth in County revenues caused by economic prosperity and the transfer of social and justice programs from the state and federal governments to local control. Spending for justice services has more than doubled in the last ten years. Programs for social and health services have nearly doubled.

Increased reliance on state and federal funds has a risk associated with it. Revenue decisions made at the state or federal levels of government could impact the community particularly if revenues were withdrawn.

During the last ten years, the County has also enjoyed strong public support for libraries and justice services. Serial and bond levies have funded the renovation of Central Library, improvements to the branch library system, and additional jail space. Uncompleted projects are a new jail, booking facility and additional library replacements and renovations.

The County has made efforts to balance short-term and long-term costs. Employee benefits as a percentage of total personnel costs have remained

stable. The unfunded pension liability was alleviated through the sale of bonds that should save the County \$35 million over the next 30

years. The County has also invested significantly in land and buildings.

We continue to be concerned over the County's reliance on short-term revenues to support operations. A turn in voter approval could affect programs such as the Library, social, health, and justice services.

And, despite the County's recent investments, the need for additional capital improvements is still great. Continued deterioration of buildings, roads, and bridges make this another area of concern that should not be ignored.

There are some economic signs that the rate of growth is slowing. Two warning trends suggest closer attention should be given to the financial condition:

- The County's "rainy day funds," unreserved fund balances, have been decreasing over the past two years

- The ability to meet short-term obligations is below industry standards

The County is preparing a "constraint" budget for next fiscal year based upon current revenue projections. We would also recommend they not lose sight of the financial goals that have guided the County into the current position of good financial management.

Report Highlights

- Annual growth in revenues averages 6%
- Over 1/2 of revenues are from federal and state government
- Declining county gas taxes could affect County roads
- County continues to rely on short-term revenues for operating expenses
- Despite a significant increase in number of employees, the cost of benefits have remained steady
- General government costs have not increased at the same rate as services
- Unfunded pension liability alleviated

Introduction

This is the fifth report the Auditor's Office has done on the financial condition of Multnomah County. The report is issued biennially and covers measurements for a ten-year period. These measures are commonly used by local governments to indicate their ability to fund services on a continuing basis. A county in good financial condition can continue existing services to the public, withstand economic slumps, and meet the demands of changing service needs.

The Auditor's Office looked at measures of resources coming into the County, how it uses these resources, and its financial health over time. We also included indicators about how the population and economy are changing and how those changes can affect County services.

Since we began these reports, the County has undergone major changes in the property tax system and assumed responsibility for many social services previously under state government control. The County has responded to these challenges by developing sound policies to provide for the financial health of County government and better serve its citizens.

Objectives, Scope, and Methodology

The objective of this report was to evaluate the financial condition of Multnomah County using the Financial Trend Monitoring System developed by the International City and County Management Association (ICMA) and the draft indicators developed by the Government Accounting Standards Board (GASB). We relied on the County's budgets, Comprehensive Annual Financial Reports, and other management reports for financial data. We used published sources for most socio-economic data. In developing and analyzing the indicators of financial condition, we interviewed personnel in the Finance Division, the Budget and Quality Division, and other County departments.

The prior four reports covered the fiscal year 1981-1982 through fiscal year 1987-1998. This report covers the period from fiscal year 1990-1991 through fiscal year 1999-2000. Fiscal years in this report are identified by their ending date, such as FY00 for fiscal year 1999-2000. We expressed most indicators in constant dollars. These adjustments for inflation convert dollar amounts over the ten-year period to the equivalent of the purchasing power of money in fiscal year ending June 30, 2000. The adjustments are based upon the Portland-Salem Consumer Price Index for all urban consumers.

The ICMA and GASB stress the importance of developing a consistent and meaningful definition of the entity being evaluated. For purposes of this report, "the County" will include the revenues, expenditures, and activities covered by the general fund, special revenue funds, and debt service funds. Excluded are capital construction, internal services, enterprise and trust and agency funds. However, we did include the Behavior Health Managed Care Fund because it is an integral part of the Behavior Health Program. This work was done in accordance with generally accepted government auditing standards.

County Revenues

Overview

Operating revenues are used to pay for on-going services. Decreasing revenues may reduce a government's ability to maintain existing service levels.

In general, the revenue trend has been favorable over the past ten years. In current dollars, operating revenues increased from \$316 million in FY91 to \$529 million in FY00. Although each of the four categories of revenues increased, state and federal funds showed the largest growth, which may not be a favorable trend.

Both the ICMA and GASB recommend showing indicators for total revenues, major revenue sources, and others such as revenues subject to economic fluctuations and temporary or short-term revenue sources. Below is a list of indicators included in this report, which we believe are relevant to Multnomah County.

Indicators

- Operating Revenues
- Revenues from Federal, State and Local Government
- Property Tax Revenues
- Business Income and Car Rental Taxes
- User Charges
- Short-term Revenues
- Revenue Shortfalls

County Revenues

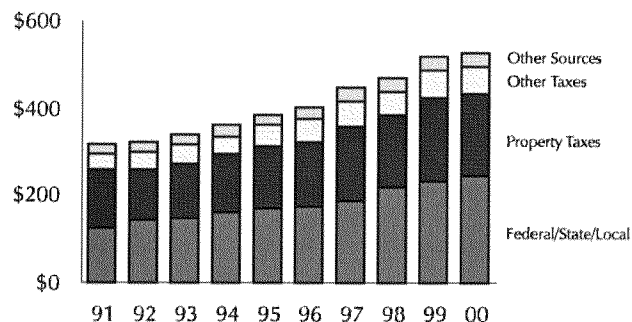
County income has grown an average of 6% per year

Operating revenues are used to pay for on-going services. These services include elections, road maintenance, health services, jails, libraries, social services, criminal prosecution, assessment and taxation, animal control, and administration.

Most of the County's growth in revenues is due to the transfer of state programs to county government. In the past ten years, the State transferred programs and responsibilities for parole and probation, and more recently disability services. Refer to diagram in appendix, page 31, for more complete information.

Other increases were a result of voter-approved bond and serial levies for libraries and jails. In FY00, federal, state and other local governments funded 47% of the County's operating revenues, property taxes 36%, excise and income taxes 11%, and other sources 6%.

Operating Revenues
Adjusted for inflation (in millions)



County Revenues

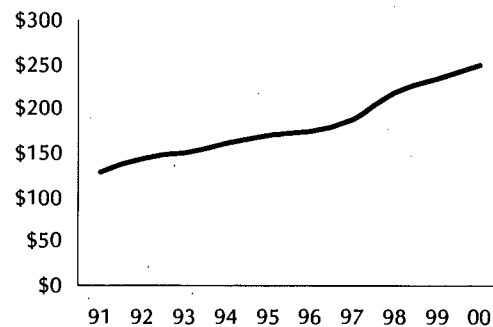
Increasing federal and state revenue for County services may indicate an over-dependence

Recent federal and state policies have shifted more responsibilities to lower levels of government to increase local control over service delivery.

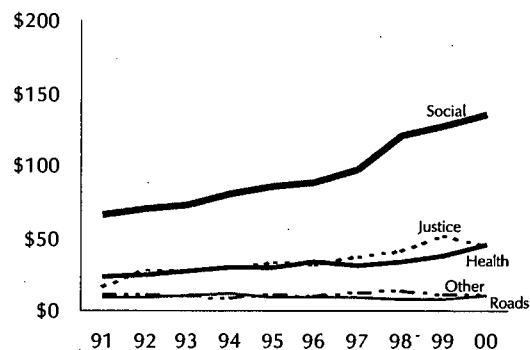
Increasing federal and state revenue to support County services may indicate an over-dependence on these sources. Revenue decisions made in Salem or Washington, DC can have a large impact on the community and the County's budgeting decisions. If these revenues were withdrawn, the County would be forced to find additional revenue or cut services. In the last decade:

- Expenditures for social service programs increased from \$67 million to \$135 million in current dollars. A large part of this growth was from the state transferring its Disability Program, including 137 staff, to the County's Aging and Disability Services Department.
- Federal/state program revenues for health services nearly doubled from \$23 million in FY91 to \$45 million in FY00.
- Federal/state program revenues for justice services increased from \$16 million to \$46 million. Approximately \$12.5 million of the increase is State payments to the County for assuming parole and probation responsibilities in FY92.
- Revenues for roads is the County's share of state gas taxes and other special project grants which fluctuate from year to year.

Total Revenues from Federal, State and Local governments
Adjusted for inflation (in millions)



Revenues from Federal, State and other Local Governments by Program
Adjusted for inflation (in millions)



County Revenues

Property tax revenues have increased

Property taxes averaged about 5% annual growth over inflation during the past ten years. Over half of the growth was due to voter-approved serial levies and bond measures.

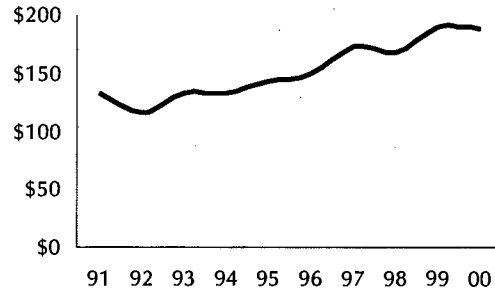
Property tax revenues:

- Decreased in FY92 as a result of the tax limitation imposed by Measure 5
- Recovered since that time as a result of increases in the market value of residential property
- Show a decrease in FY98 as a result of Ballot Measure 50

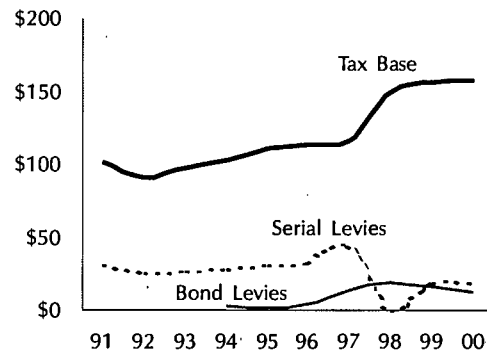
Both the library and public safety serial levies were folded into the County's permanent tax rate with Measure 50. As a result, in FY98 there were no serial levies and the tax base increased by \$42 million. Under Measure 50, voter-approved general obligation bonds are also outside of the tax base and property tax limitation.

With the approval of an additional \$18 million library serial levy in FY99, revenue from serial levies began to increase.

Total Property Tax Revenues
Adjusted for inflation (in millions)



Property Tax Revenues by Type
Adjusted for inflation (in millions)

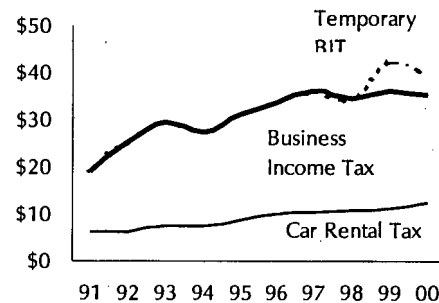


County Revenues

Total revenue from Business Income and Car Rental taxes has increased in the last ten years

The Business Income and Car Rental taxes change with the economy. Over dependence on these taxes can result in program cuts when the economy worsens. Although total revenues have increased, the taxes have consistently been about 10% of the total operating revenues for the County. A temporary increase in the Business Income Tax to support schools is reflected in FY99 and FY00.

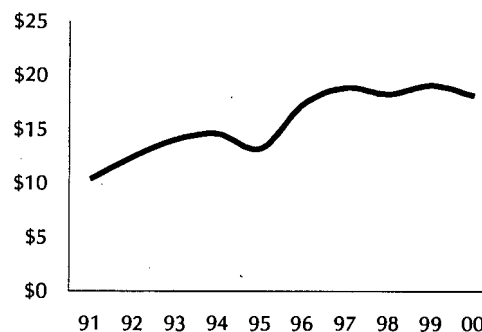
Business Income and Car Rental Taxes
Adjusted for inflation (in millions)



User charges have increased

User charges are intended to recover the cost of services from citizens whenever possible. These fees fluctuate from year to year. Some fees, such as real estate recording fees, are affected by the economy. Other fees, such as election fees, are cyclical, based on election years.

User Charges
Adjusted for inflation (in millions)

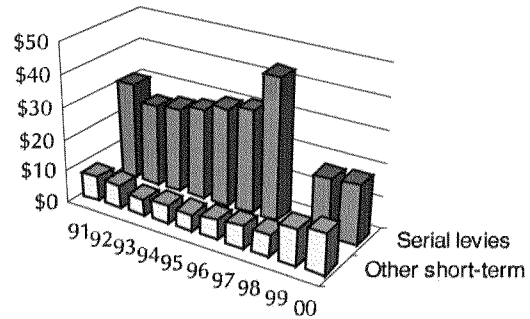


County Revenues

The County is reliant on short-term revenues to finance on-going operations

Continued use of short-term revenues such as voter approved serial levies, reserves, surpluses, and sales of property to balance the budget signals a warning trend. With Measure 50, the County's short-term serial levies were folded into the permanent tax rate and continued as part of the base, therefore decreasing this reliance. However, an additional 5-year library levy for nearly \$18 million annually approved in November 1997 indicate continued reliance on temporary revenue sources.

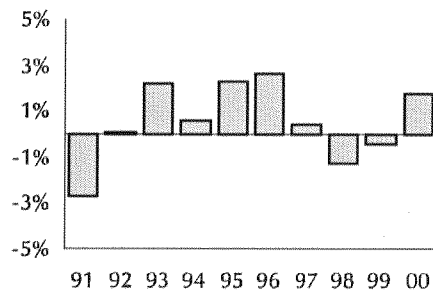
Short-Term Revenues
Adjusted for inflation (in millions)



Recently, revenues have been within 3% of projections

Revenue shortfalls measure how well the County estimates expected revenues each year. Significant shortfalls could require mid-year cuts of services, spending of reserve funds, or increased use of short-term borrowing, all to be avoided if possible. Actual revenues have exceeded estimates seven of the last ten years.

Revenue Shortfalls
As percentage of operating revenues



County Spending

Overview

Spending has increased 79% in the past ten years, in part because of increased service responsibilities. To provide these services the County hired more employees and contracted for more services.

Nearly half the County's spending was for social and health services, which have increased in constant dollars, from \$134 million in FY91 to \$267 million in FY00. Spending for justice services has more than doubled, going from \$86 million in FY91 to \$182 million in FY00. Spending on the County's libraries grew 140% from \$18 million in FY91 to \$43 million in FY00. Spending for general government has had only slight increases, and spending for roads and bridges has gone down over the last ten years.

We consider indicators for all operating costs in the County by expense type as well as by program area. Additional indicators are shown for number of employees and employee benefits. Below is a list of spending indicators included in the following pages.

Indicators

- County Spending
- Justice Services
- Social and Health Services
- Library
- Roads and Bridges
- General Government
- Internal Services
- Number of Employees
- Employee Benefits

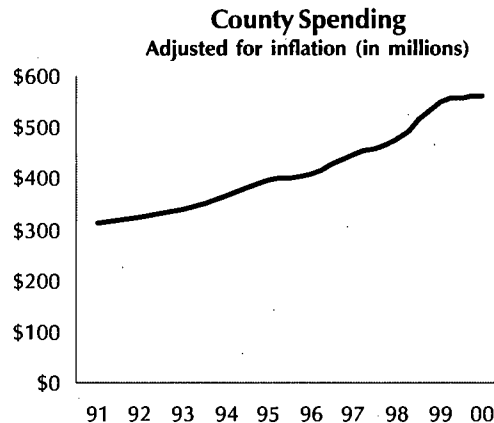
County Spending

Spending has increased faster than inflation, largely because of increased County responsibilities

Expenditures have increased by 79% over the past ten years largely due to the increased responsibilities transferred to the County from state government.

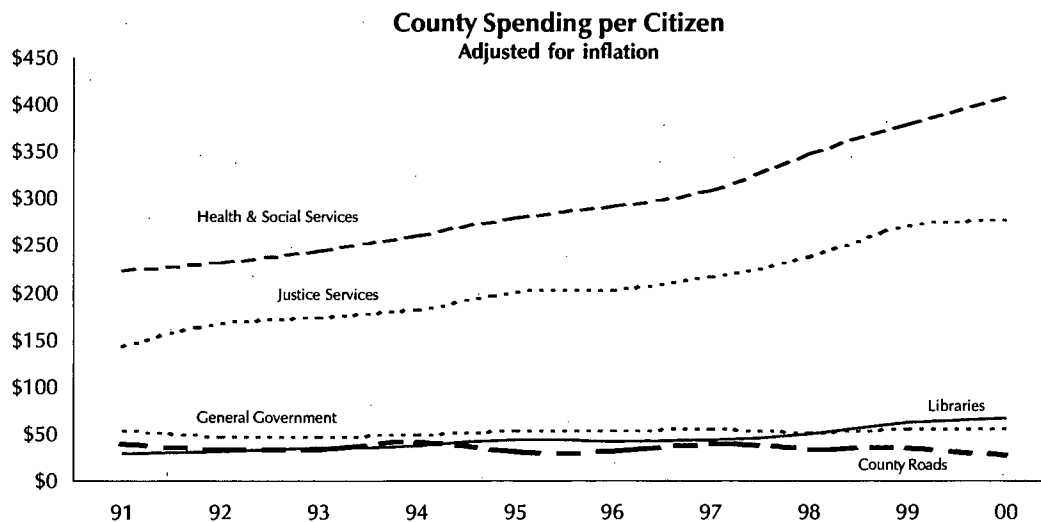
Spending on personnel increased by 64% and on contract services by 96%. In FY00 the County's operating expenditures include personnel costs (47%), contract services (31%), materials and supplies (21%), and capital costs for on-going services (1%). The majority of County services are in health and social services (49%) and justice services (33%).

In FY00 spending per citizen ranged from \$409 for Health and Social Services to \$26 per citizen for County roads. Between FY91 and FY00, spending per citizen for health, social, and justice services and the library doubled. General government spending per citizen increased slightly and spending on roads decreased.



A Comparison of County Spending Per Citizen FY91 to FY00

| Program | FY91 | FY00 |
|--------------------------|-------|-------|
| Health & Social Services | \$224 | \$409 |
| Justice Services | \$143 | \$279 |
| Libraries | \$ 30 | \$ 66 |
| General Government | \$ 55 | \$ 57 |
| County Roads | \$ 39 | \$ 26 |



County Spending

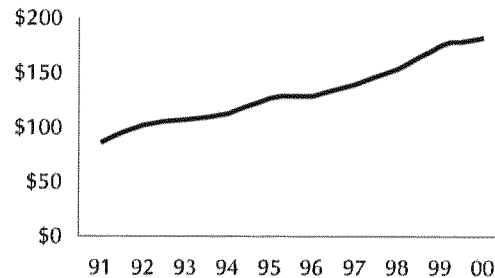
Spending for justice services has more than doubled

Spending for justice services has increased from \$86 million in FY91 to \$182 million in FY00. The largest increase occurred in juvenile and adult community justice programs, with an increase from \$18 million to \$67 million in constant dollars.

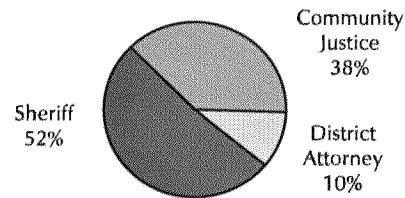
Over half of county spending in justice services is for the Sheriff's Office. Increase in Sheriff's Office spending was funded by voter-approved levies.

Among the revenue sources, General Fund contribution for justice services shows the largest increase from \$57 million in FY91 to \$122 million in FY00. About \$20 million of that increase was from the serial levy rolled up into the County's tax base as a result of Measure 50. Other causes for the increase were a voter approved bond levy outside the tax base and increased funding from the State for sentenced felons.

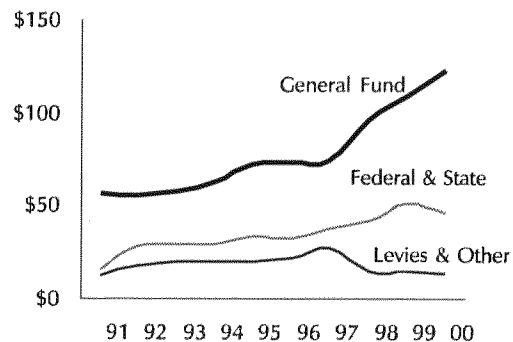
Total Spending - Justice Services
Adjusted for inflation (in millions)



Justice Services
FY00



Spending in Justice Services by Revenue Source
Adjusted for inflation (in millions)



County Spending

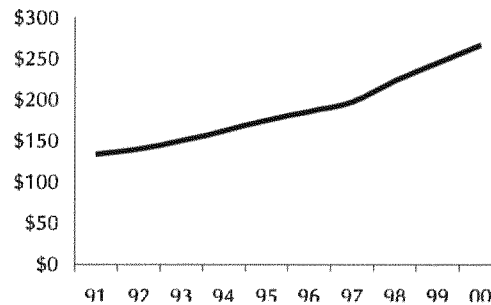
Social and health services have nearly doubled

Expenditures for social and health services have increased 99% since FY91. The largest increase in spending in the past 10 years was for Community and Family Services with the Behavioral Health Managed Care Fund which added \$27 million in services.

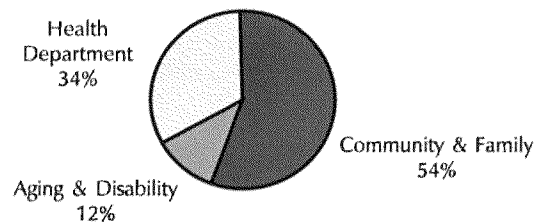
These programs included the Health Department, the Department of Community and Family Services, and the Department of Aging and Disability Services. Examples of programs are mental health, developmental disabilities, youth, housing, services for the elderly, health and dental clinics, and regulatory health services.

The General Fund contribution to social and health programs increased 101% from \$39 million to \$79 million. Federal and State resources have increased by 100% over the past ten years.

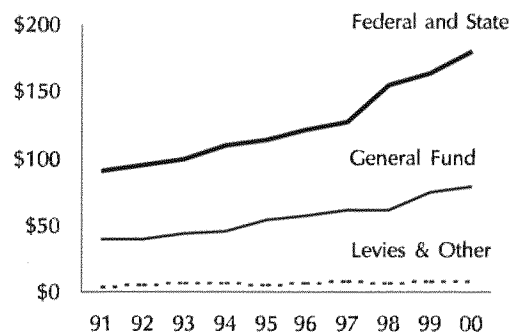
Total Spending - Social and Health Services
Adjusted for inflation (in millions)



Social and Health Services FY00



Spending on Social and Health Services by Revenue Source
Adjusted for inflation (in millions)



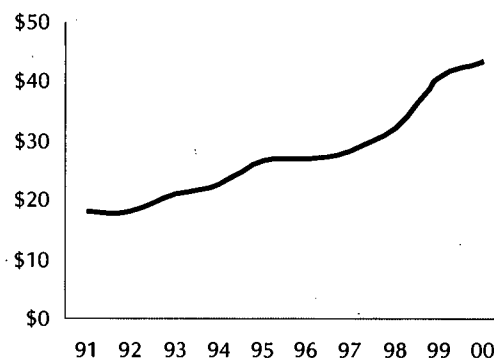
County Spending

Library spending continues to rise with increased voter-approved serial levies

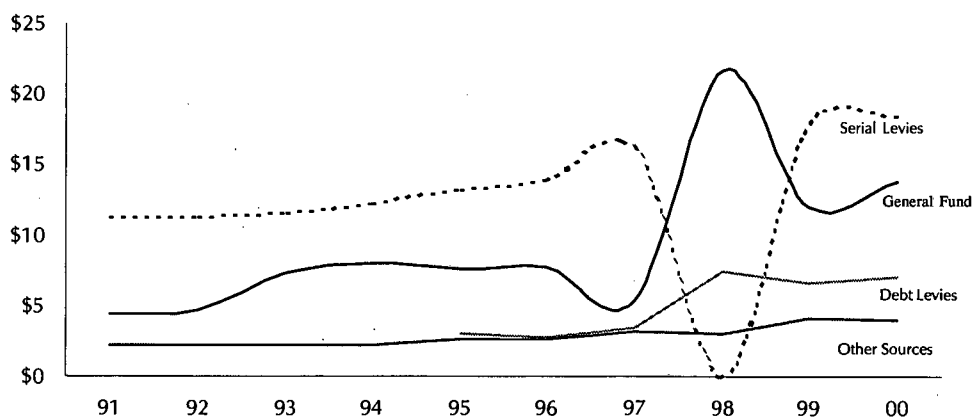
Library spending increased 140% from \$18 million to \$43 million in the last ten years. The libraries continue to be dependent on serial levies for daily operations.

In FY98, the library serial levy was added to the County's tax base as a result of Measure 50. Since then voters have approved an additional 5 year levy of \$18 million. General Fund support of the library continues to increase, growing from \$4 million in FY91 to \$14 million in FY00. Other funding sources are debt levies, from \$3 million to \$7 million since FY98. The debt levies are also voter-approved and are outside the County's base tax rate limitation.

Total Spending - Library
Adjusted for inflation (in millions)



Spending on the Library by Revenue Source



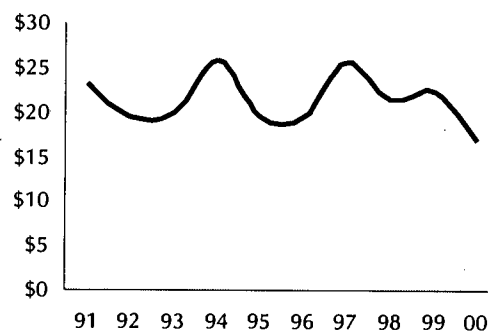
County Spending

Total spending on roads and bridges has declined over the last ten years

Funding for roads and bridges comes from State and County gas tax revenues and special project funding from the State and Federal government. No General Fund dollars are allocated to road and bridge repairs and maintenance.

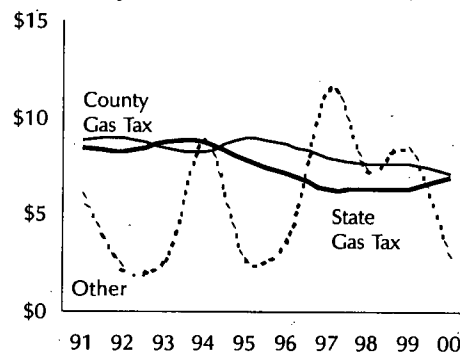
Total spending on roads and bridges has declined over the last ten years from \$23 million in FY91 to \$17 million in FY00. Funding fluctuates due to state and federal funding for special projects. However, the revenues from State and County gas taxes have declined in constant dollars from \$17.3 million in FY91 to \$14 million in FY00.

Spending - Roads and Bridges
Adjusted for inflation (in millions)



Spending on Roads and Bridges by Revenue Source

Adjusted for inflation (in millions)



County Spending

General government has increased slightly

General government costs include administration such as personnel, accounting, legal, and county commissioners as well as other services such as elections, animal control, assessment and taxation, and land use programs that serve all citizens. Most of the services are funded by General Fund dollars.

General government has been increasing in the last 10 years from \$33 million in FY91 to \$37 million in FY00. The largest increase was in finance, which increased from \$2.5 million in FY91 to \$6.3 million in FY00. We were not able to distinguish some of the administrative costs recovered from state and federal funds through overhead charges.

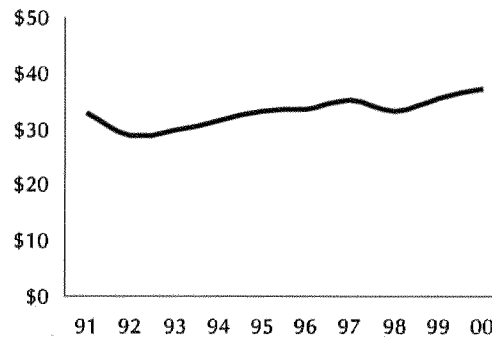
Spending on some internal services has increased

Costs of internal services such as: risk management programs, facilities management, data processing, fleet, telephone, and mail distribution are charged to County programs.

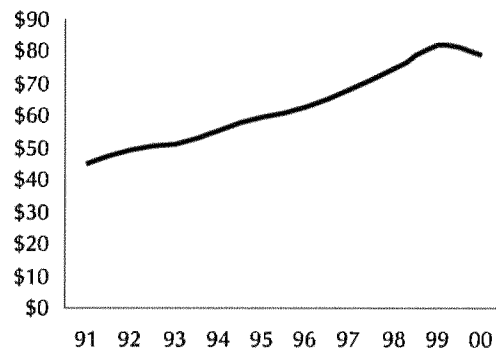
This spending is already reflected in the previous exhibits as costs in personal services and other services.

In FY00 total spending for Internal Services was \$79 million. Facilities Management and Risk Management each spent \$29 million while Data Processing spent nearly \$11 million.

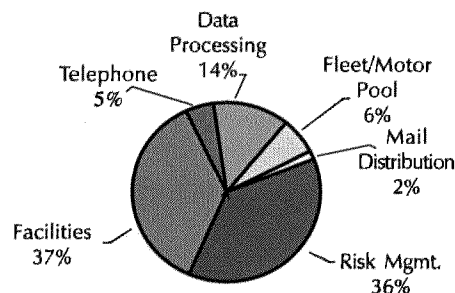
Spending - General Government
Adjusted for inflation (in millions)



Spending - Internal Services
Adjusted for inflation (in millions)



Internal Service Spending
FY00



County Spending

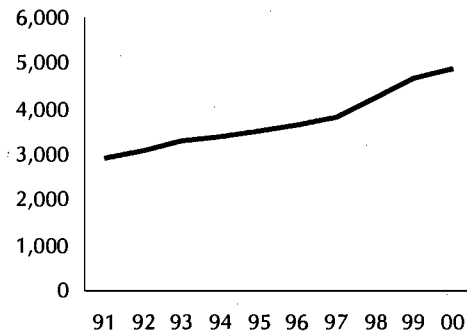
Number of employees has increased

Changing responsibilities have increased the number of County employees from 2,900 in FY91 to 4,900 in FY00.

Some of the staff increase was due to program transfers of State employees to the County for parole and probation and disability services. Other increases resulted from staffing the new jails and increases in social and health services funded by state and federal dollars.

In FY97, 90 positions were funded from State dollars to pay for felons formerly housed in State prisons. In FY98, 137 employees were gained from State Disability Service Programs.

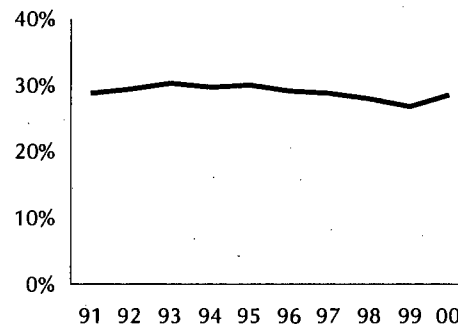
Number of Employees



Proportionately, the cost of employee benefits has remained steady

Employee benefits include the cost of health and dental insurance, worker's compensation, retirement, and the employer-paid portion of social security. Paid holidays are not included. The cost of employee benefits has remained steady over the last ten years.

Employee Benefits as % of Total Personnel Costs



Financial Health

Overview

Financial health is difficult for government to evaluate. Unlike businesses, governments do not have a bottom line. Government does not exist to make a profit, but rather to provide quality services to its citizens at a price they are willing to pay. But, just like its citizens, the County must pay bills, save money, and plan ahead. How well it achieves these activities will ultimately affect the quality of services. Some of the indicators explored here measure savings, the ability to meet short-term obligations, and long-range capital spending and debt management.

The County needs to heed some early warning signs of decreasing reserves and decreasing ability to pay short-term obligations. These combined with a slowing economy may indicate some policy action is needed to maintain the County's financial health.

Indicators

- Unreserved Fund Balances
- General Fund Reserve
- Liquidity Ratio
- Accounts Payable
- Unfunded Employee Leave
- Capital Spending
- Long Term Debt and Leases
- Debt Structure

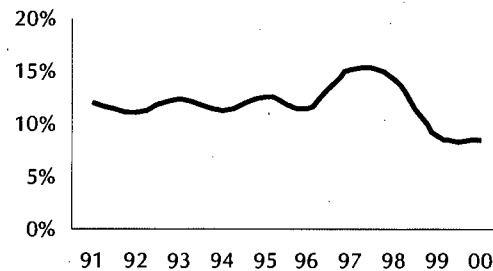
Financial Health

Percentage of unreserved fund balances has decreased

Unreserved fund balances can be thought of as “rainy day funds.” The size of a government’s unreserved fund balances can affect its ability to withstand short-term financial emergencies.

This indicator measures the unreserved fund balances of the General Fund and Internal Service Funds as a percentage of revenues for the General and Internal Service Funds. This ratio has declined from 12% in FY91 to 8.6% in FY00.

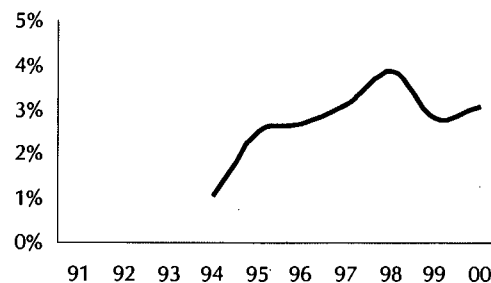
Unreserved Fund Balances
(As % of revenues)



County has not yet reached its goal to target 5% in reserve

The County’s financial and budget policy sets a goal of maintaining a reserve account of approximately 5% of the General Fund budget. To that end, the Board of County Commissioners set aside approximately \$8.6 million in FY00, which represented 3% of the budgeted general fund expenditures.

Budgeted General Fund Reserve
(As a % of general fund budgeted expenditures)

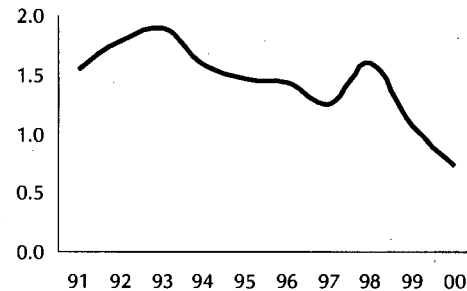


Financial Health

Liquidity ratio needs watching

Liquidity is an indicator of the County's ability to pay its short-term obligations. The credit industry considers a liquidity ratio of less than \$1 of cash and investments to \$1 of current obligations to be a negative indicator. Although the County has maintained a good ratio in the prior nine years, the ratio for FY00 is under the \$1 to \$1 ratio, indicating a warning trend.

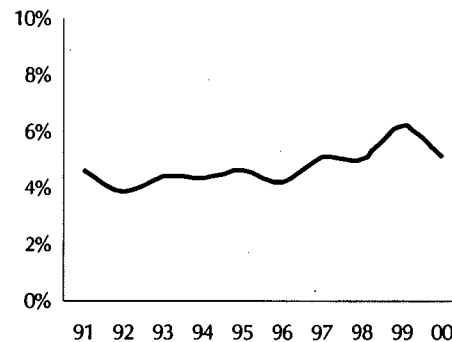
Ratio of Cash and Investments to Short-term Debt



Income needed to pay short-term debt is satisfactory

This indicator shows County payments due at fiscal year end as a percentage of its operating revenues. Increasing short-term debt may indicate cash shortages. The credit industry considers short-term debt over 5% or a trend of increasing short-term debt as a negative factor.

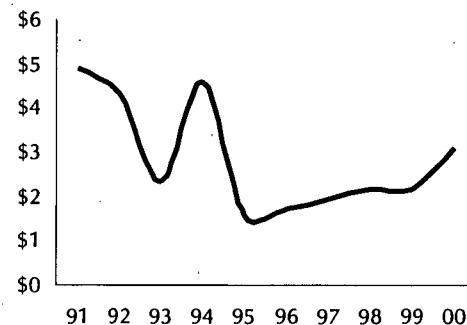
Accounts Payable (as % of operating revenue)



Recently unfunded employee leave is increasing

Accumulated employee leave is the value of unused vacation leave accrued to County employees. For employees who remain on the payroll and use their vacation leave, it poses no additional costs to the County, except in loss of services while they are absent. Although the total liability for employee leave has increased due to growth in the number of employees over the last ten years, the unfunded portion decreased until FY96 when it began to rise.

Unfunded Liability for Employee Leave Adjusted for inflation (in millions)



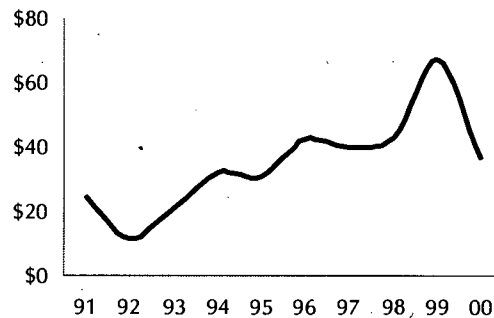
Financial Health

Capital spending has increased for land and buildings

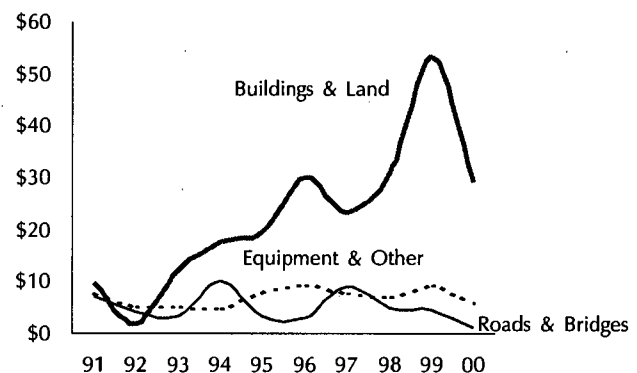
Spending for land and buildings has increased with the construction of two jails, the juvenile justice complex, and several libraries, as well as the purchase of the Multnomah Building in FY99. These were primarily funded by voter-approved general obligation bonds. Spending for equipment and other categories has remained stable. Spending on roads and bridges fluctuates by project. Declining capital expenditures is a warning trend that may indicate the use of inefficient or obsolete equipment.

The need for additional capital improvements is still great. The County Courthouse and many County owned buildings do not meet standards and will require future replacement. Continued deterioration of buildings, roads, and bridges make this an area of concern which should not be ignored.

Capital Spending
Adjusted for inflation (in millions)



Capital Spending by Type
Adjusted for inflation (in millions)

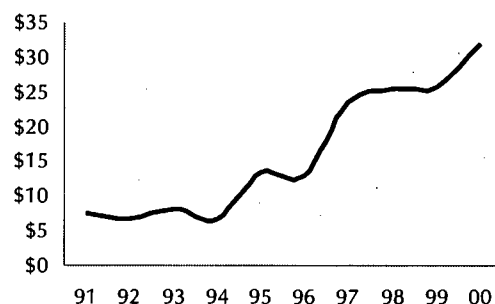


Financial Health

Income needed to pay for long-term debt and leases has increased

Fixed costs include the principal and interest on long-term debt and operating leases. These costs have increased as a result of construction of new libraries, jails, and other justice facilities financed by general obligation bonds approved by voters. More recently, in December 1999, the county issued taxable Revenue Pension Obligation Bonds to cover the County's Public Employees Retirement System (PERS) unfunded liability which will result in a savings of nearly \$36 million over a 30 year period.

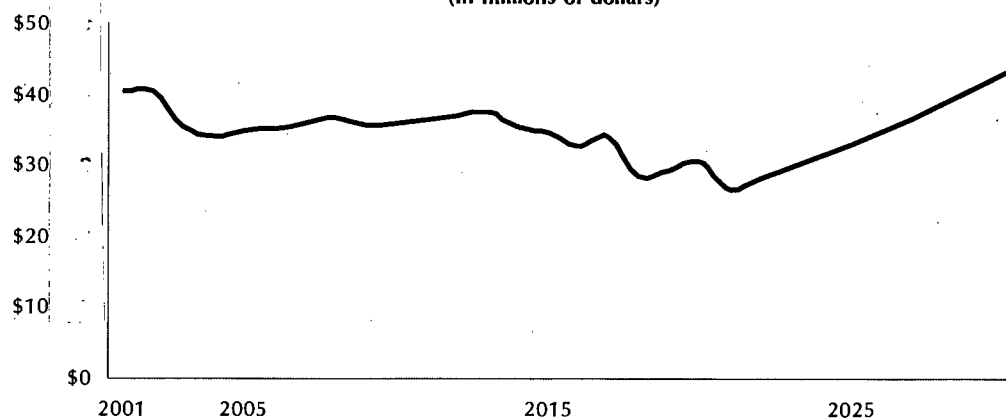
Fixed Costs
Adjusted for inflation (in millions)



Principal and interest payments will remain constant if no new debt is incurred

Although debt has been rising as a result of new borrowing, the annual payments of principal and interest over the next 30 years will remain fairly constant.

Principal and Interest Payments for the Next Thirty Years
(In millions of dollars)



Economic and Demographic Trends

Overview

Economic Trends

Economic indicators and demographic indicators that help measure services to specific populations are useful for looking at the future.

The economy has remained strong over the last ten years. Unemployment rates remained under 5% for eight of the last ten years. Property values have grown. New residential construction grew from FY91 through FY97, and the number of businesses grew from 20,000 to over 24,000 over the last ten years. However, there are signs in the last two years that the County may not experience this rate of growth in the near future.

Service Populations (Demographic Trends)

Service populations have also been changing. In some cases, County services benefit all citizens while in other cases particular citizens benefit. Keeping an eye on characteristics of the County's population over time can help plan for needed services. It can also help determine if County efforts have had an impact. Service population indicators show favorable trends.

The following economic indicators are ones recommended by the ICMA. We also include demographic indicators such as population growth, income and poverty, and crime rates. However it is difficult to find measures for some of the health and social service programs.

Indicators

Economic

- Property Values
- Uncollected Property Taxes
- Number of Businesses
- Unemployment Rate
- New Construction

Demographic

- County Population
- Population over 70 and under 20 years of age
- Average Income
- Households in Poverty
- Reported Crimes

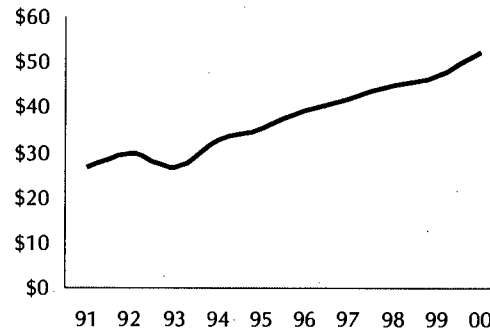
Economic and Demographic Trends

Property value continues to increase and delinquency rates to decrease

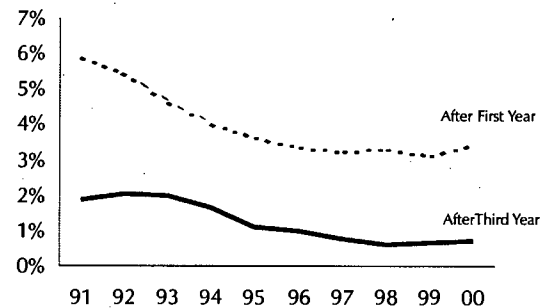
The Real Market value for properties in Multnomah County has continued to increase for the last ten years from \$27 billion in FY91 to \$52 billion in FY00. Much of this increase is due to the strong economy and new construction.

The effects of the strong economy have also been seen in the percent of uncollected property taxes after the first year, which decreased from 6% in FY91 to 3.4% in FY00.

Assessed Property Values
Adjusted for inflation (in billions)



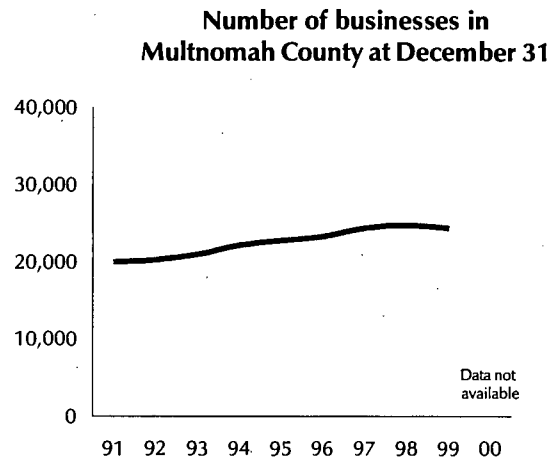
Uncollected Property Taxes
Percent of taxes delinquent



Economic and Demographic Trends

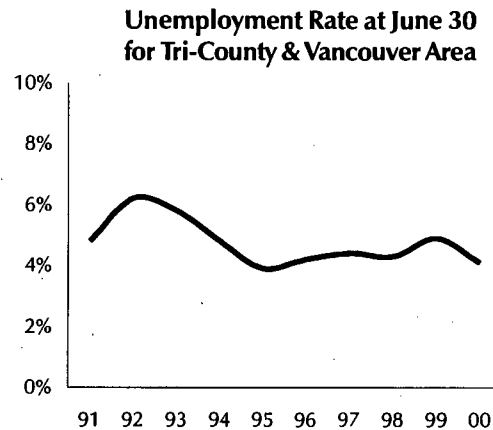
The County experienced growth in the number of businesses from FY91 through FY99

The number of businesses in Multnomah County grew from 20,000 to over 24,000 in the nine-year period for which we have data.



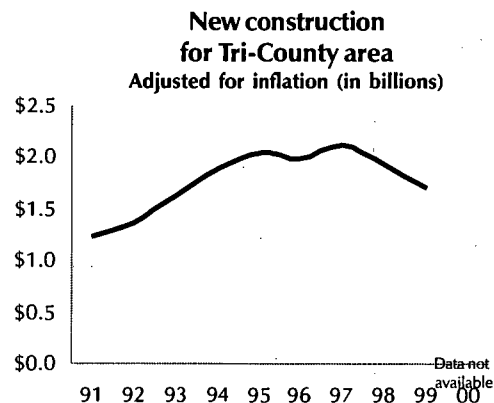
Unemployment remains low: under 5% for the last seven years

Unemployment as measured at June 30, each year and has been under 5% since FY93.



New construction is decreasing

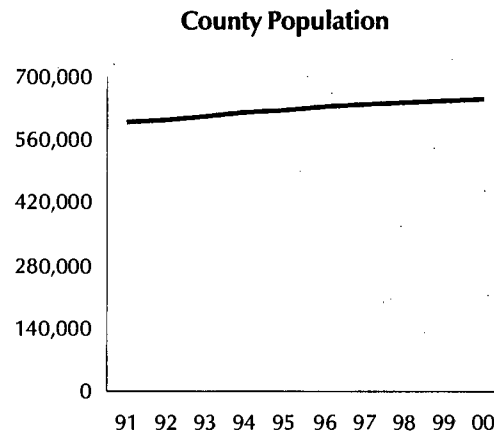
New residential construction is a positive economic indicator that means increases in the County's tax base. New residential construction grew through FY97. The indicator for subsequent years shows a less aggressive economy than in earlier years.



Economic and Demographic Trends

Population growth has been steady

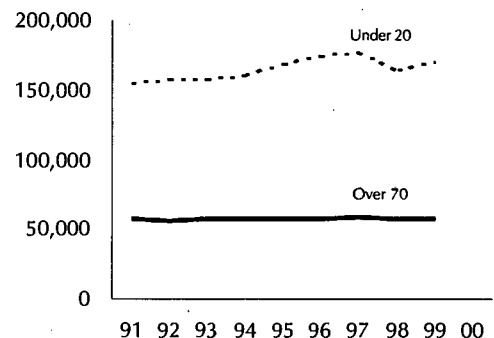
Rapid change in population can increase service costs or reduce the County's revenue base. Population has only increased by about 54,000 since FY91.



The number of people under 20 has increased by 10% while the number over 70 has remained steady

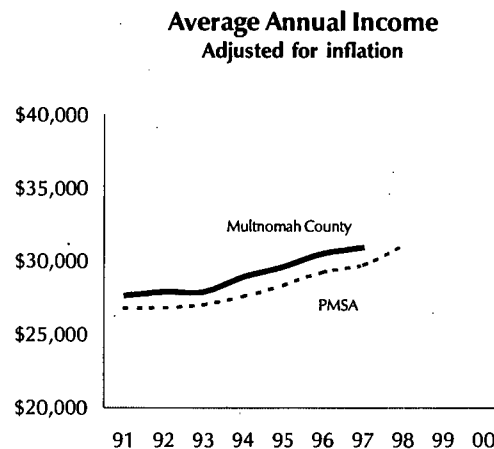
Many County services are for the elderly or families with children. Large changes in these groups could dramatically affect the need for County services.

Population Under 20 and Over 70 Years of Age



Average income has increased faster than inflation

The average annual income is based on information gathered by the State of Oregon Employment Division. The average income for Multnomah County is slightly higher than for Portland Metropolitan Statistical Area (PMSA) and has been increasing over the last ten years. Declines in income may affect consumer activity, reduce business incomes, and increase tax delinquencies.

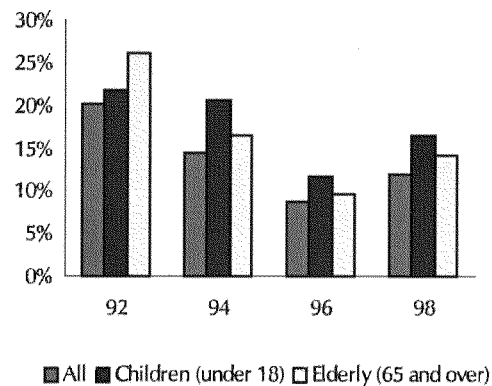


Economic and Demographic Trends

In FY98 about 12% of households in the County were in poverty

Many County health and social programs provide services for low-income citizens. Poverty in 1996 was defined as earning less than \$16,000 annually for a family of four.

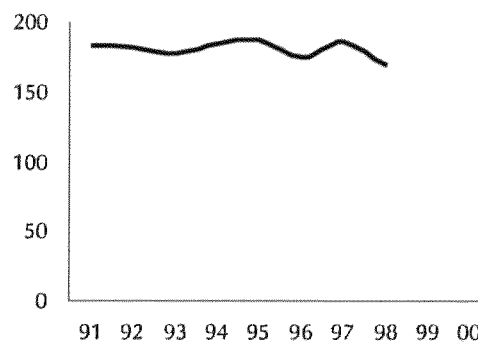
Households in Poverty



Reported crimes have decreased

About 1/3 of the County's costs are for justice services. The reported crime rate has decreased 8% since FY91. This trend should be watched to see if it continues and whether it might affect the need for services

Multnomah County Reported Crimes per 1,000 residents



Response to Audit



Bill Farver, Multnomah County Chair

Suite 600, Multnomah Building
501 S.E. Hawthorne Blvd.
Portland, Oregon 97214

Phone: (503) 988-3308
FAX: (503) 988-3093
Email: mult.chair@co.multnomah.or.us

To: Suzanne Flynn, County Auditor

From: Bill Farver, Acting Chair

RE: Chair's Response to Financial Condition Report

Thanks to you and your staff for your work on the Financial Condition Report on Multnomah County. I will describe what I believe are the major learnings from your work and comment on what, if anything, we can do to address them in light of our current estimated \$20 million dollar budgetary shortfall for fiscal year 2001/2002.

Increasing federal and state revenues

As you state, our increase in these revenues is in part a result of policy decisions in Washington D.C. and Salem to transfer functions previously delivered at the federal and state level to local government. Unfortunately we cannot guarantee continued funding and are left with the responsibility to our citizens to provide the needed services. We should begin discussions with federal and state leaders to to stabilize these funding sources and reduce the number of prospective legislative acts that restrict how we spend the money.

Other County revenues

Your favorable report on property taxes, car rental taxes and business income taxes needs to be watched carefully in the future. As you point out, the County has relied on short-term revenues through voter approved serial levies, and we will be crafting measures to replace and or increase the current levies when they expire or tolerate service declines. With the slowing economy, the County's elastic business income tax and car rental taxes are responsive to economic changes and we expect the taxes to increase at a much slower pace than they have experienced during the last several years.

Cost of employee benefits

Although the cost of employee benefits have remained steady over the last 10 years, the costs have skyrocketed during the last two years. Based upon latest estimates, medical and dental benefits are expected to increase by double digit inflation during the next few years. The County has been taking steps to work together with our Unions to search for better benefits design and contain the costs of benefits.

Financial health overall

The County needs to continue to strive to reach its goal to target 5% in reserves. This is a difficult task with the current financial situation, but the County intends to monitor and put a plan in place to achieve this goal.

The liquidity ratios will continually be monitored as we attempt to bring them back to a good ratio.

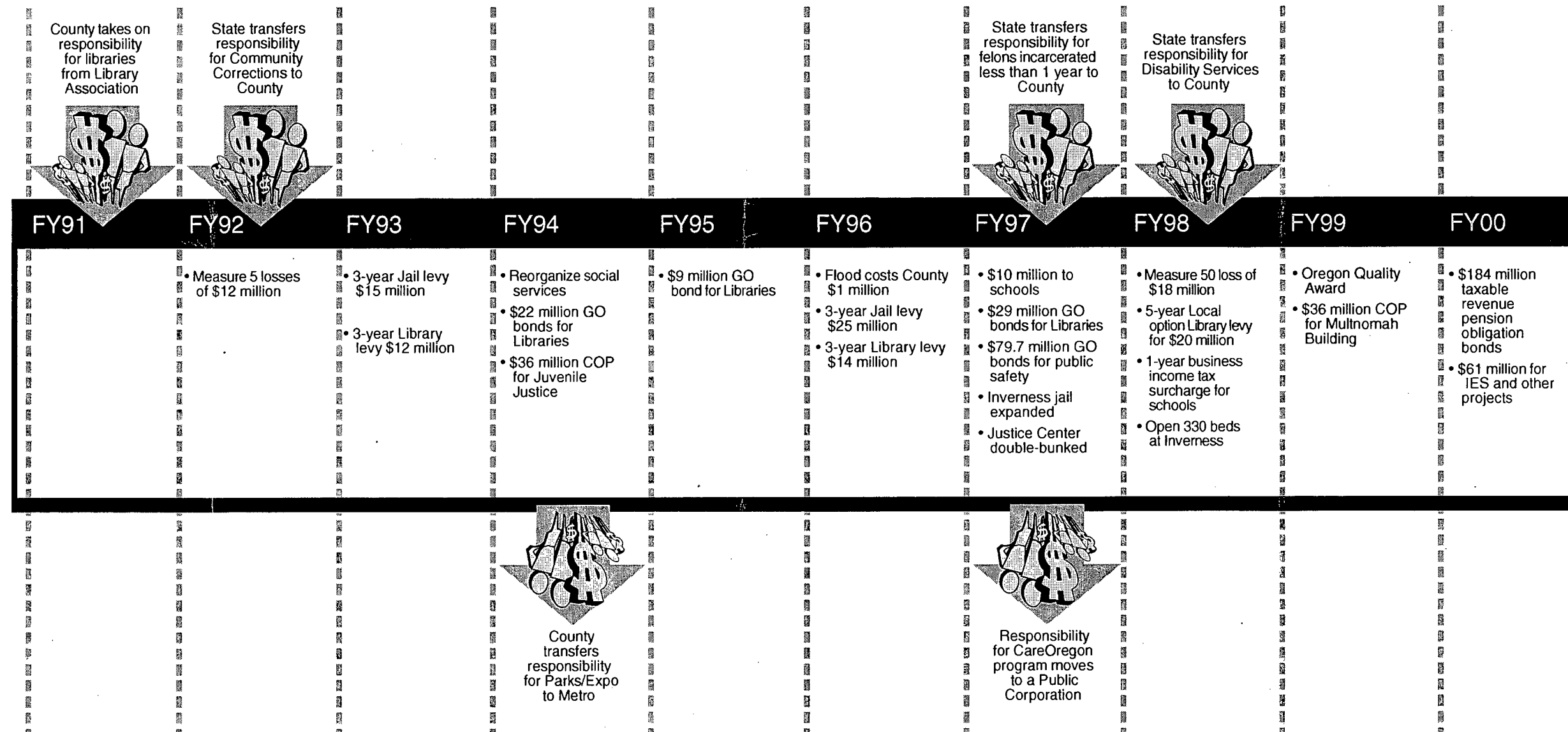
We continue to make progress with addressing our assets and buildings. Your office is in the process of initiating an audit of capital construction activity and this should help us in defining the needs.

We are very pleased to have addressed our PERS unfunded liability and believe that the restructuring of this liability will reduce our costs over the next thirty years.

Thank you for an excellent report to assist the Board and citizens of Multnomah County .

Appendix

10 Years of Change



MEETING DATE: April 12, 2001
AGENDA NO: B-2
ESTIMATED START TIME: 10:05 AM
LOCATION: Boardroom 100

(Above Space for Board Clerk's Use ONLY)

AGENDA PLACEMENT FORM

SUBJECT: Certificate of Achievement for Excellence in Financial Reporting Award

BOARD BRIEFING: DATE REQUESTED: _____
REQUESTED BY: _____
AMOUNT OF TIME NEEDED: _____

REGULAR MEETING: DATE REQUESTED: April 12, 2001
AMOUNT OF TIME NEEDED: 10 minutes

DEPARTMENT: DSS DIVISION: Finance

CONTACT: Dave Boyer TELEPHONE #: (503) 988-3903
BLDG/ROOM #: 503/4

PERSON(S) MAKING PRESENTATION: Bill Farver

ACTION REQUESTED:

☒ INFORMATIONAL ONLY ☐ POLICY DIRECTION ☐ APPROVAL ☐ OTHER

SUGGESTED AGENDA TITLE:

Certificate of Achievement for Excellence in Financial Reporting Award for Comprehensive Annual Financial Report for June 30, 1999.

SIGNATURES REQUIRED:

ELECTED OFFICIAL: _____
(OR)

DEPARTMENT MANAGER: M. Cecilia Johnson

ALL ACCOMPANYING DOCUMENTS MUST HAVE REQUIRED SIGNATURES

Any Questions: Call the Board Clerk @ (503) 988-3277

01 APR - 6 PM 4:42
MULTNOMAH COUNTY
OREGON

MULTNOMAH COUNTY RECEIVES 16TH CONSECUTIVE FINANCIAL AWARD

Multnomah County's June 30, 1999, Financial Report meets the national standards of excellence to receive the Certificate of Achievement for Excellence in Financial Reporting from the National Government Finance Officers Association. The Certificate of Achievement is the highest form of national recognition in governmental accounting and financial reporting.

The County has received this prestigious award for sixteen consecutive years and this continuous attainment is a significant accomplishment. Nationally, approximately 3% out of about 82,000 governments received this award.

In order to earn this award, a 10 page application form listing all the criteria that the County must meet had to be completed and an impartial panel of CPA's, government finance officers and educators evaluated the report. A unanimous vote of the review committee is necessary to achieve the award.

To earn this award the report had to effectively communicate information about the County's financial status and activities. By meeting the standards of the award, the Comprehensive Annual Financial Report has become a more useful tool for citizens, the media and others who have an interest in Multnomah County. In addition to report must meet the following:

- Complies with generally accepted accounting principles,
- Comprehensively covers all financial aspects of the County,
- Provides a fair presentation of our financial affairs,
- Is a useful tool to evaluate our financial condition,
- Provides detailed information for potential investors and bond market analysts.

MEETING DATE: APR 12 2001
AGENDA NO: B-3
ESTIMATED START TIME: 10:10

(Above Space for Board Clerk's Use ONLY)

AGENDA PLACEMENT FORM

SUBJECT: Multnomah County Audit Fiscal Year Ending June 30, 2000

BOARD BRIEFING: DATE REQUESTED: _____
REQUESTED BY: _____
AMOUNT OF TIME NEEDED: _____

REGULAR MEETING: DATE REQUESTED: April 12, 2001
AMOUNT OF TIME NEEDED: 30 minutes

DEPARTMENT: DSS DIVISION: Finance

CONTACT: Mindy Harris TELEPHONE #: x83786
BLDG/ROOM #: 503/4

PERSON(S) MAKING PRESENTATION: Mindy Harris and Dave Boyer


ACTION REQUESTED:

☒ INFORMATIONAL ONLY ☐ POLICY DIRECTION ☐ APPROVAL ☐ OTHER

SUGGESTED AGENDA TITLE:

Multnomah County Audit Committee Presentation of the Comprehensive Annual Financial Report and Single Audit Report.

SIGNATURES REQUIRED:

ELECTED OFFICIAL: _____
(OR)
DEPARTMENT
MANAGER: 

BOARD OF
COUNTY COMMISSIONERS
01 MAR 19 AM 9:44
MULTNOMAH COUNTY
OREGON

ALL ACCOMPANYING DOCUMENTS MUST HAVE REQUIRED SIGNATURES

Any Questions: Call the Board Clerk @ 248-3277



MULTNOMAH COUNTY, OREGON

DEPARTMENT OF SUPPORT SERVICES
FINANCE DIVISION

COUNTY COMMISSIONERS

BILL FARVER, CHAIR
PAULINE ANDERSON, DISTRICT #1
SERENA CRUZ, DISTRICT #2
LISA NAITO, DISTRICT #3
LONNIE ROBERTS, DISTRICT #4

MULTNOMAH BUILDING
501 SE HAWTHORNE BLVD. 4TH FLOOR
PO BOX 14700
PORTLAND, OR 97293-0700
PHONE (503) 988-3312
FAX (503) 988-3292

FORD BUILDING
2505 SE 11TH 1ST FLOOR
PORTLAND, OR 97202
PHONE (503) 988-5111
FAX (503) 988-3252
TDD (503) 988-5170

BOARD OF COUNTY COMMISSIONERS AGENDA ITEM BRIEFING

To: Board of County Commissioners

From: Katy Gallagher, Chair
Multnomah County Audit Committee
Dave Boyer, Finance Director *[Signature]*
Mindy Harris, Accounting Manager *[Signature]*

Date: March 19, 2000

Requested Placement Date: April 12, 2001

Subject: June 30, 2000 Comprehensive Annual Financial Report and Single Audit Report

- I. Recommendation/Action Requested: None. Board Briefing.
- II. Background/Analysis: We are pleased to submit to you our Multnomah County Comprehensive Annual Financial Report and Single Audit Report for the fiscal year ended June 30, 2000.

The Audit Committee met with Grant Thornton, LLP, external auditors, on March 16, 2001 to discuss the aforementioned reports. The following are the highlights of this meeting:

- The County received an unqualified opinion from the auditors, indicating that the financial statements fairly represent the financial position of Multnomah County.
- The auditors and management did not encounter any disagreements.
- The financial report was prepared according to generally accepted accounting principles.

- The auditors did not determine any audit adjustments.
- The County complied with:
 - The legal requirements related to debt.
 - The appropriate laws pertaining to programs funded by other governmental agencies.
 - ORS 279 regarding the awarding of public contracts.
 - ORS 294 relating to preparation, adoption, and execution of budgets.
 - ORS 295 relating to collateral requirements.
 - Cost accounting guidelines.
- The County did not have any budgetary over expenditures.
- The County did not have any material instances of noncompliance with the Federal Government's OMB Circular A-133 relating to grant monies.
- Pages 14 – 26 of the Single Audit Report detail the Schedule of Findings and Questioned Costs.
- Report to Management – action to be taken is noted in the management response.

III. Financial Impact: None.

IV. Legal Issues: None.

V. Controversial Issues: None.

VI. Link to Current County Policies: Is consistent with County Policy.

VII. Citizen Participation: Two members of the Audit Committee are citizens.

VIII. Other Government Participation: None.

This information is being provided to you to gain a more complete understanding of the County's financial condition. If you have any questions, please contact Mindy Harris, 988-3786.

Thank you for the opportunity you have provided us to present these documents to you.

January 7, 2001

The Board of County Commissioners
Multnomah County
501 SE Hawthorne Blvd, 6th Floor
Portland, Oregon 97293-0700

Ladies and Gentlemen:

In connection with our audit of the financial statements of Multnomah County as of June 30, 2000, we noted certain matters that we believe you should consider. Our observations were formed as a by-product of our audit procedures, which did not include a comprehensive review for the purpose of submitting detailed recommendations. The matters discussed herein are those that we have noted as of December 6, 2000 and we have not updated our procedures regarding these matters since that date to the current date.

Authorized Signers on Bank Accounts

During our review of cash, we noted bank confirmations revealed inconsistency in authorized signers. One employee was improperly included as an authorized signer on a certain certificate of deposit account and the approved investment policy states certificates of deposit are investments, not bank accounts, and as such that individual should not be included as an authorized signer. Also, we noted the Bank of America accounts do not reflect the most current authorized signers.

As a means of implementing the Investment Policy resolution and as a control over assets, we recommend the County review and update the authorized signers on file with each financial institutions at the time of the annual Investment Policy resolution, and also when employees with signature authority leave the County.

Control Over Cash

We noted the Inmate Trust cash account is maintained by the Sheriff's office and no one in Treasury or General Ledger is responsible for reviewing copies of the monthly bank statement reconciliation. At fiscal year end there was no reconciliation available for this trust account and upon further inquiry into this account we noted the account had not been reconciled to the Bank of America bank statement by anyone at the Sheriff's office in approximately two years. The cash balance in the Inmate Trust account appears to be overstated by approximately \$94,000. This difference was included as a passed adjusting journal entry. We understand that the finance division has agreed upon a reconciliation process with the Sheriff's office, which will be implemented immediately. We also noted that the Facilities Department's petty cash account was not being reconciled. Facilities department personnel did not respond to multiple requests for the annual verification worksheet of the petty cash account.

Our recommendations for controls over cash accounts are as follows:

- One individual in General Ledger should be appointed to review the Inmate Trust bank reconciliations at interim points during the year and at fiscal year end in addition to implementing the bank reconciliation process at the Sheriff's office.
- Petty cash reimbursement should be promptly suspended by accounts payable when petty cash policies are not followed at the department level.

Collateralization of Cash Accounts

It was noted the Wells Fargo bank account was closed in April of 1997, but still has an active certificate of collateralization for \$300,000. We recommend the county cancel the active certificate.

Accrued Liabilities

In our review of accrued liabilities we noted the balance in an account for accrued interest payable had remained unchanged since June 30, 1998. Upon inquiry, County personnel determined this account balance should be zero.

We recommend, as a standard year-end procedure, accrual account balances that have not changed from the beginning of the fiscal year should be reviewed and adjusted as appropriate.

Deposits Payable

The calculation for a deposit payable account in fund 156 includes an amount related to "closed years," specifically 1990 and prior. Further investigation with the Department of Community and Family Services determined that this amount had been paid by the County in a previous period. The total amount for the "closed years" was approximately \$312,000 which appeared to be overstating the liability account. This amount was included as a passed adjusting journal entry.

We recommend management more closely review the calculation for fund 156 deposits payable account number 2210. Any amounts which have been paid by the County should be written off and not carried forward to future years.

Capitalization of Fixed Assets

During our review of fixed asset additions in the telephone fund and the data processing fund we noted instances where the County should improve their policy and treatment of capitalizing new assets that would lead to a better audit trail and allow for easier removal of future disposals of assets.

In the telephone fund testing of a specific addition for "telephone equipment 6190 invoices" of approximately \$1.2 million, this amount could not be tied to a specific list of related expenditures.

The asset capitalized was the total of expenditures charged to a particular general ledger code. Our testing of capitalized transactions found the total to be composed of monthly maintenance charges, minor equipment replacements mostly under \$1,000 and new cabling for various buildings. It appears that unrelated costs are being combined, capitalized and depreciated over three years in the telephone fund. It was also noted that disposals of the replaced assets in the telephone fund were not processed and as a result not removed from the general ledger. This is because any disposals in there are handled one item at a time in the fixed asset software. The inconsistency of capitalizing an asset as a group of expenditures, but disposing of individual transactions results in an overstatement of fixed assets on the balance sheet.

In the data processing fund we tested a fixed asset addition, which is for a one-year software license renewal. This asset is being depreciated over three years. Also, the disposal of the previously capitalized license was not processed. Additionally, new servers were not accompanied by disposals of the servers they replaced.

We recommend that the telephone fund and data processing fund make the following changes to their asset capitalization policy and maintenance of the general ledger:

- Expenditures for maintenance should be charged over the period of coverage, not over a three-year depreciable life being used for all other assets in that fund.
- Management should review the charges included in the "6190 invoices" closely for unrelated expenditures that should be capitalized as a separate asset and expenditures that should be expensed rather than capitalized.
- Costs related to remodeling a building should be capitalized as an improvement to the building and depreciated over the remaining service life of the building.
- Minor equipment replacements (phones, plug plates, etc.) should be expensed rather than capitalized. A capitalization threshold of a predetermined amount should be adopted and only assets in excess of that amount should be capitalized.
- Prior years' additions of "6190 invoices" should be disposed of as they appear to be composed of expenditures inappropriate to capitalization and depreciation over three years.
- Disposals of assets should be made in the same period they are disposed of.
- Review the asset inventory in fiscal year 2001 and process disposals for superseded assets or assets with incorrect lives.

Classification of Other Assets

During our review of other assets, we noted a long-term investment for \$1,000 recorded on the general ledger with a balance unchanged from the prior year. Upon discussion with Treasury department the amount does not belong in investments and should be written off.

As standard year-end procedure, account balances that have not changed from the beginning of the fiscal period should be reviewed and adjusted as appropriate.

Insurance Policy and Documentation

The Justice Center (MCDC) insurance documents were not present in the JBL&K insurance provider binder and as a result we obtained copies by fax from JBL&K.

We recommend timely review of the insurance binder for completeness of policy documents and especially at year-end.

Also, during testing of workers compensation insurance coverage the risk management department could not locate a copy of the policy or the fiscal year 2001 renewal effective July 1, 2000. We obtained copies of the renewal via fax. This is a recurring lack of documentation, which was also noted in the prior year audit. Also, the certificate of insurance from Republic Western Specialty Underwriters, Inc. dated July 12, 2000 stated a policy expiration date of July 1, 2000. The expiration date should be stated as July 1, 2001 and this had not been noted or corrected by the risk management department during the audit.

We recommend updating the documents in the risk management files with a copy of the policy. Also, a new certificate of insurance should be requested with the correct expiration date of July 1, 2001. Future renewals should be specifically reviewed for details such as policy period when they are received.

Schedule of Federal Awards

In our review of the Schedule of Federal Awards, we noted expenditures related to the prior fiscal year were included in the current year's schedule. Upon further inquiry it appeared that certain departments did not understand accrual accounting and what expenses and revenues to properly include in the schedule. In addition the schedule did not properly state specific programs by the correct CFDA number, as in the Weed and Seed versus Discretionary.

We recommend general ledger discuss and state specific instructions to each department to follow when preparing the schedule of federal awards. In addition emphasizing the importance of each program's CFDA number along with properly recorded expenditures and revenues will prevent timely and costly reconciliations and questions by the auditors regarding the schedule of federal awards during the audit.

Coding of Federal Expenditures

While reviewing expenditures for Single Audit purposes, it was noted that the District Attorney's office was not consistent in coding expenses to the appropriate account. This could lead to expenses being charged to incorrect grants.

The general ledger department should require expenditures to be coded to the correct grant prior to sending in the quarterly FSR's or reimbursement requests. Management should also decide who in general ledger or in the specific departments will be responsible for tracking this information.

Federal Expenditure Reimbursement

During our review of federal expenditures for the Weed and Seed program, it was noted that reimbursement for expenses occurred prior to actual payment for expenses. Per the OMB Circular A-133 Compliance Supplement, payment must occur prior to reimbursement request.

We recommend reviewing all expenditures included in reimbursement requests to ensure that payment has been made prior to reimbursement request. Reimbursement requests should be reconciled to current period payments to ensure that no additional amounts are included.

Schedule of Federal Financial Assistance Format

The recommended format for the schedule of federal financial assistance has changed in recent years. The current year schedule did not include the Pass-Through Entity Identifying Number's (P-TEIN) because this information is not being tracked.

We recommend that the P-TEIN's be noted during the upcoming year so that they can be included in the schedule of federal financial assistance.

Should you desire further information concerning these matters, we will be happy to meet with you at your convenience.

Very truly yours,

Grant Thornton LLP



MULTNOMAH COUNTY, OREGON

COUNTY COMMISSIONERS

BILL FARVER, CHAIR
PAULINE ANDERSON, DISTRICT #1
SERENA CRUZ, DISTRICT #2
LISA NAITO, DISTRICT #3
LONNIE ROBERTS, DISTRICT #4

DEPARTMENT OF SUPPORT SERVICES

MULTNOMAH BUILDING
501 SE HAWTHORNE BLVE. 4TH FLOOR
PO BOX 14700
PORTLAN, OR 97293-0700
PHONE (503) 988-3312
FAX (503) 988-3292

March 27, 2001

The Board of County Commissioners
Multnomah County
501 SE Hawthorne Blvd., 6th floor
Portland, OR 97214

We are pleased to present to you our Comprehensive Annual Financial Report for the fiscal year ended June 30, 2000. We offer the following responses to the auditors' recommendations in their management letter dated January 7, 2001:

Authorized Signers on Bank Accounts

The Treasury Manager has removed the authorized signer that should not have been included on the certificate of deposit account. In addition, the Treasury Manager will include a review of all signers on all accounts each year when the Investment Advisory Board forwards its Investment Policy resolution to the Board. Further, a staff member in Treasury has been assigned the responsibility of reviewing, on a quarterly basis, all signatories on existing accounts to determine if updates due to staffing changes are necessary.

Control Over Cash

Staff responsibility for the Inmate Trust Account maintained by the Sheriff's Office has had several changes in the past two years. The General Ledger unit has been working with the Fiscal unit in the Sheriff's Office since early last fall to ensure that this account will be reconciled for the two year historical period as recommended by the auditors, and that it will continue to be fully reconciled each month. In addition, the individual in General Ledger that is responsible for oversight of this account is also responsible for other bank account reconciliations for the County's main bank accounts and for the trust accounts maintained by department fiscal staff. This will enable us to streamline our approach to reconciling each account, and will increase the County's internal controls over cash.

The Accounting and Treasury units have begun a coordinated effort to increase internal controls over petty cash. Accounting will notify Treasury when petty cash policies are not being followed at the department level. Additionally, Accounting will not process petty cash reimbursement requests until the policies are again followed. In conjunction with Accounting, Treasury will increase its auditing efforts for petty cash accounts.

Collateralization of Cash Accounts

The collateralization of deposits protects the County's investments. Having collateral posted with a bank with no County deposits has no fiscal impact to the County. However, the

certificate of collateralization for the cash account in question has been cancelled with the financial institution.

Accrued Liabilities

The specific accrued interest liability of \$16,529 will be removed from the County's books by the end of the current fiscal year. In addition, the General Ledger unit has recently completed a full review of staff assignments and responsibilities. The responsibility for monitoring accrual balances on the County's books has been assigned to a specific staff member, and we expect to be better able to monitor such accounts.

Deposits Payable

The Oregon Department of Human Services (DHS) has not completed a settlement process with Multnomah County Department of Community and Family services since 1990—that translates into four biennium's that are in settlement status. DHS has received confirmation from the Department to proceed with the settlement transactions for years 1991-1997; the 97/99 settlement is currently in process. The Department was waiting for those transactions to occur before revising/updating the liability spreadsheet noted in the auditor's report. This was done because there had been major changes in personnel (DCFS and DHS alike) at about the time DHS last settled, combined with a change in settlement practice. The County will process an adjusting entry to net the \$311,596 against expenditures already recognized/posted in the same spreadsheet. This transaction will occur during the 2000/2001 fiscal year along with an update/revision to the liability tracking report.

Capitalization of Fixed Assets

Capitalization of assets in the telephone fund presents some distinct challenges. Specifically, the County has a contract for the ongoing maintenance and upgrade of its telephone equipment. The invoices presented to the County generally do not distinguish between those goods, upgrades or services that extend the useful life of the equipment and should therefore be capitalized and added to the County's schedule of fixed assets, and those that should be expensed as regular maintenance items or activities. The General Ledger staff will work with Information Service Division staff to determine which items should be capitalized and which items should be expensed.

Classification of Other Assets

This investment has been on the County books for several years and is no longer appropriate. The long-term investment of \$1,000 has been written off. We have included in our year end procedures a review and analysis of all account balances and will make adjustments where appropriate.

Insurance Policy and Documentation

The insurance policy documentation that was not present at year end have been placed in the County's files. We have added a step to our year end procedures that will result in a more thorough review of the accuracy and completeness of the County's insurance policy documentation. In addition, it should be noted that the Property and Liability function in the former Risk Management Division has been placed in the Finance Division, which will enable closer monitoring of insurance matters as they relate to fiscal issues, and particularly the year end audit.

Schedule of Federal Awards

Proper grant accounting continues to be a problem throughout the County. We feel that this is primarily due to a lack of a centralized grant function, and therefore a lack of expertise in all aspects of grant accounting and reporting.

Implementation of the County's new enterprise system, Merlin, will enable the County to comply more easily with the audit recommendation of recording expenses and revenues in the year they are accrued. General Ledger will be working with Departmental staff to account for grants in a consistent manner.

Coding of Federal Expenditures

The General Ledger section does indeed require that expenditures be recorded to the correct grant. We have had an historical arrangement with the District Attorney's office, where we provide the service of filing the quarterly grant reports (FSR's) and requesting reimbursement of expenses. This arrangement was established because the administrative and fiscal staff in the District Attorney's office was so small and requested assistance from General Ledger in completing the federal reports. It has always been clear that the District Attorney's office is responsible for tracking and recording the information, and that General Ledger has been responsible for filing the reports based upon the information provided by the District Attorney's office.

Federal Expenditure Reimbursement


As a result of this audit finding, we have determined that an error was made in the financial reporting for this grant approximately three years ago. This resulted in reimbursement requests being made prior to the actual expenditure of funds. We are currently researching the financial data for this grant in order to find and correct the error. We will continue the practice of reconciling expenditures to reimbursement requests and receipts in order to prevent this from occurring again.

Schedule of Federal Financial Assistance Format

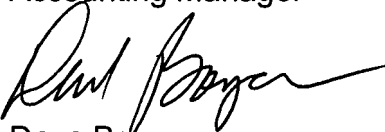
In order to comply with the changes in the federal financial assistance report format, we have begun tracking the Pass-Through Entity Identifying Number. We will include this number on future reports.

Finance Division staff are committed to producing a quality financial report and the recommendations presented by our auditors have or will be implemented. We want to thank our auditors for pointing out these areas that we can improve on. If you have any questions please contact Mindy Harris or Dave Boyer.

Sincerely,



Mindy Harris
Accounting Manager



Dave Boyer
Finance Director



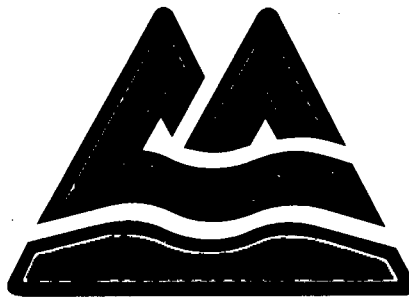
MULTNOMAH COUNTY OREGON



COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2000



MULTNOMAH COUNTY, OREGON
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2000



Prepared by:
Finance Division
David A. Boyer, Finance Director
1120 SW Fifth Avenue, Suite 1430
PO Box 14700
Portland, Oregon 97293-0700

ELECTED OFFICIALS - MULTNOMAH COUNTY OREGON



BEVERLY STEIN
Chair



DIANE LINN
Commissioner



SHARRON KELLEY
Commissioner



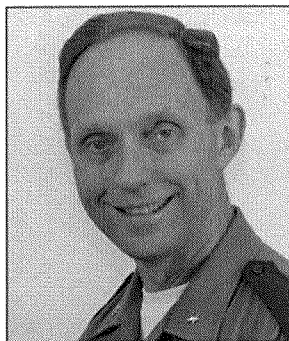
SERENA CRUZ
Commissioner



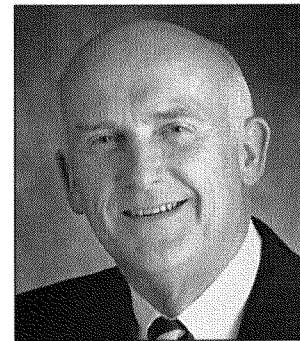
LISA NAITO
Commissioner



SUZANNE FLYNN
Auditor



DAN NOELLE
Sheriff



MICHAEL SCHRUNK
District Attorney

MULTNOMAH COUNTY, OREGON
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the fiscal year ended June 30, 2000
TABLE OF CONTENTS

| INTRODUCTORY SECTION | <u>Page(s)</u> |
|---|----------------|
| Organization Charts..... | 1 – 2 |
| Principal Officers | 3 |
| Letter of Transmittal | 4 – 20 |
| Certificate of Achievement for Excellence in Financial Reporting | 21 |
| FINANCIAL SECTION | |
| REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS | 22 |
| GENERAL PURPOSE FINANCIAL STATEMENTS ("Liftable" Combined Financial Statements): | |
| Combined Balance Sheet - All Fund Types and Account Groups | 23 – 24 |
| Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types | 25 |
| Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types | 26 – 27 |
| Combined Statement of Revenues, Expenses and Changes in Retained Earnings - All Proprietary Fund Types | 28 |
| Statement of Changes in Plan Net Assets - Pension Trust Fund | 29 |
| Combined Statement of Cash Flows - All Proprietary Fund Types | 30 |
| Notes to the Combined Financial Statements | 31 – 54 |
| ADDITIONAL INFORMATION (Combining and Individual Fund and Account Group Statements and Schedules): | |
| General Fund: | |
| Schedule of Revenues and Expenditures - Budget and Actual | 55 |
| Special Revenue Funds: | |
| Combining Balance Sheet | 56 – 57 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances | 58 – 59 |

**MULTNOMAH COUNTY, OREGON
TABLE OF CONTENTS (continued)**

| | <u>Page(s)</u> |
|---|----------------|
| FINANCIAL SECTION (Continued) | |
| Schedules of Revenues and Expenditures - Budget and Actual: | |
| Strategic Investment Program Fund | 60 |
| Road Fund | 61 |
| Emergency Communications Fund | 62 |
| Assessment and Taxation Fund | 63 |
| Bicycle Path Construction Fund | 64 |
| Federal and State Program Fund | 65 |
| County School Fund | 66 |
| Corner Preservation Fund | 67 |
| Tax Title Land Sales Fund | 68 |
| Animal Control Fund | 69 |
| Willamette River Bridges Fund | 70 |
| Recreation Fund | 71 |
| Library Fund | 72 |
| Justice Services Special Operations Fund | 73 |
| Inmate Welfare Fund | 74 |
| Special Excise Tax Fund | 75 |
| Public Safety Levy Fund | 76 |
| Debt Service Funds: | |
| Combining Balance Sheet | 77 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balance | 78 |
| Schedules of Revenues and Expenditures - Budget and Actual: | |
| Capital Lease Retirement Fund | 79 |
| General Obligation Bond Fund | 80 |

MULTNOMAH COUNTY, OREGON
TABLE OF CONTENTS (continued)

| FINANCIAL SECTION (Continued) | <u>Page(s)</u> |
|--|-----------------------|
| Pension Bond Fund | 81 |
| Revenue Bond Sinking Fund | 82 |
| Capital Projects Funds: | |
| Combining Balance Sheet | 83 – 84 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances | 85 – 86 |
| Schedules of Revenues and Expenditures - Budget and Actual: | |
| Justice Bond Project Fund | 87 |
| Edgefield Children's Center Fund | 88 |
| SB 1145 Fund | 89 |
| Equipment Lease/Purchase Fund | 90 |
| Lease/Purchase Project Fund | 91 |
| Library Construction Fund/1996 Bonds | 92 |
| Capital Improvement Fund | 93 |
| Capital Acquisition Fund | 94 |
| Enterprise Funds: | |
| Combining Balance Sheet | 95 |
| Combining Statement of Revenues, Expenses and Changes in Retained Earnings (Deficit) | 96 |
| Combining Statement of Cash Flows | 97 |
| Combining Schedule of Changes in Contributed Capital | 98 |
| Schedules of Revenues and Expenditures - Budget and Actual: | |
| Dunthorpe-Riverdale Service District No. 1 Fund | 99 |
| Mid County Service District No. 14 Fund | 100 |
| Behavioral Health Managed Care Fund | 101 |

MULTNOMAH COUNTY, OREGON
TABLE OF CONTENTS (continued)

| FINANCIAL SECTION (Continued) | <u>Page(s)</u> |
|---|-----------------------|
| Internal Service Funds: | |
| Combining Balance Sheet | 102 |
| Combining Statement of Revenues, Expenses and Changes in Retained Earnings (Deficit) | 103 |
| Combining Statement of Cash Flows | 104 |
| Combining Schedule of Changes in Contributed Capital | 105 |
| Schedules of Revenues and Expenditures - Budget and Actual: | |
| Risk Management Fund | 106 |
| Fleet Management Fund | 107 |
| Telephone Fund | 108 |
| Data Processing Fund | 109 |
| Mail/Distribution Fund | 110 |
| Facilities Management Fund | 111 |
| Trust and Agency Funds: | |
| Combining Balance Sheets: | |
| All Fiduciary Fund Types | 112 |
| Agency Funds | 113 |
| Combining Statement of Changes in Assets and Liabilities - Agency Funds | 114 |
| General Fixed Assets Account Group: | |
| Schedule of General Fixed Assets | 115 |
| Schedule of General Fixed Assets - By Function and Activity | 116 |
| Schedule of Changes in General Fixed Assets - By Function and Activity | 117 |

**MULTNOMAH COUNTY, OREGON
TABLE OF CONTENTS (continued)**

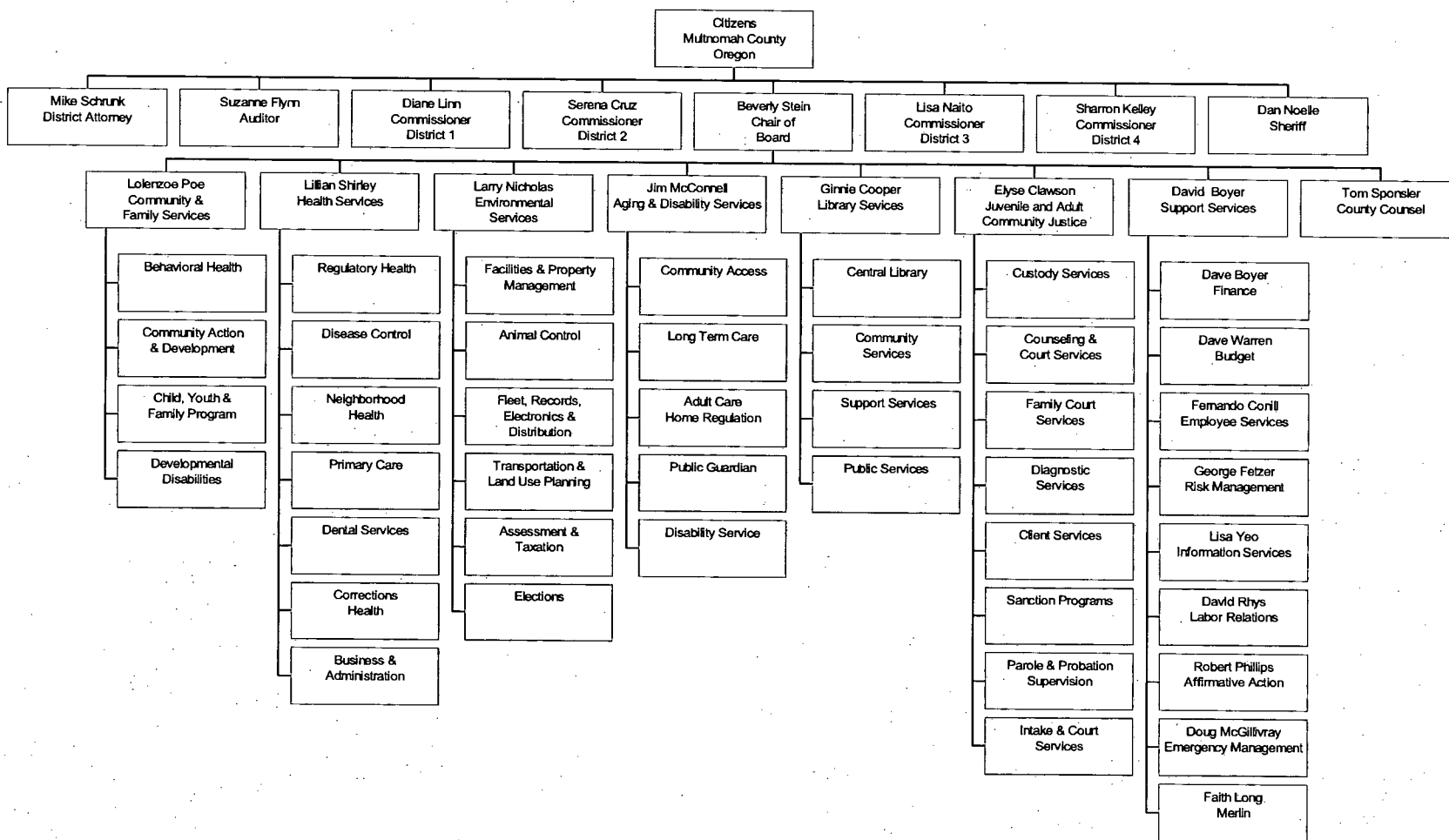
| FINANCIAL SECTION (Continued) | <u>Page(s)</u> |
|---|-----------------------|
| OTHER SCHEDULES: | |
| Schedule of Property Tax Collections and Outstanding Balances | 118 |
| Schedule of General Obligation Bonds and Bond Interest Coupon Transactions ... | 119 |
| Schedule of Revenue Bonds Outstanding | 120 |
| Schedule of General Obligation Bonds Outstanding | 121- 122 |
| Schedule of Loans Outstanding | 123- 124 |
| Schedule of Full Faith and Credit Bonds Outstanding | 125 |
| Schedule of Capitalized Lease Purchases Outstanding | 126 |
| Schedule of Receipts and Deposits - Elected Officials | 127 |
| STATISTICAL INFORMATION SECTION | <u>Page(s)</u> |
| General Governmental Expenditures by Function - Last Ten Fiscal Years | 128 |
| General Governmental Revenues by Source - Last Ten Fiscal Years | 129 |
| General Governmental Tax Revenues by Source - Last Ten Fiscal Years | 130 |
| Property Tax Levies and Collections - Last Ten Fiscal Years | 131 |
| Real Market Value of Taxable Property - Last Ten Fiscal Years | 132 |
| Consolidated Tax Rates - Last Ten Fiscal Years | 133 |
| Consolidated Tax Levies - Last Ten Fiscal Years | 134 |
| Principal Taxpayers | 135 |
| Special Assessment Billings and Collections - Last Ten Fiscal Years | 136 |
| Computation of Legal Debt Margin | 137 |
| Construction, Property Value, and Bank Deposits - Last Ten Fiscal Years | 138 |
| Ratio of Net General Obligation Bonded Debt to Real Market Value and Net General Obligation Bonded Debt Per Capita - Last Ten Fiscal Years | 139 |

**MULTNOMAH COUNTY, OREGON
TABLE OF CONTENTS (continued)**

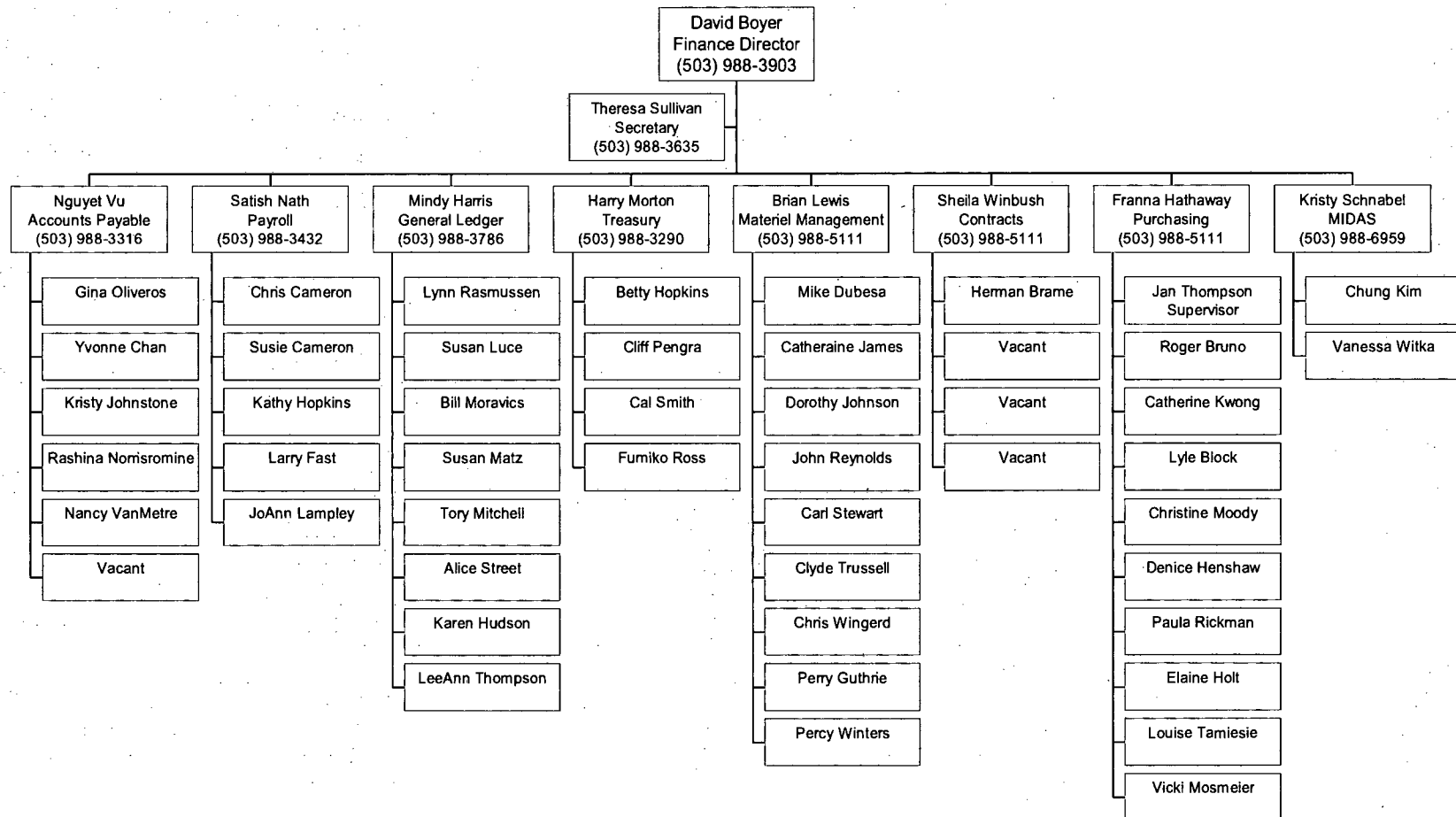
| STATISTICAL INFORMATION SECTION (continued) | <u>Page(s)</u> |
|--|-----------------------|
| Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures - Last Ten Fiscal Years | 140 |
| Computation of Direct and Overlapping Debt | 141 |
| Insurance in Force | 142 |
| Population, Per Capita Income and Unemployment - Last Ten Fiscal Years | 143 |
| Major Employers in Metropolitan Area | 144 |
| Miscellaneous Statistical Data | 145 |
| REPORTS OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS REQUIRED BY STATUTES | |
| Report of Independent Certified Public Accountants on the County's Compliance and Certain Items Based on an Audit of General Purpose Financial Statements Performed in Accordance with Federal and Oregon Audit Standards | 146– 147 |
| Report of Independent Certified Public Accountants on the County's Compliance and Internal Control Over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance with Government Audit Standards | 148 – 149 |

INTRODUCTORY SECTION

MULTNOMAH COUNTY, OREGON



MULTNOMAH COUNTY, OREGON
Finance Division



MULTNOMAH COUNTY, OREGON
PRINCIPAL OFFICERS
JUNE 30, 2000

| <u>Title</u> | <u>Name</u> | <u>Term Expires</u> |
|---|--|---------------------|
| <u>Board of County Commissioners</u> | | |
| Chair of Board | Beverly Stein 501 SE Hawthorne, 6 th Floor Portland, OR 97214 | 12/31/2002 |
| District No. 1 | Diane Linn 501 SE Hawthorne, 6 th Floor Portland, OR 97214 | 12/31/2000 |
| District No. 2 | Serena Cruz 501 SE Hawthorne, 6 th Floor Portland, OR 97214 | 12/31/2002 |
| District No. 3 | Lisa Naito 501 SE Hawthorne, 6 th Floor Portland, OR 97214 | 12/31/2000 |
| District No. 4 | Sharron E. Kelley 501 SE Hawthorne, 6 th Floor Portland, OR 97214 | 12/31/2000 |
| <u>Other Elected Officers</u> | | |
| County Auditor | Suzanne Flynn 501 SE Hawthorne, 6 th Floor Portland, OR 97214 | 12/31/2002 |
| County District Attorney | Michael D. Schrunk 1021 SW Fourth Avenue Portland, OR 97204-1976 | 12/31/2000 |
| County Sheriff | Dan Noelle 501 SE Hawthorne, 3 rd Floor Portland, OR 97214 | 12/31/2002 |
| <u>Other Appointed Officers</u> | | |
| Department of Support Services Acting Director | David A. Boyer | Not elected |
| Finance Director | David A. Boyer | Not elected |
| Accounting Manager | Mindy Harris | Not elected |
| County Attorney | Thomas Sponsler | Not elected |

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MULTNOMAH COUNTY OREGON

**COUNTY
COMMISSIONERS**

BEVERLY STEIN, CHAIR
DIANE LINN, DISTRICT #1
SERENA CRUZ, DISTRICT #2
LISA NAITO, DISTRICT #3
SHARRON KELLEY, DISTRICT #4

**DEPARTMENT OF SUPPORT SERVICES
FINANCE DIVISION**

MULTNOMAH BUILDING
501 SE HAWTHORNE BLVD
PO BOX 14700
PORTLAND, OR 97293-0700
PHONE (503) 988-3312
FAX (503) 988-3292 TDD (503) 988-5170

December 11, 2000

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

INTRODUCTION

We are pleased to submit the Comprehensive Annual Financial Report of Multnomah County, Oregon, for the fiscal year ended June 30, 2000, together with the opinion thereon of our independent certified public accountants, Grant Thornton LLP.

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

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

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

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

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

REPORTING ENTITY

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

ECONOMY AND FINANCIAL OUTLOOK

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

Multnomah County is the most populous county in the state with a July 1, 1999, population of 646,850. The cities of Portland, with a population of 512,395, and Gresham, with a population of 85,435, are the largest incorporated cities located in the County.

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

The Portland-Vancouver, OR-WA PMSA's (Primary Metropolitan Statistical Area), which includes Multnomah, Clackamas, Washington, Columbia and Yamhill counties in Oregon and Clark County in Washington, economy remained strong during fiscal year 2000. Over the last 12 months the Portland PMSA's payrolls have added 18,900 jobs, a growth rate of about 2%. The Portland PMSA's total nonfarm payroll employment rose from 944,500 employees at June 30, 1999, to 963,400 employees at June 30, 2000. The area's unemployment rate was 4.2% at June 30, 2000, compared to the same 4.5% rate at June 30, 1999. The Portland-Vancouver Consumer Price Index (CPI) (1982-84 = 100) was 176.4 at June 30, 2000, and represents a 3.3% increase from June 30, 1999.

Financial outlook: The financial outlook for the County's General Fund over the next five years is expected to remain steady. Local government revenues in Oregon have been constrained in the 1990's by two citizen initiated property tax limitation measures. Measure 5 passed in 1990, and Measure 47 passed in 1996 and was enacted into law under the provisions of Measure 50. Property tax revenues account for about 55% of total discretionary revenue and, under Measure 50, is generally limited to 3% annual growth. New construction can be added to the assessed values and will raise the property tax growth slightly over the 3% limitation.

Although most indicators would seem to point to continued growth, it is likely that the regional economy will not continue to grow at the pace seen over the last five years. The State of Oregon's recent forecast suggests a slowdown in the rate of growth of business activity.

While a slowdown in the rate of economic growth is likely to have some impact on the County's revenue stream, we are expecting our Business Income Tax and Motor Vehicle Rental Tax to grow by about 3.5 to 5%. Overall revenue growth is forecast between 3% to 3.5% over the next few years. If

inflation remains at its current low levels, the level of revenue growth should be sufficient to provide funding at current service levels.

COUNTY STRUCTURE AND SERVICES PROVIDED

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

Department of Community and Family Services: Services include:

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

Department of Health Services: Services include:

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

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

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

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

- Detention services for youth awaiting adjudication, receiving secure mental health intervention, or being held as a sanction for parole violations;
- Supervision to youth on probation including home visits, linking to treatment services, monitoring school attendance and intervention in gang behavior;
- Advice to the court on needs of children of families involved in alleged child abuse and neglect;
- Supervision services for adult pre- and post-sentenced offenders;

- Evaluation services addressing sentencing recommendations, substance abuse and mental health treatment services;
- Services to address substance abuse, mental health, housing, literacy, employment, child custody, marriage and reconciliation, and basic living skill needs; and
- Sanction programs that provide structured alternatives to prison.

Department of Library Services: Services include:

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

Department of Environmental Services: Services include:

- Animal Control is responsible for the community's animal ownership ordinances that protect people and animals and operating an animal shelter for lost, stray and unwanted animals;
- Assessment and Taxation is responsible for property assessment, tax collection, recording, property records management, property foreclosures, Board of Equalization and Tax Title Fund management;
- Elections is responsible for performing all functions relating to the conduct of all elections for governmental jurisdictions in Multnomah County;
- Facilities and Property Management is responsible for facilities operations and maintenance, property management, tax foreclosed property, and capital improvement projects;
- Fleet, Records, Electronics and Distribution is responsible for operational support services in the areas of county vehicles, records management, electronic equipment maintenance and interoffice and US mail processing; and
- Transportation and Land Use Planning is responsible for road, bridge and bikeway maintenance and capital projects, and to regulate planning activities in Multnomah County.

Sheriff's Office: Services include:

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

Department of Support Services: Services include:

- Finance is responsible for accounts payable, accounts receivable, contract administration, general ledger, materials management, payroll, purchasing and treasury functions;
- Budget and Quality Services is responsible for designing and coordinating the budget process, and for financial forecasting;
- Human Resource is responsible for the areas of personnel and employee benefits;
- Information Services is responsible for data processing and telecommunications;

- Labor Relations is responsible for the negotiations for nine collective bargaining agreements;
- Emergency Management coordinates the performance of essential and emergency services for the public's benefit prior to, during, and following an emergency situation;
- Countywide Office of Organizational Learning supports training, diversity learning systems and change management;
- Risk Management is responsible for management, training, consultation and policy recommendation for loss control, property insurance and workers' compensation; and
- Affirmative Action is shared by Multnomah County and The City of Portland and is responsible for assuring that the County conforms to regulatory requirements for monitoring, reporting, planning and implementing programs and strategies as they relate to equal opportunity laws.

District Attorney's Office: Services include:

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

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

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

Employees: At June 30, 2000, the County had 4,803 employees not including temporary employees. There are nine bargaining units representing 4,068 employees as listed below. In addition, there are 735 management and exempt employees.

| <u>Bargaining Unit</u> | <u>Employees</u> |
|-----------------------------------|------------------|
| General Employees (Local 88) | 2,976 |
| Electricians (Local 48) | 22 |
| Operating Engineers (Local 701) | 12 |
| Paint Makers (Local 1094) | 3 |
| Corrections (Teamsters 223) | 538 |
| Deputy Sheriffs Association | 90 |
| Oregon Nurses Association | 282 |
| Juvenile Group Workers (Local 86) | 69 |
| Prosecuting Attorneys Association | 76 |
| Total | <u>4,068</u> |

MAJOR INITIATIVES

In fiscal year 2000. The County continued the RESULTS campaign. RESULTS stands for Reaching Excellent Service Using Leadership and Team Strategies and is Multnomah County's program for redesigning government. The goals of RESULTS are to build our capacity to meet our community and county benchmarks, to make sure we use tax dollars efficiently and to ensure quality

services. The County applied for the Oregon Quality Award for 1999 and was informed in November 1999 that they had received this prestigious award.

During the year. The County installed an Integrated Enterprise System that replaced the legacy financial, payroll and procurement systems. The County selected SAP as the software vendor and Deloitte Touche as the implementing partner. Approximately 43 County staff and 17 Deloitte Touche consultants configured the system, which the County began using on July 1, 2000.

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

In July 1998. Multnomah County received a letter from PERS informing us that our employer costs would increase from 10.66 to 12.55% effective July 1, 1999. In October 1998 we were notified that instead of the rate increasing to 12.55%, it would increase to 15.24%. This is a 43% increase. PERS required this increase after an actuarial study was performed and over the most recent five year period, the County's unfunded liability for retirement grew from \$50,900 to \$158,500. In addition, HB 3349, adopted by the 1995 Legislature, added benefits to retirement pay due to retirement benefits becoming taxable at the State level. This added about \$25,000 to the County's unfunded liability and represents one fifth of the increase.

The increased rate will cost Multnomah County over \$9,000 annually when the rate is fully implemented. This \$9,000 will be increased by the growth in the County's payroll, which is currently about 4% and will be in effect for the next 30 years. To lessen the impact, on December 1, 1999, the County issued \$184,548 in full faith and credit pension obligation bonds to fund the unfunded liability and the present value savings will be about \$35,776 by funding this liability.

On April 1, 2000. The County issued \$61,215 in full faith and credit bonds to finance the costs of acquiring and installing the integrated enterprise computer system, acquire land, acquire facilities and construct other County facilities and structures.

On April 1, 2000. The County increased the Motor Vehicle Rental Tax 2.5% and Transient lodging tax 2.5% and entered into an intergovernmental agreement with the City of Portland and Metro. The taxes will be used to expand and operate the Oregon Convention Center, renovate the Civic Stadium and renovate the Portland Performing Arts Center.

On April 1, 2000. The County issued \$17,600 in Conduit Educational Revenue Bonds for the University of Portland to finance the construction of a student housing facility, parking garage and street lighting. These bonds are not recorded on the books of the County but are assigned to the University of Portland.

For the future. School funding continues to be a high priority of the County. The County is not in a position to repeat the fiscal year 1997 \$10,000 one-time-only contribution to county schools or the Business Income Tax \$12,500 surcharge approved in fiscal year 1998, but continues working with City of Portland officials, school district officials, members of the business community and citizens to find short-term and long-term solutions to funding schools.

The County continues to use the three long-term benchmarks adopted September 16, 1996, as a factor in developing the fiscal year 2001 budget. During the budget process the County added a fourth

long-term benchmark that charged County agencies to work with community experts, analyze research data and determine the most cost effective ways to deliver community related services. The Departments will also work to align programs and services around common strategies.

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

FINANCIAL AND ACCOUNTING POLICIES

This report is prepared in conformance with the guidelines for financial reporting developed by the Government Finance Officers Association of the United States and Canada and the principles established by Governmental Accounting Standards Board (GASB), including all effective GASB pronouncements. It presents fairly the financial position of the various funds and account groups of the County at June 30, 2000, and the results of operations of such funds and the cash flows of the proprietary fund types for the year then ended in conformity with generally accepted accounting principles (GAAP).

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

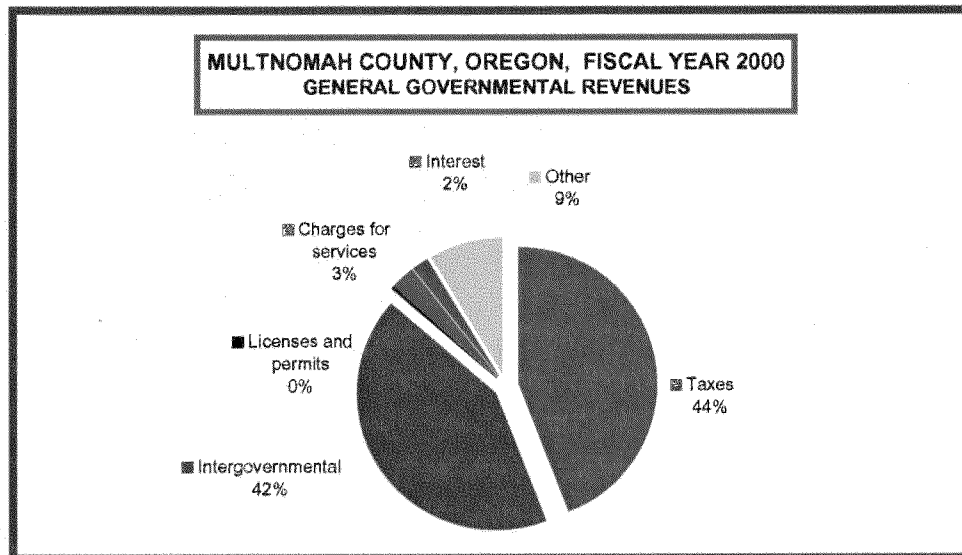
INTERNAL ACCOUNTING CONTROLS AND BUDGETARY PROCESS

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

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

FINANCIAL SUMMARY OF GENERAL GOVERNMENT FUNCTIONS

Governmental Fund Type Revenues: Revenues accounted for in the Governmental Fund Types totaled \$576,759 for the fiscal year 2000. The revenues, percent of total revenue by source and changes from the previous year are shown in the following chart and table:



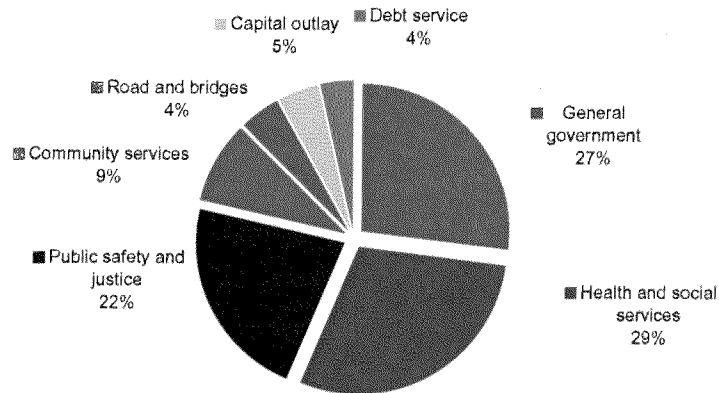
| | 2000 Amount | 1999 Amount | Amount Increase (Decrease) | Percent Increase (Decrease) |
|----------------------|-------------------|-------------------|----------------------------------|-----------------------------------|
| Taxes | \$ 254,514 | \$ 250,416 | \$ 4,098 | 1.6% |
| Intergovernmental | 242,966 | 232,715 | 10,251 | 4.4% |
| Licenses and permits | 2,734 | 3,026 | (292) | -9.6% |
| Charges for services | 14,986 | 15,515 | (529) | -3.4% |
| Interest | 12,201 | 11,688 | 513 | 4.4% |
| Other | 49,358 | 42,337 | 7,021 | 16.6% |
| Total | \$ 576,759 | \$ 555,697 | \$ 21,062 | 3.8% |

The major increases are:

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

Governmental Fund Type Expenditures: Expenditures accounted for in the Governmental Fund Types totaled \$810,780 for fiscal year 2000. The expenditures, percent of total by function and changes from the previous fiscal year are shown in the following chart and table.

**MULTNOMAH COUNTY, OREGON, FISCAL YEAR 2000
GENERAL GOVERNMENTAL EXPENDITURES**



| | 2000 Amount | 1999 Amount | Amount Increase (Decrease) | Percent Increase (Decrease) |
|----------------------------|-------------------|-------------------|----------------------------------|-----------------------------------|
| General government | \$ 219,323 | \$ 35,786 | \$ 183,537 | 512.9% |
| Health and social services | 237,566 | 209,788 | 27,778 | 13.2% |
| Public safety and justice | 179,799 | 165,792 | 14,007 | 8.4% |
| Community services | 72,429 | 75,996 | (3,567) | -4.7% |
| Road and bridges | 35,969 | 37,604 | (1,635) | -4.3% |
| Capital outlay | 37,142 | 59,425 | (22,283) | -37.5% |
| Debt service | 28,552 | 21,493 | 7,059 | 32.8% |
| Total | \$ 810,780 | \$ 605,884 | \$ 204,896 | 33.8% |

The major increases are:

- General government increased due to the pass through payments made to PERS to fund the County's unfunded liability.
- Health and social services and public safety and justice increased due to cost of living increases and an increase in state funded programs.
- Community services decreased due to the funding for schools in fiscal year 1999 that was not made in fiscal year 2000.
- Capital outlay decreased due to the purchase of the Multnomah Building in fiscal year 1999.
- Debt service increased due to the issuance of the PERS bonds and other new debt issues.

PROPRIETARY OPERATIONS

Operating revenues accounted for in the Proprietary Funds, exclusive of the pension trust fund, for the fiscal year ended June 30, 2000, were \$110,780, an increase of \$9,049 from fiscal year 1999. Operating expenses totaled \$106,804 for the fiscal year ended June 30, 2000, an increase of \$6,445 from fiscal year 1999. The net income for the year ended June 30, 2000, was \$4,044 compared to the net loss of \$60 for fiscal year 1999.

FIDUCIARY OPERATIONS

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

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

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

YEAR 2000

The County did not encounter any major Year 2000 problems.

RISK MANAGEMENT

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

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

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

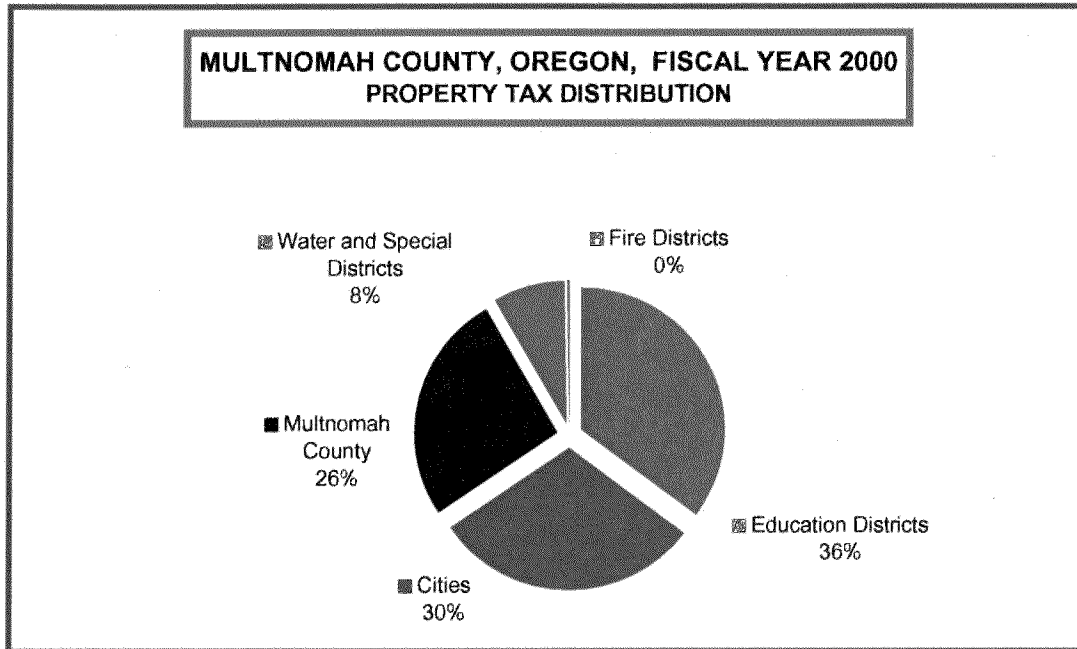
The County also funds post retirement benefits for a portion of medical insurance benefits for retirees between the ages of 58 to 65. Every three years an actuarial valuation is performed on the program to evaluate the unfunded liability and funding requirements. The next actuarial valuation will be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

GENERAL FIXED ASSETS

The general fixed assets of the County are those fixed assets used in the performance of general governmental functions and exclude fixed assets of the Enterprise and Internal Service Funds. At June 30, 2000, the general fixed assets of the County amounted to \$348,688. This amount represents the original or estimated cost of the assets and is considerably less than the estimated replacement cost.

PROPERTY TAXES

Multnomah County serves as the property tax assessor and collector for all taxing bodies located in the County. The total levy for all entities within the County, as extended by the assessor, was \$740,488 for fiscal year 2000. The major levying entities, amounts, and changes from the previous year are displayed in the following chart and table:



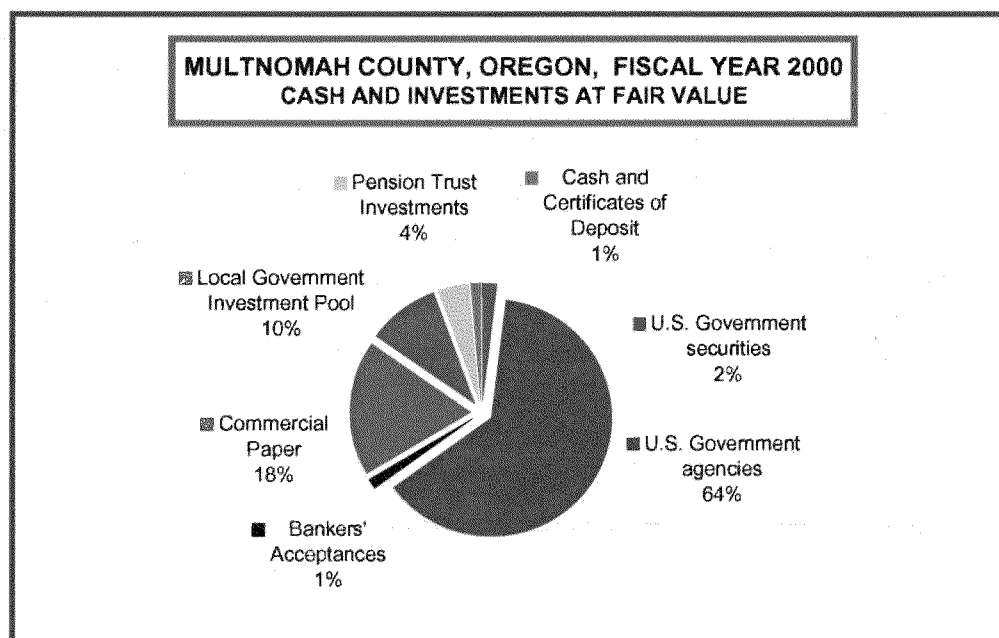
| | 2000 Amount | 1999 Amount | Amount Increase (Decrease) | Percent Increase (Decrease) |
|-----------------------------|-------------------|-------------------|----------------------------------|-----------------------------------|
| Education Districts | \$ 260,605 | \$ 248,622 | \$ 11,983 | 4.8% |
| Cities | 224,449 | 214,148 | 10,301 | 4.8% |
| Multnomah County | 193,076 | 188,837 | 4,239 | 2.2% |
| Water and Special Districts | 59,701 | 59,868 | (167) | -0.3% |
| Fire Districts | 2,657 | 2,422 | 235 | 9.7% |
| Total | \$ 740,488 | \$ 713,897 | \$ 26,591 | 3.7% |

CASH AND INVESTMENTS

To obtain maximum return on investments, Multnomah County pools most funds for investment purposes. Multnomah County's investment transactions are governed by a written Investment Policy. The Investment Policy, which is reviewed and adopted annually by the Board of County Commissioners, regulates the County's investment objectives, diversification, limitations and reporting requirements. The County also utilizes an independent Investment Advisory Board to review the County's investment plan and investment performance.

The average daily balance of investments for all funds, including trust funds, for fiscal year 2000 was \$264,552 and the average yield on these investments was 5.66%, as compared to the fiscal year 1999 average balance of \$266,480 and average yield of 5.23%. Investment interest earnings on all funds, excluding trust funds, for the fiscal year 2000 was \$13,833. The fair value of Cash and Investments at June 30, 2000, totaled \$270,482. The County recorded \$692 of unrealized losses as a result of marking its investments to fair value.

The investments are displayed in a note to the financial statements disclosing the fair values. The note also discloses the "level of credit risk" associated with the investment types. The following table and chart represents the various cash and investment types, at fair value, changes from fiscal year 1999 and percent of total:



| | 2000 Amount | 1999 Amount | Amount Increase (Decrease) |
|----------------------------------|-------------------|-------------------|----------------------------------|
| U.S. Government securities | \$ 4,994 | \$ - | \$ 4,994 |
| U.S. Government agencies | 170,741 | 159,817 | 10,924 |
| Bankers' Acceptances | 3,974 | 7,030 | (3,056) |
| Commercial Paper | 49,192 | 48,817 | 375 |
| Local Government Investment Pool | 26,541 | 19,007 | 7,534 |
| Pension Trust Investments | 11,038 | 10,975 | 63 |
| Cash and Certificates of Deposit | 4,002 | 3,758 | 244 |
| Total | \$ 270,482 | \$ 249,404 | \$ 21,078 |

DEBT ADMINISTRATION

General Obligation Bonds: Under Oregon Revised Statutes 287.054 the County's total general obligation bonded debt issues are subject to a limitation of 2% of the real market value of taxable property. On June 30, 2000, this limit was \$1,046,557 and the County had \$115,555 outstanding. Multnomah County has an Aa1 rating from Moody's Investors Service, Inc. on all general obligation bonds issued.

On March 1, 1994, the County issued general obligation bonds in the amount of \$22,000 to renovate the Central Library and to build a new Midland Branch Library. The debt service is paid from the proceeds of a property tax levy. A portion of these bonds were advance refunded by the 1999 issue. The remaining bonds mature each October through October 2005. At June 30, 2000, \$6,010 was outstanding.

On October 1, 1994, the County issued general obligation bonds in the amount of \$9,000 to renovate the Central Library and to build a new Midland Branch Library. The debt service is paid from the proceeds of a property tax levy. A portion of these bonds were advance refunded by the 1999 issue. The remaining bonds mature each October through October 2004. At June 30, 2000, \$1,840 was outstanding.

On October 1, 1996, the County issued \$29,000 in General Obligation Library Bonds Series 1996A to finance the construction, acquisition and reconstruction of certain library facilities and equipment. A portion of these bonds were advance refunded by the 1999 issue. The debt service is paid from the proceeds of a property tax levy. The remaining bonds mature each October through October 2007. At June 30, 2000, \$11,035 was outstanding.

On October 1, 1996, the County issued \$79,700 in General Obligation Public Safety Bonds Series 1996B to finance the construction, acquisition and reconstruction of certain public safety facilities and equipment. The debt service is paid from the proceeds of a property tax levy. A portion of these bonds were advance refunded by the 1999 issue. The bonds mature each October through October 2008. At June 30, 2000, \$30,580 was outstanding.

On February 1, 1999, the County issued \$66,115 in General Obligation Bonds with a net interest cost of 5.12% to advance refund \$62,180 in outstanding general obligation bonds. The debt service is paid from the proceeds of a property tax levy. The bonds mature each October through October 2016. At June 30, 2000, \$66,090 was outstanding.

Revenue Bonds: On October 1, 1998, the County issued Revenue Bonds Series 1998 in the amount of \$3,155 to finance the costs of construction, renovation, improvement and equipping of certain facilities located on County-owned property known as the Regional Children's Campus, Inc. (RCC). The facility is to be operated as a children's service center. The County has pledged its Motor Vehicle Rental Tax revenues as the source of repayment of the bonds. The total interest cost on the bonds is 4.52%. At June 30, 2000, \$3,155 was outstanding. The bonds are rated A3 by Moody's Investors Service, Inc.

Limited Tax Full Faith and Credit Bonds: Under Oregon Revised Statutes 287.053 the County's total limited tax bonded debt issues are subject to a limitation of 1% of the real market value of taxable property. On June 30, 2000, this limit was \$523,279 and the County had \$281,888 outstanding.

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

On December 1, 1999, the County issued \$184,548 in taxable Revenue Pension Obligation Bonds to fund the County's Public Employees Retirement System (PERS) unfunded accrued actuarial liability (UAAL). The present value savings by issuing the debt to fund the UAAL instead of paying PERS, over a thirty year period, will be \$35,776. The total interest cost is 7.67%. At June 30, 2000, \$184,548 was outstanding. Payment of principal and interest, except for a term bond, will be guaranteed by MBIA. The term bond is rated Aa2 by Moody's Investor Service, Inc.

On April 1, 2000, the County issued \$61,215 in Full Faith and Credit Bonds to finance the the costs of acquiring and installing an integrated enterprise computer system, acquire land, acquire facilities and construct other County facilities and structures. The total interest cost is 5.23%. At June 30,

2000, \$61,215 was outstanding. \$60,835 is recorded in the General Long-Term Obligations Account Group and \$380 is recorded in the Internal Service Funds. The bonds are rated Aa2 by Moody's Investors Service, Inc.

Tax and Revenue Anticipation Notes: On July 1, 1999, the County issued \$11,000 in Tax and Revenue Anticipation Notes (TRANS). The notes had a stated interest rate of 3.75% and a yield of 3.35%. The TRANS were rated MIG1 by Moody's Investors Service, Inc. The notes matured on June 30, 2000.

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

| | Values | Per Capita | Percent of RMV |
|--|--------------|------------|-------------------|
| Population June 30, 1999 | 646,850 | | |
| 1999-00 real market value (RMV) | \$52,327,850 | \$80,896 | |
| Gross direct bonded debt | \$397,443 | \$614 | .76% |
| Net direct debt and net overlapping debt | \$1,553,226 | \$2,401 | 2.97% |

INTERGOVERNMENTAL AGREEMENTS, LOANS AND CAPITAL LEASES

Multnomah County has entered into various lease/purchase, loan and intergovernmental agreements to acquire or improve facilities and to acquire equipment. These acquisitions have been capitalized in the Data Processing Fund, an Internal Service Funds, or in the General Fixed Assets Account Group. At June 30, 2000, the total amount payable in the General Long-Term Obligations Account Group is \$53,965 and \$3,740 in the Data Processing Fund. The following is a summary of the various types of transactions the County has entered into:

Intergovernmental Agreement: On January 22, 1981, the County entered into an intergovernmental agreement in the amount of \$3,475 with the City of Portland for the purchase of two floors in the Portland Building. This agreement will be paid in full in fiscal year 2008. At June 30, 2000, \$1,865 was outstanding.

Loans: On February 15, 1996, the County entered into an intergovernmental agreement in the amount of \$528 with the State of Oregon to obtain an energy loan to replace the Multnomah County Courthouse chillers. This agreement will be paid in full in fiscal year 2011. At June 30, 2000, \$435 was outstanding.

On July 5, 1996, the County entered into two intergovernmental agreements in the total amount of \$42 with the City of Gresham for sewer assessment loans. These agreements will be paid in full in fiscal year 2016. At June 30, 2000, \$37 was outstanding.

On October 1, 1996, the County entered into an intergovernmental agreement in the amount of \$96 with the State of Oregon to obtain an energy loan for conservation measures at the McCoy Building and Elections Building. This agreement will be paid in full in fiscal year 2007. At June 30, 2000, \$84 was outstanding.

On January 15, 1997, the County entered into an intergovernmental agreement in the amount of \$56 with the State of Oregon to obtain an energy loan for conservation measures at the Kelly Building. This agreement will be paid in full in fiscal year 2007. At June 30, 2000, \$41 was outstanding.

On February 8, 1999, the County entered into an intergovernmental agreement in the amount of \$155 with the State of Oregon to obtain an energy loan for conservation measures for various County

facilities. This agreement will be paid in full in fiscal year 2009. At June 30, 2000, \$145 was outstanding.

On October 26, 1999, the County entered into an intergovernmental agreement in the amount of \$204 with the State of Oregon to obtain an energy loan for conservation measures for various County facilities. This agreement will be paid in full in fiscal year 2015. At June 30, 2000, \$197 was outstanding.

Lease/Purchase Contracts: On January 9, 1996, the County entered into a lease/purchase contract in the amount of \$317 with Amertech to purchase library data processing equipment. The contract was paid in full in fiscal year 2000.

On September 1, 1996, the County entered into a lease/purchase contract in the amount of \$299 with Xerox to purchase a laser printer. The contract will be paid in full in fiscal year 2002. At June 30, 2000, \$70 was outstanding.

On March 1, 1999, the County entered into a lease/purchase contract in the amount of \$1,656 with IBM to purchase data processing equipment. The contract will be paid in full in fiscal year 2002. At June 30, 2000, \$990 was outstanding.

Certificates of Participation: Certificates of Participation represent a long-term lease under an optional contract for purchase between Multnomah County and a bank's trust department. The County obtains the initial financing and then assigns the ownership of the assets to the trustee to whom the County makes lease payments. With the exception of the June 1, 1996, equipment issue, the County has maintained an Aa3 rating from Moody's Investors Service, Inc. on Certificates of Participation issues. The Equipment issues are rated A1 by Moody's Investors Service, Inc.

On July 1, 1990, the County acquired an office for the County's probation program by issuing \$455 in Certificates of Participation "Series 1990C". At June 30, 2000, \$60 was outstanding. The certificates mature each July through July 2000.

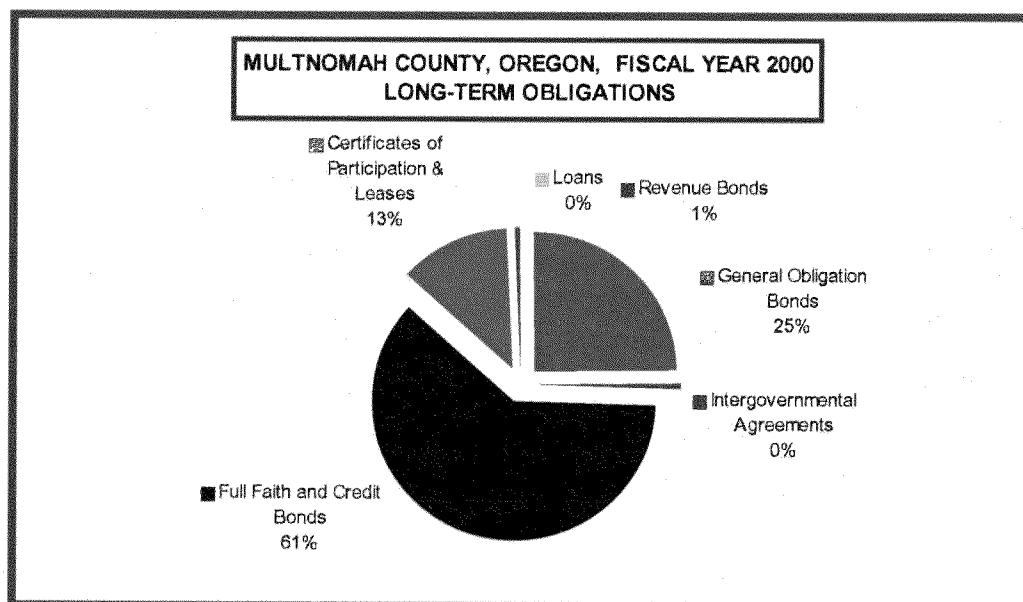
On May 1, 1993, the County advance refunded three Certificates of Participation issues and issued additional certificates for the purpose of financing the acquisition and improvements of certain other health care facilities. The certificates were issued in two series, "1993A and 1993B". The 1993A was issued in the amount of \$17,845 and the Series 1993B, a taxable issue, was issued in the amount of \$2,045, for a total of \$19,890. At June 30, 2000, \$13,475 was outstanding. These certificates mature each July through July 2013.

On March 1, 1995, the County issued Certificates of Participation in the amount of \$2,445 to purchase computer equipment. The certificates were paid in full in fiscal year 2000.

On June 1, 1996, the County issued Certificates of Participation in the amount of \$1,845 to purchase computer equipment. At June 30, 2000, \$405 was outstanding. The certificates mature each December through December 2000.

On February 1, 1998, the County issued Certificates of Participation in the amount of \$48,615 to advance refund the August 1, 1992, (Series 1992A) Certificate of Participation and to finance the acquisition of computer equipment and the construction and improvements of certain other County facilities and structures. At June 30, 2000, \$40,840 was outstanding.

The outstanding amount of general obligation bonds, certificates of participation, lease purchases, loans and intergovernmental agreements for 2000 and 1999, changes from the previous fiscal year and percent of total are shown in the following chart and table:



| | 2000 Amount | 1999 Amount | Amount Increase (Decrease) |
|--|-------------------|-------------------|----------------------------------|
| General Obligation Bonds | \$ 115,555 | \$ 124,170 | \$ (8,615) |
| Intergovernmental Agreements | 1,865 | 2,024 | (159) |
| Full Faith and Credit Bonds | 281,888 | - | 281,888 |
| Certificates of Participation & Leases | 55,840 | 98,456 | (42,616) |
| Revenue Bonds | 3,155 | 3,155 | - |
| Loans | 939 | 792 | 147 |
| Total | \$ 459,242 | \$ 228,597 | \$230,645 |

SUBSEQUENT EVENTS

On July 1, 2000, the County issued \$20,000 in Tax and Revenue Anticipation Notes to meet anticipated cash flow requirements prior to the collection of property taxes in November and other revenues received after November. The stated interest rate is 5.25% with a yield of 4.37%. The notes mature on June 29, 2001, and are rated MIG1 by Moody's Investors Service, Inc.

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

On November 7, 2000, the voters approved a constitutional amendment, Ballot Measure 7, to require local governments to pay landowners if government regulations reduces property value. The County is currently analyzing this measure to determine the financial impact, if any, that it may have on the County.

INDEPENDENT AUDIT

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

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to Multnomah County, Oregon, for its comprehensive annual financial report for the fiscal year ended June 30, 1999. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. Multnomah County has received a Certificate of Achievement award for sixteen consecutive years. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

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

SUMMARY

Multnomah County's financial position continues to remain strong. As of June 30, 2000, the fund balances in the Governmental Fund Types was \$183,303 as compared to the June 30, 1999, balance of \$170,139. At June 30, 2000, \$21,088 of the fund balances is reserved for debt retirement, \$121,973 is reserved for capital projects, \$1,882 is reserved for inventories, \$901 is reserved for prepaid items, and \$540 is reserved for foreclosed property.

ACKNOWLEDGMENTS

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

Respectfully Submitted,



David A. Boyer
Finance Director



Mindy Harris
Accounting Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Multnomah County,
Oregon

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1999

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Anne Spray Kinney
President

Jeffrey L. Esser
Executive Director

FINANCIAL SECTION

Report of Independent Certified Public Accountants

The Board of County Commissioners
Multnomah County, Oregon

We have audited the accompanying general purpose financial statements of the Multnomah County, Oregon as of June 30, 2000 and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of Multnomah County, Oregon's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Multnomah County, Oregon as of June 30, 2000 and the results of its operations and the cash flows of its proprietary fund types and the changes in plan net assets for its pension trust fund for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we issued our reports dated December 6, 2000 on our consideration of Multnomah County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.


Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Multnomah County, Oregon. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and in our opinion, is fairly presented, in all material respects, in relation to the general purpose financial statements taken as a whole.

The statistical section listed in the table of contents is not a required part of the basic financial statements. We did not audit or apply limited procedures to such information and do not express any assurance on such information.

Portland, Oregon
December 6, 2000

GRANT THORNTON LLP

By


Aud B. Blanchard

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