



Department of County Management
MULTNOMAH COUNTY OREGON

501 SE Hawthorne Blvd, Suite 531
Portland, Oregon 97214
(503) 988-3312 phone
(503) 988-3292 fax

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

As management of Multnomah County, Oregon, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2012. The information presented here should be read in conjunction with the letter of transmittal, which can be found on pages 1-7 of this report. All dollar amounts, unless otherwise indicated, are expressed in thousands.

Financial Highlights

- Multnomah County's assets exceeded its liabilities at June 30, 2012, by \$808,106 (*net position*). Of this amount, \$10,462 is restricted for capital improvement projects, \$4,432 is restricted for improvements to roads, bridges and bike paths, \$8,278 is restricted for future years' debt service, and \$6,393 is restricted for various community support and other programs. \$87,915 is unrestricted and \$690,626 is for net investment in capital assets, net of related debt.
- During the fiscal year 2012, the County's total net position increased by \$17,822 or 2%. Overall, there were not significant changes accounting for the slight increase from the prior year.
- Capital grants and contribution revenues decreased by \$15,576 over the prior year, or (95%). The decrease is primarily attributable to significant improvements recorded in 2011 on the Broadway Bridge to add tracks for the Portland Streetcar. The total for these improvements in fiscal year 2011 were \$13,539. The improvements were performed by the City of Portland and were recognized as capital contribution on the Statement of Activities in fiscal year 2011. The project was completed in early 2012 and there were no other significant capital grants and contributions in fiscal year 2012.
- Expenses for Community Services increased by \$7,828 from 2011, or 29%. The increase is primarily due to an increase of in video lottery revenues and related expenses. Also, in 2012 the County Board approved a five year levy to support the Oregon History Library and Museum. The effect of this levy increased revenues and related expenses by \$1,845.
- Net position for business-type activities decreased by \$3,900 or (19%) in fiscal year 2012. The decrease is primarily attributable to the Behavioral Health Managed Care fund where the total expenditures exceeded total revenues by (\$4,213). The decrease is due in part to changes in the County's State funded mental health insurance program, Verity, in the Department of County Human Services. An 11% decrease in the Oregon Health Plan's blended rate in fiscal year 2012 coupled with an overall increase in the number of Verity clients resulted in a decrease in total revenues and an increase in total expenditures.
- Total assets for business-type activities decreased by \$7,172 or (25%) over the prior year and total liabilities decreased by \$3,272 or (44%) from fiscal year 2011. A significant decrease in both liabilities and cash from 2011 is due to the early receipt in fiscal year 2011 for a State Mental Health allotment payment to the Behavioral Health Managed Care fund in the Department of County Human Services. The July 2011 allotment payment, in the amount of \$4,032, for the Verity enrollment in the

Oregon Health Plan (OHP) was received in June of 2011 and increased unearned revenues and cash in the Behavioral Health Managed Care fund for that fiscal year. The State did not make an early payment again in June of 2012. Also, an increase in the number of Verity clients in 2012 resulted in larger pass-through payments to mental health providers that reduced net position and cash.

- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$166,924. The net change in governmental fund balances during the year was a decrease of \$43,811 or (21%).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$38,717, or approximately 11% of total General Fund expenditures and 13% total "corporate" revenues of General Fund. Corporate revenues include Property Tax, Business Income Tax, Motor Vehicle Rental Tax, State Revenue Sharing, and Interest Earnings, revenues that are available for general use and over which the Board has complete discretion. This balance is consistent with the County's finance and budget policies requiring a 10% reserve.

Overview of the Financial Statements

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

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

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

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

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

The government-wide financial statements include not only the County itself (known as the *primary government*), but also a legally separate sanitary sewer district and a legally separate street lighting district, for which the County is financially accountable. The statements also include a legally separate, tax exempt foundation whose purpose is to support the County's libraries through raising, receiving, administering and disbursing funds, grants, bequests and gifts for the benefit of the County libraries. Financial information for the two *blended component units* and one *discretely presented component unit* is reported separately from the financial information presented for the County itself.

The government-wide financial statements can be found on pages 30-32 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains 25 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, the Federal State Program Fund, the Library Fund and the PERS Pension Bond Fund, which are considered to be major governmental funds. Data from the remaining governmental funds (non-major governmental funds) are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided for each fund to demonstrate compliance with this budget.

The basic governmental fund financial statements and respective reconciliations can be found on pages 33-39 of this report.

Proprietary funds. The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its sewer and lighting operations, and for behavioral health managed care services. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses *internal service funds* to account for its risk management activities, fleet operations, telephone and data processing systems, mail distribution, and facilities management operations. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise fund financial statements provide aggregate information for the sewer and lighting districts and the behavioral health fund. The internal service funds are also combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the proprietary and internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 43-45 of this report.

Fiduciary funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support County programs. The accounting used for fiduciary funds is similar to that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 46 of this report. The combining balance sheet for agency funds and combining statement of changes in assets and liabilities for agency funds can be found on pages 130-131 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the financial data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 47 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the notes to the basic financial statements. Combining and individual fund statements and schedules can be found beginning on page 87 of this report.

Required Supplementary Information (RSI)

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the County's progress in funding its other post employment healthcare benefits obligations. Required supplementary information can be found on page 86.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the County's financial condition. The County's assets exceeded liabilities by \$808,106 at the close of the most recent fiscal year.

Multnomah County's Net Position

	Governmental Activities		Business- Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 469,147	\$ 503,996	\$17,612	\$24,924	\$ 486,759	\$ 528,920
Capital assets	807,062	755,558	3,752	3,612	810,814	759,170
Total assets	<u>1,276,209</u>	<u>1,259,554</u>	<u>21,364</u>	<u>28,536</u>	<u>1,297,573</u>	<u>1,288,090</u>
Current and other liabilities	125,750	131,055	4,198	7,475	129,948	138,530
Long-term liabilities outstanding	359,507	359,269	12	7	359,519	359,276
Total liabilities	<u>485,257</u>	<u>490,324</u>	<u>4,210</u>	<u>7,482</u>	<u>489,467</u>	<u>497,806</u>
Net position:						
Investment in capital assets, net of related debt	686,874	637,922	3,752	3,612	690,626	641,534
Restricted for expendable:						
Capital projects	10,462	23,541	-	-	10,462	23,541
Debt service	8,278	7,831	-	-	7,831	9,326
Roads, bridge and bike path	4,432	9,108	-	-	4,432	9,108
Other programs	6,393	9,326	-	-	6,393	9,326
Unrestricted	74,513	81,502	13,402	17,442	87,915	98,944
Total net position	<u>\$ 790,952</u>	<u>\$ 769,230</u>	<u>\$17,154</u>	<u>\$21,054</u>	<u>\$ 808,106</u>	<u>\$ 790,284</u>

The largest portion of the County's net position, approximately 85%, reflects investment in capital assets (land, work in progress, buildings, improvements, machinery and equipment, bridges and infrastructure), net of accumulated depreciation, and the outstanding debt used to acquire the assets in the amount of \$690,626 as compared to \$641,534 a year ago. The County uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The County's restricted net position in the amount of \$29,565 or approximately 4% are restricted for capital projects, debt service, and various community support programs. Restricted net position represent resources that are subject to external restrictions on how they may be used. The remaining balance is the County's unrestricted net position of \$87,915 or approximately 11%. At the end of the current year, the County is able to report positive balances in all categories of net position for governmental and business-type activities.

Total net position increased by \$17,822 during the current fiscal year. This increase is attributable to the factors discussed in the financial highlights section of management's discussion and analysis.

On the following page is a summary of the County's changes in net position for fiscal years 2012 and 2011.

Multnomah County's Changes in Net Position

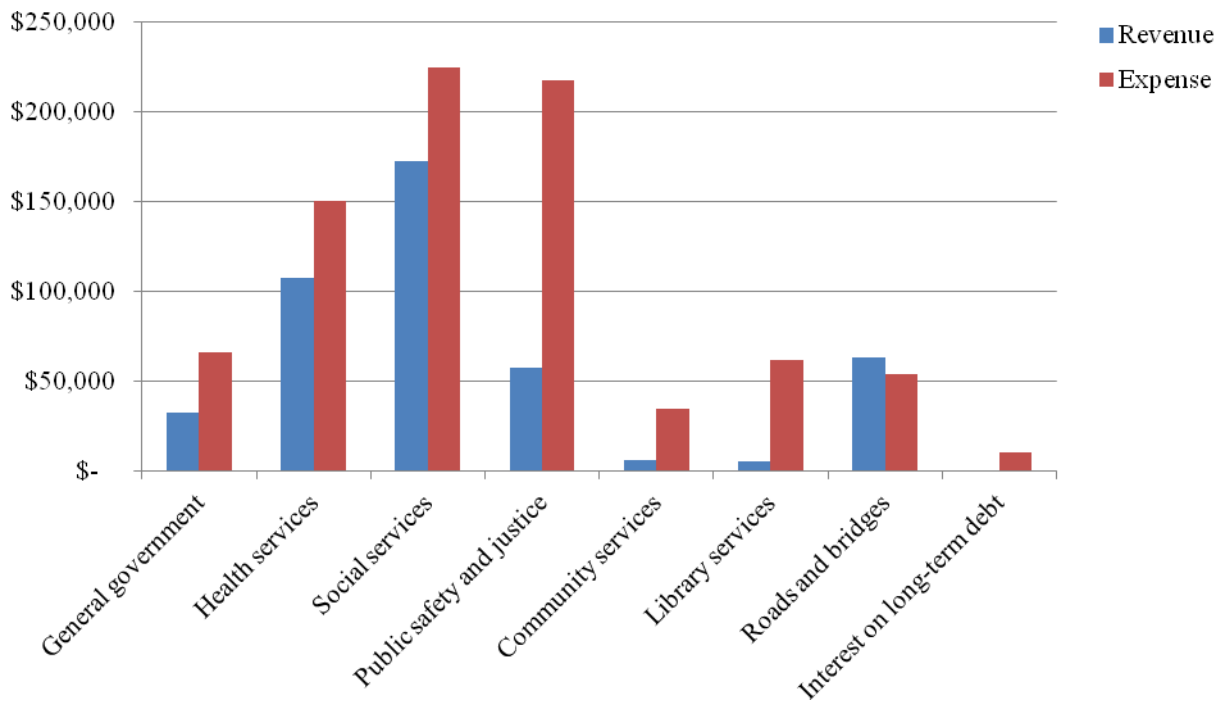
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$135,053	\$135,657	\$45,929	\$47,289	\$180,982	\$182,946
Operating grants and contributions	308,392	316,218	-	-	308,392	316,218
Capital grants and contributions	839	16,415	6	36	845	16,451
General revenues:						
Taxes:						
Property taxes	281,141	276,851	-	-	281,141	276,851
Business income taxes	52,250	48,570	-	-	52,250	48,570
Other taxes	49,709	48,350	-	-	49,709	48,350
State government shared revenues	10,108	7,423	-	-	10,108	7,423
Grants and contributions not restricted to specific programs	10	1	-	-	10	1
Interest and investment earnings	2,604	2,946	97	115	2,701	3,061
Miscellaneous	1,194	667	-	871	1,194	1,538
Gain on sale of capital assets	607	175	-	-	607	175
Total revenues	<u>841,907</u>	<u>853,273</u>	<u>46,032</u>	<u>48,311</u>	<u>887,939</u>	<u>901,584</u>
Expenses:						
General government	65,813	58,642	-	-	65,813	58,642
Health services	150,421	151,327	-	-	150,421	151,327
Social services	224,975	222,515	-	-	224,975	222,515
Public safety and justice	217,842	216,403	-	-	217,842	216,403
Community services	34,511	26,683	-	-	34,511	26,683
Library services	61,641	60,343	-	-	61,641	60,343
Roads and bridges	54,287	51,772	-	-	54,287	51,772
Interest on long-term debt	10,695	11,774	-	-	10,695	11,774
Dunthorpe-Riverdale Service District Number 1	-	-	507	486	507	486
Mid County Service District Number 14	-	-	411	427	411	427
Behavioral Health Managed Care	-	-	49,014	43,640	49,014	43,640
Total expenses	<u>820,185</u>	<u>799,459</u>	<u>49,932</u>	<u>44,553</u>	<u>870,117</u>	<u>844,012</u>
Change in net position	21,722	53,814	(3,900)	3,758	17,822	57,572
Beginning net position	769,230	715,416	21,054	17,296	790,284	732,712
Ending net position	<u>\$790,952</u>	<u>\$769,230</u>	<u>\$17,154</u>	<u>\$21,054</u>	<u>\$790,952</u>	<u>\$790,284</u>

Governmental activities. Governmental activities increased the County’s net position by \$21,722; key elements of this increase are highlighted below:

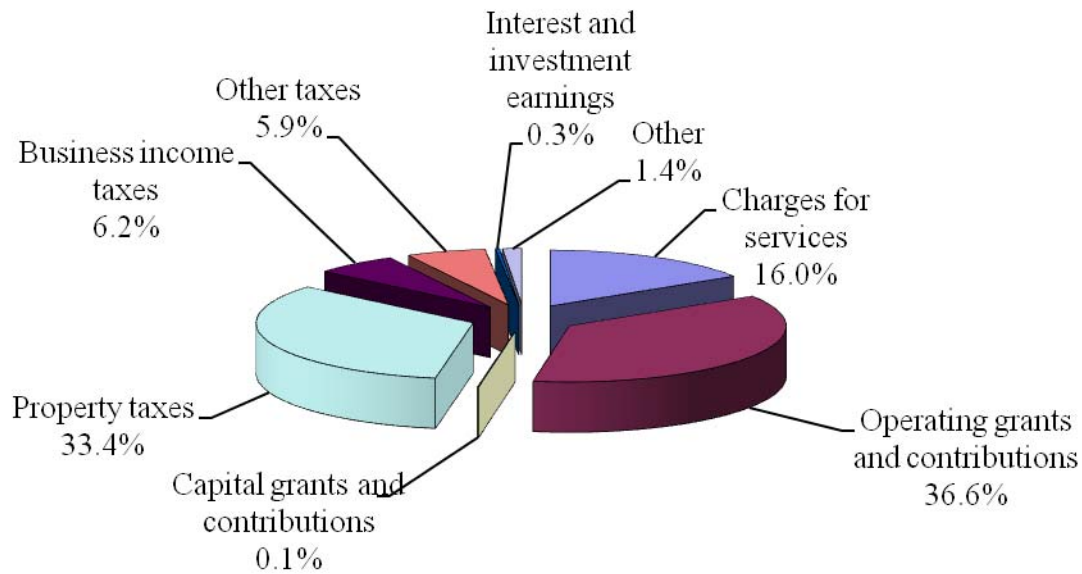
- Capital grants and contributions decreased by \$15,576 or (95%). The decrease is due to improvements to the County’s Broadway bridge to install tracks for the Portland Streetcar, and represents work completed by the City of Portland.
- Expenses for Community services increased by \$7,828 or 29% over 2011 due to an increase in video lottery revenues and the related expenses. Also the County’s support for the Oregon Historical Museum was new in 2012 and increased expenses by \$1,845

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

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities

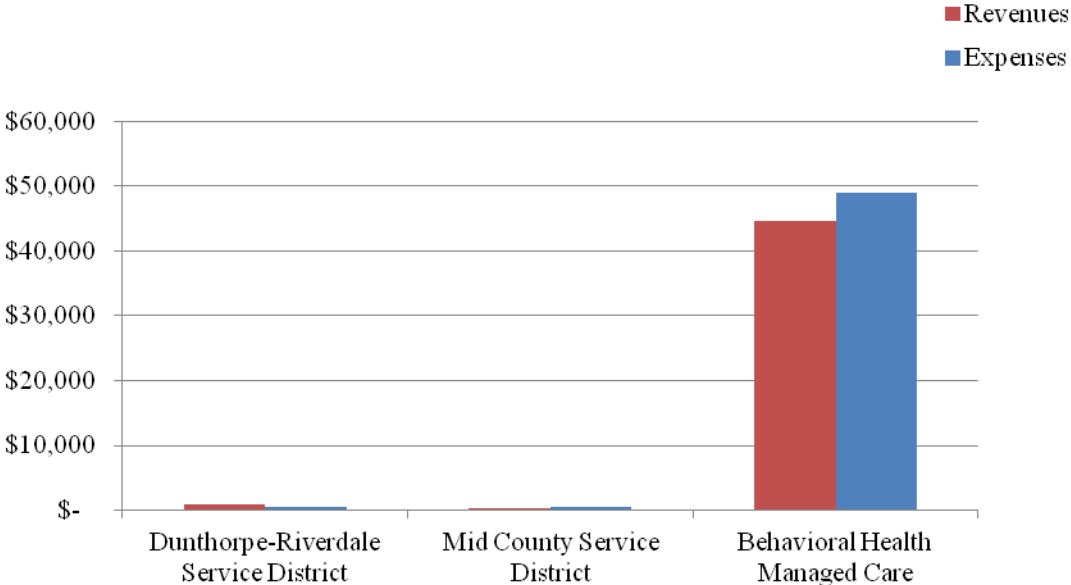


Business-type activities. Business-type activities decreased the County's net position by (\$3,900), compared to an increase of \$3,758 in the prior year. The primary reasons for the current year's decrease are:

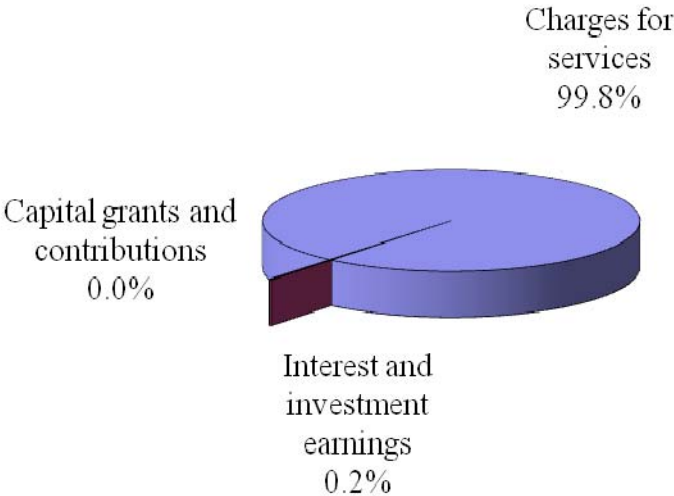
- The Behavioral Health Managed Care fund manages the insurance for Medicaid and Oregon Health Plan enrolled members within Multnomah County. Verity Integrated Behavioral Healthcare Systems works with the Oregon Health Plan to manage mental health services. Net position in this fund decreased by (\$4,213) as compared to an increase of \$3,450 in the prior year. For fiscal year 2012, the State decreased the Oregon Health Plan capitation rate for the enrollment in Verity. The reduction in the State's blended capitation rate resulted in a decrease in revenues. Also, the increase in demand for behavioral healthcare client services and an increase in Verity membership resulted higher expenses. These factors contributed to the overall decrease in net position.
- The Dunthorpe-Riverdale Service District's revenue source is primarily sewer assessments collected through property taxes. During fiscal year 2012 the District collected \$837 in fines, fees and charges for services which is a slight increase from the prior year's collection of \$816. This increase is due to an increase in the monthly household customer sewer user assessments fees that went from \$119 in fiscal year 2011 to \$122 in fiscal year 2012.
- The Mid County Service District's revenue source is primarily street lighting assessments collected through property taxes. During fiscal year 2012 the District collected \$380 in fines, fees and charges for services which is an increase of \$17 or 5% over the prior year collections of \$363. This increase is attributable to an increase in user fees from \$48 to \$50 per household.
- Interest revenue for business-type activities decreased by \$18 from 2011. The decrease is directly related to the lower cash balances in the Behavioral Health Managed Care fund throughout fiscal year 2012. Interest rates continued to be low from 2011. Interest is allocated based on the average daily cash balance and the average monthly yield of the County's investment portfolio.

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

Revenues by Source - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$166,924, a decrease of (\$43,811) over the prior year. Approximately 30% or \$49,603 of this total amount constitutes *assigned and unassigned fund balances*, which is available for spending at the government's discretion. Unassigned fund balances in the General Fund represent available amounts. A deficit unassigned fund balance in Federal and State Special Revenue Fund represents over spending on assigned amounts. Assigned fund balances in other governmental funds represents available fund balance in those funds. The remainder of fund balance is *nonspendable, restricted, or committed* to indicate that it is not available for discretionary spending because it has already been dedicated to 1) to prepaid items and inventories (\$1,782), 2) to pay for ongoing capital projects (\$31,935), 3) to pay debt service (\$72,463), 3) to pay for improvements to roads, bridges or bike paths (\$4,432), or 4) to pay for various community support and other programs (\$6,709). Additional information on the County's fund balances can be found in note 3.G on page 78 of this report.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance was \$38,717 in the General Fund or approximately 98% of the total fund balance of \$39,657. As a measure of the General Fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Unreserved fund balance represents 11% of total General Fund expenditures.

The fund balance of the County's General Fund decreased by \$6,060 or (13%). This decrease is primarily due to the timing of the receipt for the Federally Qualified Health Centers wraparound payment with an additional \$6,408 reported to deferred revenue as these funds were not considered available.

The Federal and State Program Special Revenue Fund has a total fund balance of \$3,941, of which \$437 is unspendable due to balances reported for prepaid items and inventories. The restricted balance of \$3,900 includes grants and other amounts received in advance that are restricted to specific purposes by external parties. In general, Federal revenues are closely matched with Federal expenditures. The remaining deficit balance of \$396 is reported as unassigned because the total unspendable and restricted amounts were greater than the total ending fund balance. Ending fund balance in the Federal and State Program fund decreased from the prior year by \$4,231 or (52%) primarily due to increased spending related to the State Mental Health Block grant in the Department of County Human Services.

The Library Special Revenue Fund reported a total fund balance of \$8,091, of which \$156 is unspendable for balances reported in prepaid items and inventories. The remaining \$7,935 is classified as assigned at year-end. Fund balance for the Library Special Revenue Fund decreased by \$8,518 or (51%) from the prior year. The decrease is primarily attributable to a 12% drop or decrease of \$4,683 in property taxes for the Library's local option levy that expired June 30, 2012. The election in November 2012 included a ballot measure that voters approved to establish a Library District that will help stabilize funding for the County's Libraries.

The PERS Pension Bond Fund is a debt service fund with a total fund balance of \$56,651 which is an increase of \$1,914 or 3% over the prior year's ending fund balance of \$54,737. The total fund balance is committed for future debt service. The increase in fund balance is due to an increase in the internal service rates charged to County departments as a part of personnel costs to help supplement the County's portion of contributions to the Public Employees Retirement Service (PERS) fund.

Proprietary funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the proprietary funds at year end amounted to:

- Dunthorpe-Riverdale Service District Fund, \$909
- Mid County Service District Fund, \$281
- Behavioral Health Managed Care Fund, \$12,212

The total change in net position for all proprietary funds was a decrease of \$3,900. Other factors concerning the finances of these three funds have already been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

The adjustments necessary to bring the expenditure budget into agreement with the revised revenue budget account for some of the differences between the original General Fund budget and the final adopted budget. Total final adopted budgeted revenues were increased by \$24,884 or 7% and total final adopted budgeted expenditures were increased by \$32,364 or 9% from the original budgeted numbers. During the year the General Fund contingency was reduced by \$7,037 or (42%) for the following reasons:

- Non-Departmental – \$787 to fund additional capacity for the Family Winter Services system, which is administered by the Department of County Human Services. The intent is to provide an emergency response package to ensure no homeless family or youth will be turned away this winter.
- Non-Departmental – \$250 was appropriated to support a capital fundraising campaign for a local non-profit partnership to develop a facility that will enhance health outcomes while providing residential drug and alcohol treatment to specific populations within the NE Portland community.
- Human Services – \$258 was allocated to fund contracts for long-term congregate care for children who have been victimized by commercial sexual exploitation.
- Sheriff's Office – \$401 was allocated for the State Criminal Alien Assistance Program (SCAAP). SCAAP is a Federal grant that provides for correctional officer salaries incurred for incarcerating undocumented criminal aliens. The Sheriff's Office will use these funds for overtime costs of corrections staff within the Multnomah County Detention Center.
- Sheriff's Office – \$563 was allocated to hire, equip and train twenty corrections deputies to fill vacant positions and reduce the reliance on overtime that is currently being used to fill corrections posts as County jails operate on a 24/7 schedule. The Sheriff's Office experienced a growing number of vacancies in fiscal year 2012 due to attrition and retirements.
- Sheriff's Office – \$1,355 was allocated to fund radio replacement and emergency communications for various participating County departments and agencies.
- Multiple Departments – Approximately \$3,400 allocated to backfill various services and programs previously funded by State resources. The State's rebalanced budget impacted various County Departments and General Fund resources were used to backfill State reductions in the following County programs:
 - Adult Drug Court
 - Parole and Probation Services and Offender Housing
 - Early Childhood Services
 - Adult Services Long Term Care Services
 - Juvenile Services Assessment and Treatment for Youth and Families
 - 59 Jail Beds and the Turn Self In Program

The contingency transactions account for increases in budgeted expenditures not related to increased revenues, and may be used only when approved by the Board for a specific purpose and department. There was no effect on the ending General Fund budgetary fund balance as a result of these budget amendments. The most significant change from the General Fund's original budget to the final adopted budget is noted in Health Services. The final budget in the Health Department exceeded the original budget by \$28,733. This difference represents the operations of the Health Department's Federally Qualified Health Centers (FQHC), which were previously budgeted for in the Federal and State Special Revenue Program fund. There were not any significant variances between the final budget and actual expenditures.

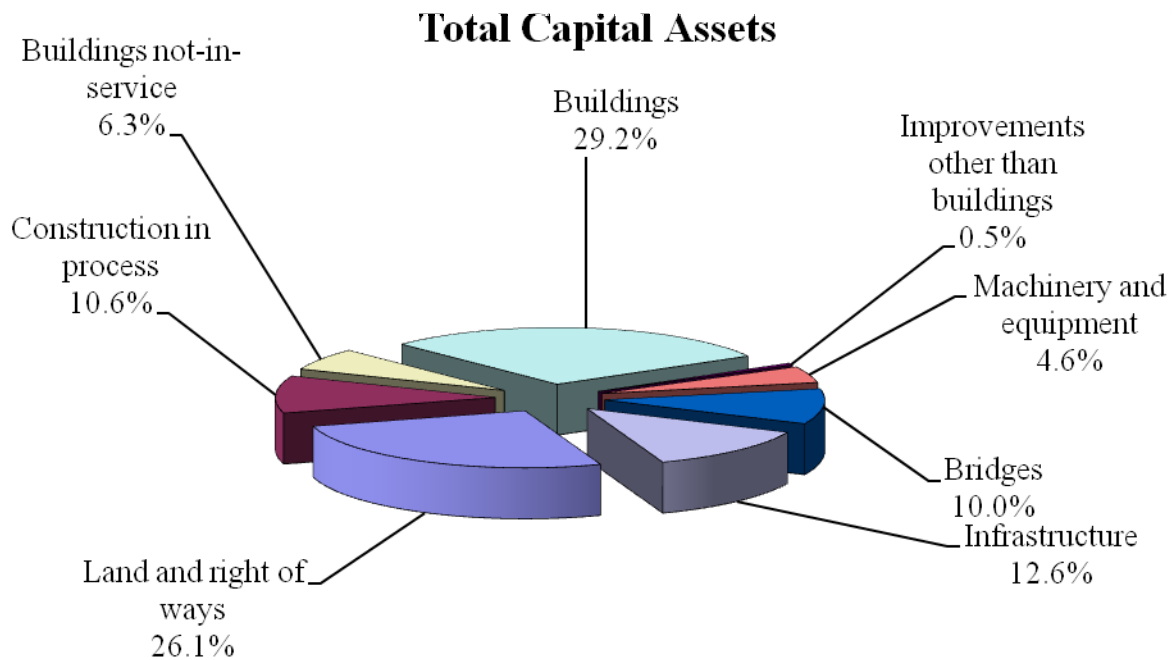
Capital Projects and Debt Administration

Capital assets. The County's investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounts to \$810,814 (net of accumulated depreciation). This investment in capital assets includes land, right of ways, buildings and improvements, machinery and equipment, internally developed software, roads and bridges, sewer and street lighting systems, and motor vehicles. The total overall change in the County's investment in capital assets for the current fiscal year was an increase of \$50,644 or approximately 7%. This increase is attributable to the County's Sellwood Bridge project still under construction at the end of fiscal year 2012, which accounts for the significant increase in construction in process. Additionally, buildings not-in-service, which represents a County jail facility whose construction was completed in fiscal year 2005. However, the County does not have sufficient resources to operate the facility.

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

	Governmental Activities		Business- Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land and right of ways	\$ 211,924	\$ 212,029	\$ -	\$ -	\$ 211,924	\$ 212,029
Construction in process	85,857	39,542	23	-	85,880	39,542
Buildings not-in-service	51,164	51,164	-	-	51,164	51,164
Buildings	236,990	223,379	-	-	236,990	223,379
Improvements other than buildings	696	433	3,729	3,612	4,425	4,045
Machinery and equipment	37,358	36,014	-	-	37,358	36,014
Bridges	81,191	83,587	-	-	81,191	83,587
Infrastructure	101,882	109,410	-	-	101,882	109,410
Total capital assets	<u>\$ 807,062</u>	<u>\$ 755,558</u>	<u>\$ 3,752</u>	<u>\$ 3,612</u>	<u>\$ 810,814</u>	<u>\$ 759,170</u>

The following chart indicates the County's capital assets as of June, 30, 2012. Additional information on the County's capital assets can be found in note 3.C on pages 68 – 69 of this report.



Long-term debt. At the end of the current fiscal year, the County had total debt outstanding of \$254,405. Of this amount, \$35,274 is general obligation bonds; \$199,363 represents full faith and credit bonds; \$18,171 comprises long term loan obligations; and the remainder of the County’s debt represents bonds secured solely by specified sources (e.g., revenue bonds, capitalized leases). Both general obligation bonds and full faith and credit bonds are direct obligations pledging the full faith and credit of the County.

Multnomah County’s Outstanding Debt

	Governmental Activities		Business- Type Activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 35,274	\$ 42,794	\$ -	\$ -	\$ 42,794	\$ 42,794
Revenue bonds	-	2,430	-	-	-	2,430
Full faith and credit bonds	199,363	218,330	-	-	218,330	218,330
Capital leases	1,597	1,719	-	-	1,719	1,719
Loans	18,171	3,414	-	-	3,414	3,414
Total outstanding debt	\$ 254,405	\$ 268,687	\$ -	\$ -	\$ 254,405	\$ 268,687

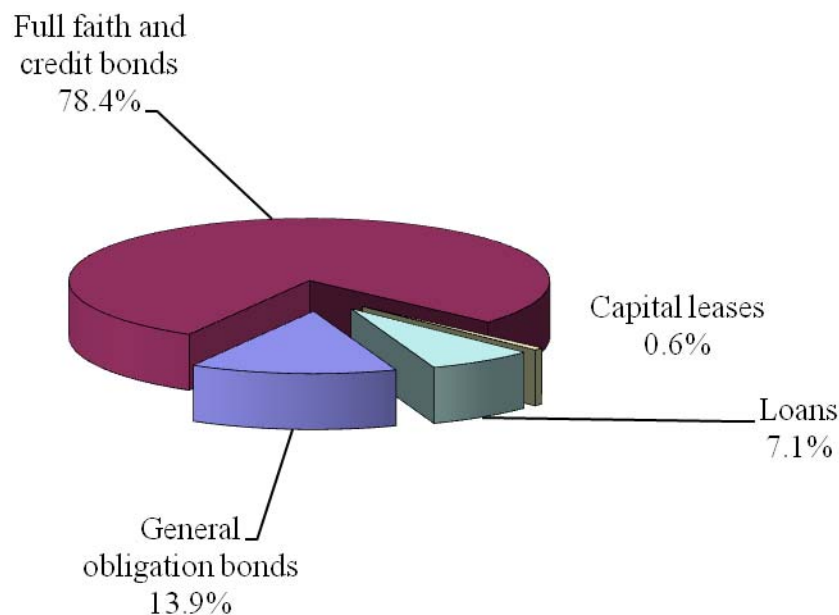
The County's total debt decreased by \$14,282 or approximately 5% during the current fiscal year. In fiscal year 2012 the County entered into an interim financing agreement and issued Taxable Non-revolving Credit Facility Bond Series 2011 of no more than \$50,000 to help finance the construction of a new bridge, the Sellwood Bridge. At year-end \$15,000 of these bonds was outstanding. Other changes to the County’s long-term debt during fiscal year 2012 consisted primarily of principal payments.

The County maintains an Aaa rating with a stable outlook from Moody’s, for general obligation debt and Aa1 for full faith and credit bonds. Standard & Poor’s rated the County’s full faith and credit bonds as AA.

State statutes limit the amount of general obligation debt a governmental entity may issue to two percent of the real market value of all taxable property within the government's boundaries. The current debt limitation for the County for general obligation debt is \$1,875,294, which is significantly in excess of the County's outstanding general obligation debt. State statutes also limit the amount of full faith and credit obligations to one percent of the real market value of all taxable property within the government's boundaries. The current debt limitation for the County for full faith and credit obligations is \$886,704, which is in excess of the County's outstanding full faith and credit debt. The County is also subject to State statute on revenue bonds used to finance pension liabilities by 5% of the real market value of all taxable property within the County's boundaries. The current debt limitation for pension revenue bonds is \$4,636,208, which is also in excess of the County's outstanding pension revenue bonds.

The following chart indicates the County's long-term liabilities as of June 30, 2012. Additional information on the County's long-term liabilities can be found in note 3.F on pages 70 – 77 of this report.

Total Outstanding Long-Term Debt



Key Economic Factors and Budget Information for Next Year

- The unemployment rate for the Portland-Vancouver-Beaverton PMSA (Primary Metropolitan Statistical Area) at the close of the fiscal year the rate had dropped to approximately 8.1% from 9.2% at the same time last year. The unemployment rate has remained near 10% since the onset of the economic recession in 2008. The consensus forecast has Oregon unemployment growing 2.1% in 2012 and 2.6% in 2013. Personal income growth is projected to increase 4.4% in 2012 and 4.4 in 2013.
- Property tax revenues are the single largest source of revenue in the General Fund and it accounts for approximately 65% of ongoing revenues. Property tax revenues are not expected to be significantly different than the original budget estimates. Voter approved Property Tax measures, while they have limited revenue growth, have tended to make tax collections more stable and predictable from year to year.

- The forecast for fiscal year 2013 anticipates business income tax revenues will be 11.5% higher than fiscal year 2012 levels. Actual collections could be higher or they could be lower. Business income tax (BIT) is highly sensitive to economic conditions and has been volatile since fiscal year 2008. Over the past five years tax collections have grown by as much as 40% and declined by as much as 35% on a year over year basis. The fiscal year 2013 budget also contains an additional 8% BIT Stabilization Reserve, \$4.2 million, to help mitigate the risk of an unexpected downturn in the regional economy as the BIT is a volatile revenue source.
- State shared revenues, including Oregon Liquor Control, cigarette and amusement device taxes, are expected to increase slightly in 2013. The increase is primarily in video lottery as a temporary state reduction expired in 2011 and consumer spending related to these revenues continues to grow.
- Fiscal year 2012 was the last year of the current 5-year local option levy, which provides about two-thirds of the funding for the library. In May of 2012, a 3-year local option levy was passed by voters. The County's General Fund also supports the Library's ongoing operation funds. In the November 2012 election the voters approved a library funding option for the County's libraries – a library district. The effect of the election was to create a separate property taxing district for the Library as a mechanism to secure permanent funding for the Library.

All of these factors were considered in preparing the County's budget for fiscal year 2012-2013.

During the current fiscal year, unassigned fund balance in the General Fund increased to \$38,717. At this level, the County is able to fully fund the reserve account in the General Fund unappropriated fund balance as described in the Financial and Budget policies. The Finance and Budget policies state it is the goal of the Board to fund and maintain a General Fund budgeted reserve, designated as unappropriated fund balance and funded at approximately 10% of specifically identified revenues, "corporate" revenues, of the General Fund. In fiscal year 2012, reserves are equal to 10% of the "corporate" revenues of the General Fund. The fiscal year 2012-2013 budget fully funds the reserve in the General Fund.

Requests for Information

This financial report is designed to provide a general overview of Multnomah County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for separately issued component unit reports should be directed to the following address:

Multnomah County
Department of County Management
501 SE Hawthorne Blvd. Suite 531
Portland, OR 97214

(This page intentionally left blank.)