**OFFICIAL STATEMENT DATED OCTOBER 30, 2000**

# $4,300,000
# City of West Linn
# Clackamas County, Oregon
## Full Faith and Credit Obligations, Series 2000

**DATED: November 1, 2000** **DUE: December 1, as shown below**

**STANDARD & POOR'S RATINGS—A+ (underlying) and AAA (insured). See "Security – Ratings" herein.**

**BANK QUALIFIED—The City has designated the Obligations as "qualified tax-exempt obligations" for banks, thrift institutions and other financial institutions. See "Tax Exemption" herein for a discussion of this designation.**

**BOOK-ENTRY ONLY—**The Obligations will be issued as fully registered bonds in denominations of $5,000, or integral multiples thereof, and will be registered in the name of Cede & Co., as bond owner and nominee for The Depository Trust Company ("DTC"). DTC will act as securities depository for the Obligations. Purchasers will not receive certificates representing their interest in the Obligations purchased.

**PRINCIPAL AND INTEREST PAYMENTS—**Interest on the Obligations will be paid on June 1, 2001 and semiannually thereafter on December 1 and June 1 of each year to the maturity or earlier prepayment of the Obligations. The principal of and interest on the Obligations will be payable by the City's Escrow Agent, currently U.S. Bank Trust National Association, Portland, Oregon, to DTC which, in turn, will remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Obligations. Interest on the Obligations will be credited to the Owners by the DTC Participants. Principal of and interest on the Obligations will be payable to the persons in whose names such Obligations are registered, at the address appearing upon the registration books on the 15th day of the month preceding a payment date.

**MATURITY SCHEDULE—**

| Due | Amounts | Interest Rates | Price or Yields | Due | Amounts | Interest Rates | Price or Yields |
|---|---|---|---|---|---|---|---|
| 2001 | $130,000 | 4.30% | 4.28% | 2009 | $190,000 | 4.75% | 4.75% |
| 2002 | 140,000 | 4.40 | 4.38 | 2010 | 200,000 | 4.80 | 4.80 |
| 2003 | 145,000 | 4.45 | 4.43 | 2011 | 210,000 | 4.85 | 4.90 |
| 2004 | 150,000 | 4.50 | 4.48 | 2012 | 220,000 | 4.90 | 4.95 |
| 2005 | 160,000 | 4.55 | 4.53 | 2013 | 230,000 | 5.00 | 5.05 |
| 2006 | 165,000 | 4.60 | 4.58 | 2014 | 245,000 | 5.05 | 5.13 |
| 2007 | 175,000 | 4.65 | 4.63 | 2015 | 255,000 | 5.15 | 5.25 |
| 2008 | 180,000 | 4.70 | 4.70 | | | | |

$1,505,000 5.25% Term Obligation due December 1, 2020 @ 5.46%

(Plus accrued interest from the Dated Date)

**PREPAYMENT—**The Obligations are subject to prepayment prior to their stated maturities as further described herein.

**SECURITY—** The Obligations represent undivided ownership interests in the Loan Payments due from the City under the Escrow Agreement, as defined herein. The obligation of the City to make Loan Payments is absolute and unconditional. The City will pay the Loan Payments from any and all of its legally available taxes, revenues and other funds. The City has pledged its full faith and credit and taxing power within the limitations of Sections 11 and 11b of Article XI of the Oregon Constitution to pay the Loan Payments and other amounts due under the Agreements. The Obligations do not constitute a debt or indebtedness of Clackamas County, the State of Oregon, or any political subdivision thereof other than the City. The Obligations are not private activity bonds. **For a discussion of proposed ballot measures that, if approved, may have an impact on the City, see "Legislative Referrals" and "The Initiative and Referendum Process" herein.**

Payment of the principal of and interest on the Obligations when due will be insured by a municipal bond insurance policy to be issued by MBIA Insurance Corporation simultaneously with the delivery of the Obligations.

MBIA

**DELIVERY—**The Obligations are offered for sale to the original purchaser subject to the final approving legal opinion of Preston Gates & Ellis LLP, Portland, Oregon ("Special Counsel to the City"). It is expected that the Obligations will be available for delivery to the Escrow Agent for Fast Automated Securities Transfer on behalf of DTC, on or about November 6, 2000.

**TAX EXEMPTION—***In the opinion of Preston Gates & Ellis LLP, Special Counsel to the City, under existing law and assuming compliance by the City with certain tax covenants described herein, interest on the Obligations is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of determining the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Special Counsel to the City, interest on the Obligations is exempt from present personal income tax imposed by the State of Oregon.*

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

SEATTLE-NORTHWEST
SECURITIES CORPORATION

**City of West Linn, Oregon**
**22500 Salamo Road**
**mailing address: PO Box 29**
**West Linn, Oregon 97068**
**(503) 657-0331**

## City Council

| | |
|---|---|
| Jill Thorn | Mayor |
| Dee Burch | President |
| Michael McFarland | Councilor |
| Tom Neff | Councilor |
| John Steele | Councilor |

## Administration

| | |
|---|---|
| Scott Burgess | City Manager |
| William Gin | Finance Director |

## Special Counsel

Preston Gates & Ellis LLP
Portland, Oregon

## Escrow Agent

U.S. Bank Trust National Association
Portland, Oregon

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*This Official Statement does not constitute an offer to sell the Obligations in any jurisdiction in which or to a person to whom it is unlawful to make such an offer. No dealer, salesperson or other person has been authorized by the City or the Underwriter to give any information or to make any representations, other than those contained herein, in connection with the offering of the Obligations and, if given or made, such information or representations must not be relied upon. The information set forth herein has been obtained from sources which are believed to be current and reliable, but it is not guaranteed for accuracy or completeness and it is not to be construed as a representation by the Underwriter. Estimates and opinions are included and should not be interpreted as statements of fact. Summaries of documents do not purport to be complete statements of the provisions. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the City since the date hereof.*

*In connection with this offering, the Underwriter may over allot or effect transactions that stabilize or maintain the market price of the bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.*

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# OFFICIAL STATEMENT

## City of West Linn
## Clackamas County, Oregon

## $4,300,000
## Full Faith and Credit Obligations, Series 2000

City of West Linn, Clackamas County, Oregon (the "City" and the "County," respectively), a municipal corporation duly organized and existing under and by virtue of the laws of the State of Oregon (the "State") furnishes this Official Statement in connection with the offering of $4,300,000 aggregate principal amount of Full Faith and Credit Obligations, Series 2000, dated November 1, 2000 (the "Obligations"). This Official Statement, which includes the cover page and appendices, provides information concerning the City and the Obligations.

## Description of the Obligations

### Principal Amount, Date, Interest Rates and Maturities

The Obligations will be issued in the aggregate principal amount of $4,300,000 and will be dated and bear interest from November 1, 2000. The Obligations will mature on the dates and in the principal amounts and will bear interest (payable semiannually on June 1 and December 1, first interest payable June 1, 2001) until the maturity or earlier prepayment of the Obligations at the rates set forth on the cover of this Official Statement. Interest on the Obligations will be computed on the basis of a 360-day year consisting of twelve 30-day months.

### Prepayment Provisions

*Optional Prepayment.* The Obligations maturing in years 2001 through 2010, inclusive, are not subject to prepayment prior to maturity. The Obligations maturing on and after December 1, 2011 are subject to prepayment at the option of the City, in whole or in part on any date, on and after December 1, 2010 at the price of par, plus accrued interest, if any, to the date of prepayment.

*Mandatory Prepayment.* If not previously redeemed as described above, the Term Obligations due on December 1, 2020 will be called for prepayment (in such manner as the Obligation Registrar and DTC will determine) at a price of par, plus accrued interest on the date of prepayment, on December 1 in the years and amounts as follows:

Unless previously called under the provisions for optional prepayment, the Term Obligation maturing on December 1, 2020, is subject to mandatory prepayment by lot by the Escrow Agent on December 1 of the following years in the following principal amounts, at a price of par plus accrued interest to the date of prepayment.

| 2020 Term Obligation | | |
|---|---|---|
| Year | Amount | |
| 2016 | $ 270,000 | |
| 2017 | 285,000 | |
| 2018 | 300,000 | |
| 2019 | 315,000 | |
| 2020 | 335,000 | (final maturity) |
| | $ 1,505,000 | |

*Notice of Prepayment (DTC).* So long as the Obligations are in book-entry only form, the Escrow Agent will notify DTC of an early prepayment not less than 30 days prior to the date fixed for prepayment, and will provide such information as required by a letter of representation submitted to DTC in connection with the issuance of the Obligations.

*Notice of Prepayment (No DTC).* During any period in which the Obligations are not in book-entry only form, unless waived by any Owner of the Obligations to be redeemed, official notice of any prepayment of Obligations will be given by the Escrow Agent on behalf of the City by mailing a copy of an official prepayment notice by first class mail, postage prepaid, at least 30 days and not more than 60 days prior to the date fixed for prepayment, to the Owners of the Obligations to be redeemed at the address shown on the bond register or at such other address as is furnished in writing by such Owner to the Escrow Agent.

### Escrow Agent and Registration Features

The Obligations will be issued as fully registered bonds and, when issued, will be registered in the name of CEDE & Co. as Obligation Owner and as nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Obligations. Individual purchases and sales of the Obligations may be made in book-entry form only in minimum denominations of $5,000 within a single maturity and integral multiples thereof. Purchasers ("Beneficial Owners") will not receive certificates representing their interest in the Obligations.

The principal of and interest on the Obligations will be payable by the City's "Escrow Agent", currently U.S. Bank Trust National Association, or such other or additional offices as may be specified to the City by the Escrow Agent, to DTC, which, in turn, is obligated to remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners of the Obligations, as further described in Appendix C attached hereto. Interest on the Obligations will be credited to the Beneficial Owners by the DTC Participants.

### Book-Entry Obligations

DTC will act as securities depository for the Obligations. The ownership of one fully registered obligation for each maturity of the Obligations, as set forth on the cover of this Official Statement, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC. See Appendix C attached hereto for additional information.

*Procedure in the Event of Revisions of Book-Entry Transfer System.* If DTC resigns as the securities depository and the City is unable to retain a qualified successor to DTC, or the City has determined that it is in the best interest of the City not to continue the book-entry system of transfer or that interests of the Beneficial Owners of the Obligations might be adversely affected if the book-entry system of transfer is continued, the City will execute, authenticate and deliver at no cost to the Beneficial Owners of the Obligations or their nominees, Obligations in fully registered form, in the denomination of $5,000 or any integral multiple thereof within a maturity. Thereafter, the principal of the Obligations will be payable upon due presentment and surrender thereof at the principal office of the Obligation Registrar; interest on the Obligations will be payable by check or draft mailed or by wire transfer (wire transfer will be made only if so requested in writing and if the registered owner owns at least $1,000,000 par value of the Obligations) to the persons in whose names such Obligations are registered, at the address appearing upon the registration books on the 15th day of the month preceding an interest payment date, and the Obligations will be transferable as provided in the Resolution (defined below).

## Authorization for Issuance

Under and in accordance with the laws and provisions of the State of Oregon (Oregon Revised Statutes ("ORS") Section 271.390) and the City's Charter, the Obligations are issued pursuant to Resolution No. 00-48of the City adopted by the City Council on October 23, 2000 (the "Resolution"). The Obligations may be issued without a vote of the people.

## Purpose and Use of Proceeds

### Purpose

The proceeds from the sale of the Obligations will be used to finance costs of the acquisition and renovation of a building, real property and related common areas located at 22500 Salamo Road, West Linn, Oregon 97068 to be used as the City Hall (the "Project") and to pay the costs of issuance of the Obligations. Specifics on the Project follow:

- Purchase a new 2-story brick office structure to be used as a new City Hall.
- Purchase and improve 1.2 acres of land.
- Interior design, building improvements and furnishings.

Current lease payments for the City Hall equal approximately $325,000 per year for the first 30 months, increasing 6 percent per 30-month increment thereafter out to 120 months. The City has options to extend the lease at fair market value.

### Sources and Uses of Funds

The proceeds of the Obligations (less accrued interest) are estimated to be applied as follows:

| | |
|---|---|
| Sources of Funds | |
| Par Amount of Obligations | $ 4,300,000 |
| Less: Net Original Issue Discount | (45,153) |
| Total Sources of Funds | $ 4,254,847 |
| Uses of Funds | |
| Project Requirements | $ 4,192,772 |
| Underwriter's Discount and Costs of Issuance | 62,075 |
| Total Uses of Funds | $ 4,254,847 |

## Security for the Obligations

The Obligations represent undivided ownership interests in the Loan Payments due from the City under the Escrow Agreement. The City will pay the Loan Payments from any and all of its legally available taxes, revenues and other funds. The City has pledged its full faith and credit and taxing power within the limitations of Sections 11 and 11b of Article XI of the Oregon Constitution to pay the Loan Payments and other amounts due under this Financing Agreement.

The Obligations are not general obligations of the City, Clackamas County, the State of Oregon or any other political subdivision or municipal corporation. The Obligations are secured solely by the Loan Payments and any sums realized in connection with the remedies available upon the occurrence of an event of default all as provided in the Agreements.

LOAN PAYMENTS ARE NOT SUBJECT TO ANNUAL APPROPRIATION. THE OBLIGATION OF THE CITY TO MAKE LOAN PAYMENTS IS ABSOLUTE AND UNCONDITIONAL, AND IS NOT BE SUBJECT TO ANY OF THE FOLLOWING:

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

Each Obligation owner is entitled proportionately to the maturity amount of Loan Payments due on the Loan Payment Date, which is the same as the maturity date of the Obligations.

**Municipal Bond Insurance**

*The MBIA Insurance Corporation Insurance Policy*. The following information has been furnished by MBIA Insurance Corporation (the "Insurer") for use in this Official Statement. Reference is made to Appendix E for a specimen of the Insurer's policy.

The Insurer's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Issuer to the Escrow Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional prepayment or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Insurer's policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Obligations pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

The Insurer's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation. The Insurer's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory prepayments (other than mandatory sinking fund prepayments); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Obligations under tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The Insurer's policy also does not insure against nonpayment of principal of or interest on the Obligations resulting from the insolvency, negligence or any other act or omission of the Escrow Agent or any other paying agent for the Obligations.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Escrow Agent or any owner of a Obligation the payment of an insured amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of insured amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A. State Street Bank and Trust Company, N.A. shall disburse to such owners or the Escrow Agent payment of the insured amounts due on such Obligations, less any amount held by the Escrow Agent for the payment of such insured amounts and legally available therefor.

The Insurer is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against the Insurer. The Insurer is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. The Insurer has two European branches, one in the Republic of France and the other in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by the Insurer, changes in control and transactions among affiliates. Additionally, the Insurer is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

As of December 31, 1999, the Insurer had admitted assets of $7.0 billion (audited), total liabilities of $4.6 billion (audited), and total capital and surplus of $2.4 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of June 30, 2000, the Insurer had admitted assets of $7.3 billion (unaudited), total liabilities of $4.9 billion (unaudited), and total capital and surplus of $2.4 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Furthermore, copies of the Insurer's year end financial statements prepared in accordance with statutory accounting practices are available without charge from the Insurer. A copy of the Annual Report on Form 10-K of the Company is available from the Insurer or the Securities and Exchange Commission. The address of the Insurer is 113 King Street, Armonk, New York 10504. The telephone number of the Insurer is (914) 273-4545.

Moody's Investors Service ("Moody's") rates the financial strength of the Insurer "Aaa."

Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, rates the financial strength of the insurer "AAA."

Fitch IBCA, Inc. (formerly known as Fitch Investors Service, L.P.), rates the financial strength of the Insurer "AAA."

Each rating of the Insurer should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of the Insurer and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Obligations, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the ratings may have an adverse effect on the market price of the Obligations. The Insurer does not guaranty the market price of the Obligations nor does it guaranty that the ratings on the Obligations will not be revised or withdrawn.

### Ratings

As noted on the cover page of this Official Statement, the City has received an underlying rating of "A+" and an insured rating of "AAA" for the Obligations from Standard & Poor's Ratings Service, a Division of The McGraw-Hill Companies. The insured rating is provided with the understanding that, upon delivery of the Obligations, the MBIA Insurance Corporation Insurance Policy will be issued with respect to the Obligations. The ratings reflect only the view of the rating agency and an explanation of the significance of the ratings may be obtained from the rating agency. There is no assurance that the ratings will be retained for any given period of time or that the ratings will not be revised downward or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the ratings will be likely to have an adverse effect on the market price of the Obligations.

## Summary of Certain Provisions of the Financing Agreement and Escrow Agreement

The following is a brief summary of the provisions of the Financing Agreement and the Escrow Agreement (the "Agreements") between the City and the Escrow Agent, dated as of the date of delivery. The summary contained herein is not intended to be complete in its description of the Agreements. The referenced documents should be examined in their entirety for a complete description of the provisions thereof.

### Payment Account

The Escrow Agent will establish a "Payment Account" to be held and maintained by the Escrow Agent, separate and apart from all other funds and moneys held by it. All Loan Payments made by the City will be deposited in the Payment Account. Monies on deposit in the Payment Account will be used by the Escrow Agent to make payments of principal and interest to the registered owners of the Obligations.

The moneys and investments held by the Escrow Agent are irrevocably held in trust for the purposes herein specified, and such moneys and any other income or interest earned thereon shall be expended only as provided in this Escrow Agreement, and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of the City, the Escrow Agent or any Owner.

Moneys held by the Escrow Agent will be invested and reinvested by the Escrow Agent in Qualified Investments selected by the City. Qualified Investments in the Payment Account shall mature on or before the date the amounts invested are required for use. Any interest or investment income earned on moneys deposited in the Payment Account shall be credited to the Payment Account.

The Escrow Agent may commingle any of the funds held by it in a separate fund or funds for investment purposes; provided, however, that all funds or accounts held by the Escrow Agent hereunder shall be accounted for separately notwithstanding such commingling by the Escrow Agent.

### Loan Payments

The City will deposit Loan Payments with the Escrow Agent in immediately available funds in semiannual Loan Payments, which consist of the annual principal installments listed on the cover of this Official Statement, together with interest on those principal installments, payable semiannually on June 1 and December 1 of each year, commencing June 1, 2001, at the rates shown on the cover of this Official Statement. The Loan Payments will be made by the City to the Escrow Agent on the Business Day preceding each scheduled Payment Date. The Escrow Agent will credit the Loan Payments to the Payment Account and transfer the Loan Payment to the Owners on the Payment Date. However, any taxes levied for Loan Payments will be subject to the limitations of the Oregon Constitution (see "Taxes and State Funding" herein).

If on any Payment Date, the amount of the Loan Payment then due and payable exceeds the amounts deposited with the Escrow Agent and available therefor, the Escrow Agent will distribute the amounts available:

*First*, to the Owners of the interest components of the Loan Payments which are then due (and if the amount available is not sufficient to pay in full all the interest components of the Loan Payment then due, then ratably to the Owners entitled to the interest payments then due, without any discrimination or preference); and,

*Second*, to the Owners of the principal components of the Loan Payments which are then due (and if the amount available is not sufficient to pay all principal components which are then due, then ratably to the Owners entitled to the principal components which are then due, without discrimination or preference).

Any surplus remaining in the Payment Account after payment of the Loan Payment and all Outstanding Obligations and payment of any unpaid Additional Charges, will be remitted to the City.

### Events of Default

Any one or more of the following events shall constitute Loan Defaults:

Failure by the City to pay any Loan Payments required to be paid in the amount and at the time specified herein; or

Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed for a period of 60 days after written notice to the City by the Escrow Agent, specifying such failure and requesting that it be remedied, unless the Escrow Agent will agree in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in the notice cannot be corrected within the applicable period, the Escrow Agent will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the City within the applicable period and diligently pursued until the default is corrected; or

The occurrence and continuance of a default under either the Escrow Agreement or the Financing Agreement; or

The commencement by the City of a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect or an assignment by the City for the benefit of its creditors, or the entry by the City into an agreement of composition with creditors, or the taking of any action by the City in furtherance of any of the foregoing.

**Remedies**

Whenever a Loan Default will have happened and be continuing, the Escrow Agent will have the right, at its sole option without any further demand or notice, to exercise any remedy available at law or in equity; however, the Loan Amount and the Loan Payments will not be subject to acceleration.

No remedy referred to herein is exclusive, but each will be cumulative and in addition to any other remedy referred to herein or otherwise available to the Escrow Agent at law or in equity. In the event that the Escrow Agent exercises or begins to exercise any one or more of such remedies, such action will not preclude the simultaneous or later exercise by the Escrow Agent of any other remedies. No express or implied waiver by the Escrow Agent of a Loan Default will constitute a waiver of any other or subsequent Loan Default.

If, at any time after an Event of Default has occurred, the moneys in the Payment Account will not be sufficient to pay the Loan Payments as they become due and payable, such moneys together with any moneys available or thereafter becoming available for such purpose, whether through the exercise of the remedies provided for herein or otherwise, will be applied by the Escrow Agent as follows:

*First:* To the payments of costs, expenses and fees, and reasonable compensation of the Escrow Agent, its agents and attorneys, and all expenses and liabilities incurred and advances made by the Escrow Agent;

*Second:* To the payment to the Owners of the interest components of the Loan Payments which are then due, and, if the amount available is not sufficient to pay in full all the interest components of the Loan Payment then due, then ratably to the Owners entitled to the interest payments then due, without any discrimination or preference;

*Third:* To the payment to the Owners of the principal components of the Loan Payment which are then due, and, if the amount available will not be sufficient to pay all principal components which are then due, then ratably to the Owners entitled to the principal components which are then due, without discrimination or preference; and,

*Fourth:* To the City, but only if the Obligations are no longer Outstanding and all Additional Charges have been paid.

If the Escrow Agent fails to take any remedy available as a result of the occurrence of an Event of Default, the Owners of a majority in aggregate principal amount of Obligations then Outstanding may institute any suit, action, mandamus or other proceeding in equity or at law for the protection or enforcement of any right under the Financing Agreement or this Escrow Agreement, but only if the Owners have first made written request of the Escrow Agent to institute such action or proceedings in its own name as Escrow Agent hereunder and will have afforded the Escrow Agent 60 days either to proceed to exercise the powers granted therein or granted under law or to institute such action, suit or proceeding in its name and unless also, the Escrow Agent will have been offered reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Escrow Agent will have refused or neglected to comply with such request within a reasonable time.

## City Indebtedness

### General Obligation Debt Limitation

ORS Chapter 287 limits the amount of general obligation bonds which an Oregon city may have outstanding at any time to three percent of the Real Market Value of the taxable property within the city. A lower limit may be applied by the city's charter. The City's Charter imposes no additional limitations. This statutory limitation does not apply to general obligation bonds issued for water, sanitary or storm sewers, sewage disposal plants, hospitals, infirmaries, gas power, or lighting purposes, or the acquisition, establishment, or reconstruction of any off-street motor vehicle parking facility nor to bonds issued pursuant to application to pay assessments for improvements in installments under statutory or charter authority ("Bancroft Obligations") which are completely self-supporting. **The Obligations are not subject to this debt limitation.**

The City may issue tax anticipation notes in an amount which, in the aggregate, equal up to 80 percent of *ad valorem* taxes upon real and personal property which have been levied and are in the process of collection for the fiscal year in which the notes are issued, and 80 percent of other budgeted and unpledged revenues which it is estimated will be received from other sources during the tax year.

The City may issue revenue bonds for "… any public purpose, which are secured by revenues [including revenues of a public utility or system] either pledged or designated to be payable for such public purpose of the public body [including improvements, projects or facilities financed by the revenue bonds of the public utility or system] …" pursuant to Oregon Revised Statutes 288.805 to 288.945 (the Uniform Revenue Bond Act).

### General Obligation Debt Capacity
### As of November 1, 2000

The following table shows the general obligation debt capacity of the City.

| | |
|---|---|
| Real Market Value (1999-2000) | $ 1,972,934,840 |
| General Obligation Debt Capacity (3% of Real Market Value) | $ 59,188,045 |
| Less: Outstanding Debt subject to limit | (12,305,000) |
| Remaining Legal Debt Capacity | $ 46,883,045 |

*Source: Clackamas County Assessor's Office*

### Outstanding Long-Term Debt
### (As of November 1, 2000)

| General Obligation Bonds | Date of Issue | Date of Maturity | Amount Issued | Amount Outstanding* |
|---|---|---|---|---|
| Series 1993 Refunding | 04/01/93 | 01/01/03 | $ 1,415,000 | $ 490,000 |
| Series 1998 | 12/01/98 | 06/01/18 | 4,400,000 | 4,315,000 |
| Series 1999 | 10/01/99 | 01/01/19 | 3,600,000 | 3,600,000 |
| Series 2000 | 11/01/00 | 06/01/21 | 3,900,000 | 3,900,000 |
| Total General Obligation Bonds | | | $ 13,315,000 | $ 12,305,000 |
| Revenue Bonds | | | | |
| Series 2000 (Water) | 10/01/00 | 10/01/20 | $ 1,800,000 | $ 1,800,000 |
| Full Faith and Credit Obligations | | | | |
| Series 2000 (this issue) | 11/01/00 | 12/01/20 | $ 4,300,000 | $ 4,300,000 |
| Total Long-Term Debt | | | $ 19,415,000 | $ 18,405,000 |

* Borrowings do not include short-term internal fund borrowings.

*Source: City of West Linn*

### Short-Term Borrowing

ORS 288.165(3) requires that obligations issued in anticipation of taxes or other revenues will not be issued in an amount greater than 80 percent of the amount budgeted to be received in the fiscal year in which the obligations are issued. **The City does not have any notes outstanding at this time.**

*Source: City of West Linn Audited Financial Statements*

### Future Financings

The City projects issuing water revenue bonds of $650,000 in 2002 and $1.5 million in 2004. The City is also seeking voter approval on November 7, 2000 for the issuance of $2,635,000 of general obligation bonds for water improvements and $1.4 million of general obligation bonds for public safety.

**Full Faith and Credit Obligations**
**Projected Debt Service Requirements**
**(As of November 1, 2000)**

| Fiscal | Series 2000 Obligations | | Total |
|---|---|---|---|
| Year* | Principal | Interest | Debt Service |
| 2001 | $ 0 | $ 123,683 | $ 123,683 |
| 2002 | 130,000 | 209,233 | 339,233 |
| 2003 | 140,000 | 203,358 | 343,358 |
| 2004 | 145,000 | 197,051 | 342,051 |
| 2005 | 150,000 | 190,450 | 340,450 |
| 2006 | 160,000 | 183,435 | 343,435 |
| 2007 | 165,000 | 176,000 | 341,000 |
| 2008 | 175,000 | 168,136 | 343,136 |
| 2009 | 180,000 | 159,838 | 339,838 |
| 2010 | 190,000 | 151,095 | 341,095 |
| 2011 | 200,000 | 141,783 | 341,783 |
| 2012 | 210,000 | 131,890 | 341,890 |
| 2013 | 220,000 | 121,408 | 341,408 |
| 2014 | 230,000 | 110,268 | 340,268 |
| 2015 | 245,000 | 98,331 | 343,331 |
| 2016 | 255,000 | 85,579 | 340,579 |
| 2017 | 270,000 | 71,925 | 341,925 |
| 2018 | 285,000 | 57,356 | 342,356 |
| 2019 | 300,000 | 42,000 | 342,000 |
| 2020 | 315,000 | 25,856 | 340,856 |
| 2021 | 335,000 | 8,794 | 343,794 |
| | $ 4,300,000 | $ 2,657,466 | $ 6,957,466 |

* Fiscal Years ending June 30

**Summary of Overlapping Debt**
**(As of June 30, 2000)**

| Overlapping District | 1999–2000 Real Market Value | Percent Overlap | Overlapping Gross Bonded Debt(1) | Overlapping Net Direct Debt(2) |
|---|---|---|---|---|
| Tri-City Service District | $ 3,909,327,740 | 50.5021% | $ 3,032,651 | $ 3,032,651 |
| West Linn-Wilsonville School Dist. | 4,208,258,749 | 46.3682 | 45,422,289 | 45,422,289 |
| Clackamas Community College | 20,473,442,190 | 9.5309 | 694,803 | 694,803 |
| Clackamas County | 28,129,831,680 | 7.0185 | 36,145 | 36,145 |
| Metro | 105167429207 | 1.8773 | 3,666,915 | 3,666,915 |
| Tri-Met | 106056687667 | 1.8615 | 2,927,302 | 2,927,302 |
| Port of Portland | 115941280093 | 1.7028 | 286,308 | 286,308 |
| Lake Oswego School District | 4876295417 | 0.4716 | 59,304 | 59,304 |
| Portland Community College | 81210898581 | 0.0283 | 13,152 | 13,152 |
| Total | | | $ 56,138,869 | $ 56,138,869 |

(1) Gross Bonded Debt includes all bonds backed by a general obligation pledge including self-supporting general obligation bonds and limited tax debt.
(2) Net Direct Debt includes all unlimited tax-supported bonds. Self-supporting bonds are excluded.

*Source: Debt Management Division, Oregon State Treasury.*

### Net Direct and Overlapping Debt

The following tables present information regarding the City's direct debt and the estimated portion of the debt of overlapping taxing district allocated to the City's residents.

| | |
|---|---|
| 1999-2000: | |
| Real Market Value (1) | $ 1,972,934,840 |
| Assessed Value (1) | $ 1,539,223,380 |
| Estimated Population | 22,835 |

**Debt Information**

| | |
|---|---|
| Net Direct Debt (includes this issue) (2) | $ 12,305,000 |
| Estimated Net Overlapping Debt (as detailed further herein) (2) | 56,138,869 |
| Total Net Direct and Overlapping Debt | $ 68,443,869 |

**Bonded Debt Ratios**

| | |
|---|---|
| Net Direct Debt to Real Market Value | 0.62% |
| Net Direct and Net Overlapping Debt to Real Market Value | 3.47% |
| Per Capita Real Market Value | $ 86,400 |
| Per Capita Net Direct Debt | $ 539 |
| Per Capita Total Net Direct and Net Overlapping Debt | $ 2,997 |

(1) The definition of Real Market Value and Assessed Value was changed by the 1997 Legislative Assembly. See "Taxes" herein.
(2) Net Direct and Net Overlapping Debt includes all tax-supported bonds. Self-supporting bonds are excluded.

### Debt Payment Record

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

## Taxes

The property tax is used by Oregon cities, counties, education districts and other special districts to raise revenue to cover a portion of the expense of local government. Local governments are authorized to seek voter approval for limited term levies, subject to certain tax limitations (see "Local Option Provisions" herein). In addition, public education districts receive funding from the State's General Fund (see "State of Oregon Public School Funding" herein).

The State of Oregon has the authority to levy property taxes, however the State has not levied property taxes since 1941 and obtains its revenue principally from income tax and lottery sources. The Oregon Constitution places certain limits on property tax rates for general purposes. The Constitution does not limit property tax rates for general obligation bonds, such as the Obligations, for capital construction and improvements approved in accordance with voting requirements or used to refund certain outstanding general obligation bonds (see "Exempt Bonded Indebtedness" herein).

### Valuation of Property—Assessment

The process of identifying and assigning a value to taxable property is termed "assessment." Assessment of property is administered by the County Assessor except for public utility property and certain classes of industrial property which are assessed by the State Department of Revenue. Administrative and judicial remedies are available to property owners who disagree with assessments.

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

Certain properties, such as utilities, are valued on the unitary valuation approach (ORS 308.505–308.665). Under the unitary valuation approach, the taxpaying entity's operating system is defined and a value is assigned for the operating unit using the market value approach (cost, market value and income appraisals). Values are then allocated to the entities' operations in Oregon, then to each county the entity operates in, and finally to site locations.

Article IX, Section 11 of the Oregon Constitution ("Article IX, Section 11") outlines the State's rate-based property tax system and limits growth in annual assessed values. Article IX, Section 11 reduced property taxes imposed statewide by approximately 17 percent from fiscal year 1997–98 levels unless certain exemptions applied (see "Exemptions" below) and rolled back the "assessed value" of each unit of property for the tax year 1997–98 to its 1995–96 value, less ten percent. This new value was deemed the jurisdiction's "assessed value". After the resulting tax levy and assessed value were determined, a "permanent tax rate," representing the product of dividing the existing tax levy by the assessed value, was calculated for all taxing districts state-wide by the Oregon Department of Revenue. The permanent tax rates are the permanent constitutional rate limit for each taxing jurisdiction and are used to calculate future revenues.

Pursuant to ORS 308.142-308.166, increases in the assessed value of each property are limited to three percent per year for tax years after 1997–98, with special exemptions for property that is improved, rezoned, subdivided, or ceases to qualify for exemption. In combination with the permanent tax rate, the limitation on the growth in assessed value limits the growth of taxes on individual properties to no more than an average of three percent per year (excluding exempt levies—see below).

*Exemptions.*

(1) *Exempt Bonded Indebtedness.* Bonds issued as general obligation bonds (or bonds to refund them) prior to 1990, or in accordance with the capital construction and improvement definitions in Article XI, Section 11 (see "Capital Construction and Improvements Definition" below), are in addition to the permanent tax rate and exempt from Real Market Value tax rate limitations pursuant to Article XI, Section 11b of the Oregon Constitution. Taxes imposed to pay principal of and interest on bonded indebtedness are not subject to constitutional limits, provided such bonds are (1) authorized by a specific provision of the Oregon Constitution, or (2) incurred for capital construction or improvements (see "Capital Construction and Improvements" herein) and approved by the voters in accordance with applicable voting requirements.

(2) *Certain Levies.* Operating and serial levies that were first imposed for the 1996–97 or 1997–98 tax years and received a majority of the votes from voters voting either (i) at a general election in an even numbered year, or (ii) at any other election in which not less than fifty percent of the registered voters eligible to vote on the question cast a ballot in an election held before March 15, 1997 are exempt from the roll back provisions of Article XI, Section 11, and are added to the base. They are, however, subject to a "supplemental" average reduction of 1.4 percent. Other levies are included in the base for purposes of calculating the permanent tax rate but are subject to the 17 percent reduction. Still others are not subject to reduction, but are not included in calculating the permanent tax rate (see "Local Option Provisions" below).

(3) A taxing district which supports a hospital facility through ad valorem property taxes will be exempt from the reduction.

*Capital Construction and Improvements Definition.* Capital construction and improvements for which exempt bonded indebtedness can be authorized cannot include reasonably anticipated maintenance and repair items, or supplies and equipment which are not intrinsically a part of the structure, but may include public safety vehicles. ORS 310.140 defines capital construction and improvements to include all activities related to the construction, modification, replacement, repair, remodeling and renovation of structures which have a useful life of over one year; the acquisition of land, or legal interest in land, in conjunction with the capital construction of a structure; the acquisition and installation of machinery, equipment, furnishings and equipment which have a life over one year; and activities related to capital construction such as planning, design, studies, permits, and acquisition of financing. ORS 310.140 includes public safety and law enforcement vehicles with a useful life of five years or more and to exclude maintenance and repairs which may be deducted as an expense under the provisions of the Internal Revenue Code of 1986 and which do not add materially to the value of the property nor appreciably prolong its life; and supplies and equipment which are not intrinsic to the structure means those necessary to permit a structure to perform the functions for which it was constructed, or which upon installation constitute fixtures or would be subject to ad valorem taxation as real property if not owned by a government.

**Tax Rate Limitation – Real Market Value**

ORS 310.150 separates taxes imposed upon property into three categories: one to fund the public school system and community colleges, one to fund government operations other than the public school system, and one to fund exempt bonded indebtedness. Combined property tax rates for non-school government operations are limited to $10.00 per $1,000 of Real Market Value per county-assigned tax code area. "Real Market Value" is the minimum amount in cash which could reasonably be expected by an informed seller acting without compulsion, from an informed buyer acting without compulsion, in an "arms length" transaction during the period for which the property is taxed and which is reported annually by county assessors. Similarly, combined property tax rates for the public school system are limited to $5 per $1,000 RMV for each tax code area.

Property tax rates for general obligation bonds approved by a majority of the voters in accordance with certain requirements (see "Exempt Bonded Indebtedness" herein) or used to refund certain outstanding general obligation bonds are exempt from tax rate limitations.

### Local Option Provisions

Local governments (including community colleges school districts and school districts) are authorized to ask voters for limited term levies outside the limits of Measure 50, but subject to the limits of Measure 5, assuming the levy is approved by voters. The City has utilized this authority and currently has the following local option levies:

| Purpose | Description (Amount) | Expiration Date |
|---|---|---|
| Police services | $ 940,486 / year | 5-year levy; June 30, 2002 |
| Fire protection / EMS services | $ 1,181,607 / year | 5-year levy; June 30, 2002 |

### Tax Levy

The process of ascertaining and declaring the amount of taxes to be raised from taxpayers is termed "certifying the levy." Authority to levy property taxes is vested with the governing body of each local government unit. The governing body determines the levy annually before July 15 as part of the budget process. Annual budgets for local units are based on a fiscal year which begins on July 1 and ends the following June 30. Constitutional and statutory provisions limit the amount that a governing body may levy.

The following tables present the 1999–2000 tax rates for the City and other taxing jurisdictions within Clackamas County that overlap the City. The levy rates are calculated by dividing the tax levy by the assessed value (see "Valuation of Property – Assessment" herein).

**1999-2000 Representative Levy Rate**
**(Rates Per $1,000 of Assessed Value)**

| | Operating Rate | Local Option Rate | Bond Levy Rate | Consolidated Rate |
|---|---|---|---|---|
| General Government | | | | |
| Vector Control | $ 0.0065 | $ 0.0000 | $ 0.0000 | $ 0.0065 |
| Port of Portland | 0.0700 | 0.0000 | 0.0053 | 0.0753 |
| City of West Linn | 2.1200 | 1.3786 | 0.4205 | 3.9191 |
| Clackamas County | 2.4042 | 0.0000 | 0.0000 | 2.4042 |
| Trans Trimet | 0.0000 | 0.0000 | 0.1428 | 0.1428 |
| Metropolitan Service Dist. No. 2 | 0.0966 | 0.0000 | 0.2316 | 0.3282 |
| TriCity Service District No. 4 | 0.0000 | 0.0000 | 0.8994 | 0.8994 |
| County Urban Renewal | 0.1331 | 0.0000 | 0.0000 | 0.1331 |
| Total General Government | 4.8304 | 1.3786 | 1.6996 | 7.9086 |
| Education | | | | |
| Clackamas ESD | 0.3687 | 0.0000 | 0.0000 | 0.3687 |
| Clackamas Community College | 0.5582 | 0.0000 | 0.0648 | 0.6230 |
| West Linn-Wilsonville SD | 4.8684 | 0.0000 | 1.9402 | 6.8086 |
| Total Education | 5.7953 | 0.0000 | 2.0050 | 7.8003 |
| Total Tax Rate | $ 10.6257 | $ 1.3786 | $ 3.7046 | $ 15.7089 |

*Source: Clackamas County Department of Assessment & Taxation, Tax Code 003-002 for the City of West Linn with a 1999-2000 assessed property value of $1,519,369,470.*

### Property Tax Collections

The county assessor delivers the tax roll to the county tax collector in sufficient time to mail tax statements on or before October 25 each year. Oregon Revised Statutes Chapter 311 requires that all tax levy revenues collected by a county for all taxing units within the county be placed in an unsegregated pool, and each taxing unit shares in the pool in the same proportion as its levy bears to the total of all taxes levied by all taxing units within the county. As a result, the tax collection record of each taxing unit is a pro-rata share of the total tax collection record of all taxing units within the county combined.

Under the partial payment schedule, taxes are payable in three equal installments on the fifteenth of November, February and May of the same fiscal year. Discounts are allowed where partial or full prepayment of taxes is made, as follows: (a) A property owner who pays at least two-thirds of the taxes due, but less than the total, on or before November 15 will receive a two percent discount of such taxes paid on or before November 15; or (b) A property owner who pays the total taxes due, on or before November 15, will receive a three percent discount of total taxes due.

For late payments, interest accrues after each payment due date at the rate of sixteen percent per year. The method of giving notice of taxes due, the County Treasurer's account for the money collected, the division of the taxes among the various taxing districts, notices of delinquency, and collection procedures are all covered by detailed statutes. The lien for property taxes is prior to all other liens or encumbrances of any kind on real or personal property subject to taxation. By law, a county may not commence foreclosure of a tax lien on real property until three years have passed since the first delinquency.

A Senior Citizen Property Tax Deferral Program (1963) allows homeowners to defer taxes until death or sale of the home. New applicants must be at least 62 years old and have a household income under $24,500. Participants may continue as long as their adjusted gross income does not exceed $29,000. Taxes are paid by the State which obtains a lien on the property and accrues six percent simple interest per year.

The following tables represent relevant historic tax information for the City.

**Property Value**
**(Fiscal Year Ending June 30)**

| Fiscal Year | Total Real Market Value | Assessed Value | Percentage |
|---|---|---|---|
| 2000 | $1,972,934,840 | $1,539,223,380 | 80.2% |
| 1999 | 1,799,640,840 | 1,403,783,260 | 78.0 |
| 1998 | 1,677,077,140 | 1,310,447,470 | 78.1 |
| 1997 | 1,523,490,300 | 1,523,490,300 | 100.0 |
| 1996 | 1,357,912,910 | 1,357,912,910 | 100.0 |

**Tax Collection Record (1)**

| Collection Year | Year of Levy | As of 06/30/00 |
|---|---|---|
| 2000 | 93.55% | 93.55% |
| 1999 | 93.83 | 95.91 |
| 1998(2) | 93.89 | 96.79 |
| 1997 | 93.59 | 96.81 |
| 1996 | 93.65 | 96.80 |

(1) Percentage of total tax levy collection in Clackamas County. Pre-payment discounts are considered to be collected when outstanding taxes are calculated.

(2) 1997-98 represents the first year that there was a distinction between real market values and assessed values (see "Taxes– Valuation of Property – Assessment" herein).

*Source: Clackamas and Washington Counties' Departments of Assessment and Taxation*

## Major Taxpayers
**(As of 1999–2000)**

| Taxpayer Account | Taxpayer Classification | Taxes | Assessed Value | Percent of City's Assessed Value |
|---|---|---|---|---|
| Simpson Housing Ltd | Housing | $ 265,864 | $ 16,924,440 | 1.10% |
| Portland General Electric | Utility | 261,317 | 16,849,200 | 1.09% |
| West Linn Paper | Manufacturing | 248,737 | 16,638,340 | 1.08% |
| Deerpoint LLC | Apartments | 115,697 | 7,365,730 | 0.48% |
| Northwest Natural Gas | Utility | 97,378 | 6,531,720 | 0.42% |
| Tanner Spring LLC | NA | 87,232 | 5,553,050 | 0.36% |
| US West Communications | Utility | 52,531 | 3,522,570 | 0.23% |
| EA West Family LLC | Property Development | 70,612 | 4,495,030 | 0.29% |
| West Linn Associates LLC | NA | 70,134 | 4,464,580 | 0.29% |
| Bean Terrence | NA | 68,073 | 4,333,380 | 0.28% |
| Subtotal -- Top Ten Taxpayer Accounts | | | 86,678,040 | 5.63% |
| Remaining Taxpayer Accounts | | | 1,452,545,340 | 94.37% |
| Total City Taxpayer Accounts | | | $ 1,539,223,380 | 100.00% |

*Source: Clackamas County Department of Assessment & Taxation*

## The City

The City of West Linn, Oregon was incorporated in 1913 and operates under the provision of its own charter and applicable State law with a Manager-Council form of government. The Mayor, who serves a two-year term, chairs City Council meetings. The mayor and Council vote on all ordinances and legislative matters. The five Council members are part-time elected officials who exercise the legislative powers of the City and determine matters of policy. The City Manager is appointed by the City Council. Other City department heads are appointed by the City Manager.

The City of West Linn provides a full range of municipal services to the community which includes police and fire protection, emergency medical services, traffic control and improvement, street maintenance and improvement, water, sewer and storm drain service, planning and zoning regulation (building inspection and regulation), community library service, municipal court and parks and recreation.

### City Council

The present members of the City Council, their occupations and the expiration of their respective terms of office follow:

| Council Member | Occupation | Term Expires* |
|---|---|---|
| Jill Thorn, Mayor | Office Manager/Computer Programmer | 12/31/00 |
| Dee Burch, Council President | Civil Engineer/ Business Manager | 12/31/00 |
| Michael McFarland | Public Utility Specialist, BPA | 12/31/00 |
| Tom Neff | Retired | 12/31/00 |
| John Steele | Computer System Analyst | 12/31/00 |

* The term of office for all City Council members expire on December 31, 2000. Three of the existing City Council members are running for re-election. Jill Thorn is running for an Oregon Senate seat and Dee Burch is retiring from the City Council. An amendment has been proposed to the City Charter for voter review. If approved, all terms of the City Council will expire in two years and new terms will be staggered over four-year terms.

**Key Administrative Officials**

The City Manager is the City's chief administrative officer, who is appointed by the City Council for an indefinite term and serves at the pleasure of the Council. The City Manager appoints all other key administrative officials.

*Scott Burgess, City Manager.* Mr. Burgess has been with the City since August, 1993, when, as a management consultant, he was hired as the City's Interim City Manager. He was then hired by the City Council on a permanent basis in February 1994. Prior to his experience as a consultant, Mr. Burgess was the executive director of the Alaska Municipal League for over eight years. Mr. Burgess received his B.C.P. (City Planning) from the University of Virginia and his M.P.A. from Portland State University.

*William Gin, Finance Director.* Mr. Gin joined the City in January 1985 after working as the Assistant Finance Director / Accounting Department Manager for the City of Beaverton, Oregon. Previously, Mr. Gin worked as Accountant for the City of Tualatin, Oregon and Office Manager / Accountant in the heavy construction industry. He attended Portland State University / Portland Community College, specializing in Business Administration.

The City's administrative offices are currently located at 22500 Salamo Road, West Linn, Oregon. The telephone number is (503) 657-0331. City Hall houses all of the City's administrative and legislative functions, including its municipal court, planning, building inspection, engineering and parks and recreation departments. The City has an option to purchase an adjacent office building (identical structure without an underground parking garage), called the Cascade Summit Professional Building, which is connected via an open air breezeway. Both the current and proposed City Hall buildings are served by public transportation service. (see "Purpose and Use of Proceeds" herein).

**Employees**

The City has 149 employees: 72 non-union employees and 77 union employees. The City maintains good relationships with the two bargaining units representing its employees.

| Collective Bargaining Unit | Employees | Contract Expires |
|---|---|---|
| Clackamas County Peace Officers Association | 22 | 3 years; June 30, 2002 |
| American Federation of State, County and Municipal Employees | 55 | 5 years; June 30, 2005 |

## City Financial Factors

**Financial Reporting**

The financial statement of the City is prepared in accordance with generally accepted accounting principles ("GAAP"). In addition to presenting the financial position, results of operations, and changes in financial position of the City's funds, the financial statement reconciles differences in reporting activities between the budgetary basis, as presented in the annual approved budget, and the basis according to GAAP as is used in the preparation of the financial report.

**Independent Audit Requirement**

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

The City audits for the fiscal years ended June 30, 1995 through 1999 were performed by Pauly, Rogers and Co., P.C., CPAs, Tigard, Oregon; prior audits were performed by Coopers and Lybrand L.L.P., Portland, Oregon. The audit reports indicate the financial statements fairly present the City's financial condition and are in conformance with generally accepted accounting principles applied on a consistent basis. Pauly, Rogers and Co., P.C. was not requested to review this Official Statement and has not completed any additional auditing review procedures subsequent to the issuance of their report on the 1998–99 fiscal year.

The audited financial statements of the City for the year ended June 30, 1999 are incorporated by reference to this Official Statement and will be filed with the four nationally recognized municipal securities information repositories ("NRMSIR"). Financial statements may be ordered by contacting the individual NRMSIRs, which are currently those listed at the addresses below, or by accessing the NRMSIR website, located at: http://www.sec.gov/consumer/nrmsir.htm.

Bloomberg Financial Markets
Municipal Repository
P.O. Box 840
Princeton, NJ 08542–0840
Phone: (609) 279–3225
Fax: (609) 279–5962
munis@bloomberg.com

Muller Data
Attn: Municipal Disclosure
395 Hudson Street, Third Floor
New York, NY 10014
Phone: (800) 689–8466
Fax: (212) 989–2078
disclosure@muller.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346–0701
Fax: (201) 947–0107
nrmsir@dpcdata.com
www.dpcdata.com/muniannuals/selectiontable.cfm

Standard & Poor's Kenny Repository
55 Wall Street, $45^{th}$ Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3977

Further, a five-year summary of the City's General Fund Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance follows.

## General Fund Balance Sheet
## (Years Ending June 30)

| | Unaudited 2000 | 1999 | 1998 | 1997 | 1996 |
|---|---|---|---|---|---|
| Assets | | | | | |
| Equity in pooled cash & investments | $ 2,013,918 | $ 2,524,367 | $ 2,304,248 | $ 2,271,351 | $ 1,764,882 |
| Cash held by County Treasurer | 26,261 | 32,328 | 29,710 | 33,058 | 27,486 |
| Property taxes receivable | 206,895 | 213,065 | 198,617 | 188,241 | 166,763 |
| Accounts receivable | 194,929 | 229,664 | 158,594 | 140,452 | 176,715 |
| Accrued interest receivable | 8,725 | 9,287 | 10,431 | 23,675 | 3,972 |
| Security deposits | 11,960 | 11,960 | 0 | 0 | 0 |
| Assessment liens receivable | 0 | 0 | 0 | 421 | 421 |
| Due from other governments | 58,899 | 103,647 | 110,952 | 42,052 | 52,913 |
| Prepaid expenses | 0 | 0 | 71,790 | 0 | 0 |
| Total Assets | $ 2,521,587 | $ 3,124,318 | $ 2,884,342 | $ 2,699,250 | $ 2,193,152 |
| Liabilities and Fund Equity | | | | | |
| Liabilities: | | | | | |
| Accounts payable | $ 101,222 | $ 137,086 | $ 197,572 | $ 150,736 | $ 184,609 |
| Accrued salaries and payroll taxes | 512,338 | 440,599 | 205,159 | 159,857 | 143,517 |
| Accrued liabilities | 1,978 | 5,884 | 312,344 | 281,140 | 275,000 |
| Accrued interest payable | 0 | 0 | 0 | 0 | 5,318 |
| Due to other governments | 43,690 | 37,531 | 43,641 | 4,235 | 0 |
| Deposits payable | 283,384 | 417,930 | 418,168 | 565,055 | 199,638 |
| Deferred revenue | 508,920 | 412,941 | 316,129 | 246,272 | 192,911 |
| Total Liabilities: | 1,451,532 | 1,451,971 | 1,493,013 | 1,407,295 | 1,000,993 |
| Fund Equity: | | | | | |
| Fund balance: | | | | | |
| Reserved for prepaid expenditures | 0 | 0 | 71,790 | 0 | 0 |
| Unreserved undesignated | 1,070,055 | 1,672,347 | 1,319,539 | 1,291,955 | 1,192,159 |
| Total Fund Equity | 1,070,055 | 1,672,347 | 1,391,329 | 1,291,955 | 1,192,159 |
| Total Liabilities and Fund Equity | $ 2,521,587 | $ 3,124,318 | $ 2,884,342 | $ 2,699,250 | $ 2,193,152 |

*Source: Audited Financial Statements. Certain categories may have been aggregated for purposes of presentation.*

## General Fund Statement of Revenues, Expenditures and Changes in Fund Balances

### (Years Ending June 30)

| | Unaudited 2000 | 1999 | 1998 | 1997 | 1996 |
|---|---|---|---|---|---|
| Revenues | | | | | |
| Taxes | $ 3,136,348 | $ 2,894,807 | $ 2,727,134 | $ 2,824,680 | $ 2,693,023 |
| Intergovernmental revenues | 218,904 | 243,736 | 293,797 | 328,158 | 225,433 |
| Franchise fees | 1,108,198 | 1,035,693 | 869,899 | 904,446 | 995,761 |
| Licenses and permits | 977,673 | 1,112,166 | 863,936 | 1,003,547 | 689,568 |
| Fines and forfeitures | 466,232 | 327,079 | 240,930 | 204,313 | 185,482 |
| Interest earnings | 112,628 | 100,009 | 83,915 | 97,958 | 102,869 |
| Charges for services | 416,013 | 403,708 * | 403,238 | 379,994 | 283,003 |
| Miscellaneous | 145,563 | 197,407 | 171,998 | 187,077 | 232,337 |
| Total Revenues | 6,581,559 | 6,314,605 | 5,654,847 | 5,930,173 | 5,407,476 |
| Expenditures | | | | | |
| Current: | | | | | |
| General government | 2,943,647 | 2,195,763 * | 1,730,261 | 1,697,519 | 1,444,515 |
| Cultural and recreation | 1,813,757 | 1,603,998 * | 1,500,932 | 1,531,355 | 1,403,654 |
| Public safety | 2,226,107 | 2,027,093 | 2,757,724 | 2,862,614 | 2,688,052 |
| Total Expenditures | 6,983,511 | 5,826,854 | 5,988,917 | 6,091,488 | 5,536,221 |
| Excess of revenues over (under) expenditures | (401,952) | 487,751 | (334,070) | (161,315) | (128,745) |
| Other Financing Sources (Uses) | | | | | |
| Proceeds from capital leases | | | | | |
| Operating transfers in | 551,992 | 456,335 | 433,444 | 296,165 | 332,978 |
| Operating transfers (out) | (752,333) | (663,068) | 0 | (35,054) | (31,450) |
| Total Other Financing Sources (Uses) | (200,341) | (206,733) | 433,444 | 261,111 | 301,528 |
| Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses | (602,293) | 281,018 | 99,374 | 99,796 | 172,783 |
| Beginning fund balance | 1,672,347 | 1,391,329 | 1,291,955 | 1,192,159 | 1,019,376 |
| Ending fund balance | $ 1,070,054 | $ 1,672,347 | $ 1,391,329 | $ 1,291,955 | $ 1,192,159 |

* Restated.

*Source: Audited Financial Statements. Certain categories may have been aggregated for purposes of presentation.*

**Budgetary Process and Controls**

The City prepares an annual budget in accordance with the Oregon Local Budget Law. Chapter 294 of the Oregon Revised Statutes establishes standard procedures for all budget functions for all Oregon local governments. Under the applicable provisions, there must be public participation in the budget process and the adopted budget must be balanced.

The City's administrative staff evaluates the budget requests of the various departments of the City to determine the funding levels of the operating programs. The budget is presented to the public through public hearings held by a budget committee consisting of five Council members and five lay members. After giving due consideration to the input received from the citizens, the City Council adopts the budget, authorizes the levying of taxes and sets appropriations. The budget must be adopted not later than June 30 of each fiscal year.

The budget may be amended during the applicable fiscal year through the adoption of a supplemental budget. Supplemental budgets may be adopted by the City Council pursuant to ORS 294.480.

**General Fund Adopted Budget**
**(Years Ended June 30)**

| | 2001 | 2000 |
|---|---|---|
| Resources | | |
| Beginning Balance | $ 1,203,079 | $ 1,640,001 |
| Current Year's Revenues | | |
| Property Taxes Current | 3,253,510 | 2,917,784 |
| Property Taxes Prior | 125,000 | 113,850 |
| Interest on Delinquent Taxes | 15,100 | 15,020 |
| Other | 2,666,970 | 3,151,100 |
| Interfund Transactions | 1,226,975 | 1,830,787 |
| Total Budgeted Resources | $ 8,490,634 | $ 9,668,542 |
| | | |
| Expenditures: | | |
| City Council | $ 64,189 | $ 63,530 |
| City Manager's Office | 604,231 | 581,459 |
| Finance Department | 551,032 | 535,792 |
| Planning & Building Department | 760,192 | 991,346 |
| Management Information Systems | 269,982 | 134,519 |
| General Facility Services | 162,864 | 141,397 |
| General Services | 735,644 | 731,414 |
| Library Department | 944,977 | 852,788 |
| Parks Department | 1,119,823 | 973,672 |
| Municipal Court | 203,086 | 261,222 |
| Police Department | 1,957,700 | 2,002,588 |
| Fire Department | 112,712 | 111,727 |
| Engineering Department* | 0 | 883,258 |
| Public Works Department* | 0 | 216,991 |
| Interfund Transactions: | | |
| Transfers to Arts Commission Fund | 3,500 | 2,500 |
| Transfers to Community Center OPS | 46,978 | 64,212 |
| Transfers to Fire Serial Levy Fund | 739,424 | 685,621 |
| Operating Contingency | 214,300 | 434,506 |
| Total Budgeted Expenditures | $ 8,490,634 | $ 9,668,542 |

* The City's Engineering Department and Public Works Department were transferred to the City's Special Fund, commencing July 1, 2000.

*Source: City of West Linn 2000-2001 Adopted Budget*

**Pension System**

The Oregon Public Employees Retirement System collects contributions from both employers and employees for the purpose of funding retirement benefits. The system at June 30, 1999, covered approximately 194,311 state and local government Oregon employees and 78,859 retired employee-beneficiaries. The system is administered by the Oregon Public Employees' Retirement Board.

Employee contributions and employer contributions are collected and used to fund a full formula pension retirement allowance. The pension is based on a statutory formula and is set according to employee's final average salary and term of service. Such pensions are paid exclusively out of interest and principal accumulations from member and employer contributions.

The following figures (represented in millions) are as of June 30, 1999 (audited):

| | 1999 | 1998 |
|---|---|---|
| Total system assets | $ 38,653.3 | $ 35,484.8 |
| Total system benefit and refund payments made | 1,413.2 | 1,645.5 |
| Total employer contributions | 510.4 | 492.0 |
| Total employee contributions | 338.9 | 322.4 |
| Total system investment income | 3,473.1 | 4,847.1 |

Total annual payroll of members covered by the system (as of 12/31/97): $5,161.6

The system's pension program is a defined plan, and requires periodic actuarial review. Under ORS 237, this review must be performed at least every two years. The Governmental Accounting Standards Board (GASB) requires actuarial review every two years, with an actuarial update between years.

Pursuant to ORS 238.435,a second tier of benefits for persons who established membership on or after January 1, 1996 ("Tier Two Members"), provides a lower benefit structure than is available to prior members ("Tier One Members"). Any potential reductions in employer contribution rates will not be realized until turnover has occurred and Tier Two Members replace Tier One Members. To establish membership in PERS, a person must work for six months in a qualifying position for a participating employer.

The City's employer contribution rate for the fiscal year ended June 30, 1999 was 7.88 percent of employee compensation. The rate changed to 8.09 percent of employee compensation as of July 1, 1999. The total pension contribution for fiscal year 1998-99 was $658,269, comprised of $383,088 in employer contributions and $275,181 in employee contributions. The City in accordance with collective bargaining agreements paid the 6 percent employee contribution of $275,181. The City's payroll for employees covered by PERS for the fiscal year ended June 30, 1999 was $4,588,700; the City's total payroll was $4,972,375.

**Investment Policy**

ORS 294.035 authorizes Oregon municipalities to invest in obligations, ranging from U.S. Treasury obligations and Agency securities to municipal obligations, bankers' acceptances, commercial paper, certificates of deposit, corporate debt and guaranteed investment contracts, all subject to certain size and maturity limitations. No municipality may have investments with maturities in excess of 18 months without adopting a written investment policy which has been reviewed and approved by the Oregon Short Term Fund Board.

Municipalities are also authorized to invest approximately $32 million (adjusted for inflation) in the Local Government Investment Pool of the Oregon Short-Term Fund, which is managed by the State Treasurer's office. Such investments are managed in accordance with the "prudent person rule" and administrative regulations of the State Treasurer which may change from time to time. Eligible investments presently include all of those listed above, as well as repurchase agreements and reverse repurchase agreements. Currently, the State's investment portfolios are not leveraged and do not contain any derivative products.

## Demographic Information

The City of West Linn is located in Clackamas County. Clackamas County (the "County") is part of the Portland-Vancouver Primary Metropolitan Statistical Area ("Portland PMSA"), which also includes Columbia, Multnomah, Washington and Yamhill counties in Oregon and Clark County in Washington. General economic information regarding the Portland-PMSA and Clackamas County follows.

## Population

Since 1990, the County population has grown ten percent. Growth is attributed to the strong economic growth of the Portland area, with its diversification of industries. Shown below are recent population figures for the City, the County and the State.

**Population**

| **July 1** | **City of West Linn** | **Clackamas County** | **State of Oregon** |
|---|---|---|---|
| 1999 | 22,835 | 326,850 | 3,300,800 |
| 1998 | 21,405 | 323,600 | 3,267,550 |
| 1997 | 20,415 | 317,700 | 3,217,000 |
| 1996 | 19,960 | 313,200 | 3,181,000 |
| 1995 | 19,370 | 308,600 | 3,132,000 |
| **April 1*** | | | |
| 1990 | 16,367 | 278,850 | 2,842,321 |
| 1980 | 11,358 | 241,911 | 2,633,156 |

* U.S. Census Count

*Source: Center for Population Research, Portland State University*

The Portland-Vancouver Primary Metropolitan Statistical Area ("Portland PMSA"), includes Clackamas, Columbia, Multnomah, Washington and Yamhill counties in Oregon and Clark County in Washington. General economic information regarding the Portland PMSA and Clackamas County follows.

## Economic Overview

The early economy of the County grew as a result of fertile agricultural and timber lands and its access to the Willamette and Columbia rivers. The area then began developing as a suburb of Portland, but over the past two decades has developed its own economic base which includes metals fabrication, machinery, high technology firms, and retail trade and distribution. Despite its rapid development, the County still contains prime agricultural land and a strong agricultural economy.

The 2,000-acre *Clackamas Industrial Area* is the largest market location for manufacturing, distribution and warehousing firms. Many metals fabricators and other industrial support services and suppliers are located here. Major employers include Fred Meyer Distribution Center, Safeway Food Distribution and Bread Plant, Ray's Food Service, Gem Top Manufacturing, and Oregon Iron Works.

The *Clackamas Town Center Area,* a regional suburban business center, is the primary market for retail, Class A office space, hotel, and apartment complex development in Portland's eastside. Major developments include the 1.2 million square-foot Clackamas Town Center Mall, Sunnyside Hospital (and several healthcare clinics), an 85-acre regional park and swim center, and two satellite educational campuses for the Oregon Institute of Technology and Clackamas Community College.

*Major Employers.* Clackamas County major employers include the following:

**Clackamas County**
**Major Employers**

| Company | Location | Product | Employees |
|---|---|---|---|
| Kaiser Permanente Hospital | Clackamas | Healthcare | 2,800 |
| Precision Castparts | Clackamas / Milwaukie | Metal castings | 2,075 |
| Mentor Graphics Corporation | Wilsonville | Software and electronic services | 2000+ |
| North Clackamas School District | Milwaukie | Education | 1,530 |
| Clackamas County | Oregon City | Government | 1,400 |
| Fred Meyer Distribution Center | Clackamas | Product warehouse | 1,100 |
| Oregon City School District | Oregon City | Education | 766 |
| Willamette Falls Hospital | Oregon City | Healthcare | 720 |
| SYSCO Food Service of Portland | Wilsonville | Food service distributors | 535 |
| Warn Industries Inc. | Milwaukie | Four-wheel drive parts / accessories | 526 |
| G.I. Joe's Inc. | Wilsonville | Automobile parts / supplies | 337 |
| TNT Reddaway Truck Line | Clackamas | Trucking | 325 |

*Source: North Clackamas County Chamber of Commerce web page April 2000; Clackamas Count as of 1999; and phone calls to employers.*

*Agriculture.* Clackamas County ranks second in crop sales for Oregon counties and first in specialty crops (such as fruits and nuts) and egg / poultry sales. In addition, County farmers grow a wide variety of grass, tree and truck crops.

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

**Clackamas County**
**Harvested Acreage and Gross Farm Sales**

| | | Gross Farm Sales ($000) | | |
|---|---|---|---|---|
| Year | Harvested Acreage | Crop Sales | Animal Products Sales | Total Gross Farm Sales |
| 1999* | 54,704 | $246,495 | $45,921 | $292,416 |
| 1998 | 60,759 | 221,847 | 39,916 | 261,763 |
| 1997 | 55,094 | 209,032 | 46,181 | 255,213 |
| 1996 | 63,043 | 198,926 | 44,626 | 243,552 |
| 1995 | 63,200 | 179,246 | 43,731 | 222,977 |
| 1994 | 62,790 | 175,740 | 44,182 | 219,922 |

* Preliminary, subject to change.

*Source: Oregon State University Extension Service, "Oregon County and State Agricultural Estimates," Special Report 790*

A comparison between 1992 and 1997 of the number of acres in farm land, the average size of farms, and number of full-time farms in Clackamas County is shown below:

**Clackamas County**
**Farm Profile**

| | 1992 | 1997 | Percent Increase |
|---|---|---|---|
| Land in farms (acres) | 148,848 | 179,650 | 21% |
| Average size of farms (acres) | 47 | 48 | 2 |
| Full-time farms | 1,154 | 1,346 | 17 |

*Source: United States Department of Agriculture, Oregon Agricultural Statistics Service, 1997 Census of Agriculture*

*Portland-Vancouver PMSA Economy*. The economy of the Portland metropolitan area is broad and widely diversified. Historically, the two major manufacturing industries locally were forest products and food products processing due to the abundance of forests and agricultural land in the State. In 1950, these two industries accounted for over 40 percent of all local manufacturing employment, and today account for about 15 percent of employment in manufacturing. Forest and food products manufacturing remain important sectors of the economy; however, growth in manufacturing has diversified to include machinery, electrical and electronic equipment, transportation equipment, primary and fabricated metals and other durable goods. Currently, manufacturing accounts for 15 percent of the total non-agricultural employment in the Portland PMSA.

Current 1999 information within the Portland PMSA shows total employment of 1,000,100 out of a civilian labor force of 1,047,200, a 95.5 percent employment rate. Recent statistics on the Portland PMSA labor force follow.

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

| | | | | 1999 Change from | |
|---|---|---|---|---|---|
| | **1999(1)** | **1998(2)** | **1997** | **1998** | **1997** |
| Civilian Labor Force (3) | 1,047,200 | 1,046,900 | 1,024,800 | 300 | 22,400 |
| Unemployment | 47,100 | 44,800 | 44,000 | 2,300 | 3,100 |
| Percent of Labor Force | 4.5% | 4.3% | 4.3% | xxx | xxx |
| Total Employment (4) | 1,000,100 | 1,002,100 | 980,800 | -2,000 | 19,300 |

(1) Preliminary.
(2) Revised.
(3) Includes employed and unemployed individuals 16 years and older. Data are adjusted for multiple job holding and commuting.
(4) Includes non-agricultural wage and salary, self-employed, unpaid family workers, domestics, agriculture, and labor disputants.

*Source: State of Oregon Employment Department, 1999 and 1998 statistics are as of March 2000, 1997 statistics are as of April 2000.*

Non-agricultural employment within the Portland PMSA follows.

**Portland–Vancouver PMSA**
**1999 Non-Agricultural Employment**

| **Category** | **Employed** | **Percent** |
|---|---|---|
| Manufacturing | 145,100 | 15.4% |
| Non-Manufacturing | 800,700 | 84.6 |
| Total non-agricultural employment | 945,800, | 100.0% |

Machinery, electronics and other electrical equipment are the leading manufacturing employers within the Portland PMSA.

The Portland PMSA's non-manufacturing employment can be summarized as follows:

| **Non-Manufacturing Employment Category** | **1999 Employed** | **Percent of Non-Manufacturing** |
|---|---|---|
| Trade | 234,700 | 29.3% |
| Services | 268,200 | 33.5 |
| Government | 122,700 | 15.3 |
| Other | 175,100 | 21.9 |
| Total Non-Manufacturing | 800,700 | 100.0% |

Trade employment is primarily in retail establishments. Services and miscellaneous employment is quite diversified, but the two leading subcategories are business services and health services. Additional details on non-agricultural employment are as follows:

**Portland-Vancouver PMSA**
**Nonagricultural Wage & Salary Employment**
**(by place of work)**

| | | | | 1999 Change from | |
|---|---|---|---|---|---|
| | **1999(1)** | **1998(2)** | **1997** | **1998** | **1997** |
| Total Employment | 945,800 | 932,900 | 916,700 | 12,900 | 29,100 |
| Manufacturing | 145,100 | 149,200 | 147,300 | -4,100 | -2,200 |
| Durable Goods | 106,300 | 109,000 | 106,600 | -2,700 | -300 |
| Nondurable Goods | 38,800 | 40,200 | 40,700 | -1,400 | -1,900 |
| Nonmanufacturing | 800,700 | 783,700 | 769,400 | 17,000 | 31,300 |
| Water Construction & Mining | 53,400 | 54,400 | 55,100 | -1,000 | -1,700 |
| Trans., Comm. & Utilities | 55,100 | 53,900 | 52,400 | 1,200 | 2,700 |
| Trade | 234,700 | 231,300 | 227,700 | 3,400 | 7,000 |
| Finance, Ins. & Real Est. | 66,600 | 67,100 | 66,700 | -500 | -100 |
| Services & Miscellaneous | 268,200 | 259,300 | 252,500 | 8,900 | 15,700 |
| Government | 122,700 | 117,800 | 114,8 00 | 4,900 | 7,900 |
| Labor-Management Disputes | 100 | 100 | 400 | 0 | -300 |

(1) Preliminary.
(2) Revised.

*Source: State of Oregon Employment Department, 1999 and 1998 statistics are as of March 2000, 1997 statistics are as of April 2000.*

*Unemployment.* In current years, unemployment rates in the Portland-Vancouver PMSA have been lower than those in the rest of the State and in the nation as can be seen in the following table.

**Average Annual Unemployment Rates**

| **Year** | **Portland–Vancouver PMSA** | **State** | **U.S.A.** |
|---|---|---|---|
| 1999 | 4.2% | 5.7% | 4.2% |
| 1998 | 4.3 | 5.6 | 4.5 |
| 1997 | 4.3 | 5.8 | 4.9 |
| 1996 | 4.5 | 5.9 | 5.4 |
| 1995 | 3.7 | 4.8 | 5.6 |

*Source: State of Oregon Employment Department; U.S. Department of Labor, Bureau of Labor Statistics.*

### Transportation

Easy access to the freeway system has benefited areas along Interstate Highway 205 ("I-205"), which bisects the County and the City. This bypass link of Interstate Highway 5 runs between Wilsonville to the south and Clark County, Washington to the north. I-205 also connects Clackamas County to Portland International Airport. Most of the segments through Clackamas County were completed during the mid-1970s. At that time major retail and commercial developments occurred in the areas bordering the freeway.

The Port of Portland is coterminous with Clackamas, Multnomah and Washington counties, and it owns marine berthing, terminal and repair facilities; docks, piers, and storage and warehouse facilities; and other support facilities for incoming and outgoing marine commerce. The Port also operates Portland International Airport located approximately 20 miles northeast of the City on I-205.

**Economic Indicators**

Following are additional economic indicators.

*Building Permits.* Historical building permits for new single family and multi-family residences follows:

**City of West Linn**
**Residential Building Permits**

| | New Single Family | | New Multi Family | | Total |
|---|---|---|---|---|---|
| **Year** | **Number** | **Valuation** | **Number** | **Valuation** | **Valuation** |
| 2000* | 147 | $ 33,423,906 | 0 | $ 0 | $ 33,423,906 |
| 1999 | 94 | 22,993,769 | 6 | 847,538 | 23,841,307 |
| 1998 | 116 | 27,314,157 | 449 | 30,904,532 | 58,218,689 |
| 1997 | 190 | 42,948,292 | 168 | 12,056,938 | 55,005,230 |
| 1996 | 169 | 37,188,897 | 33 | 4,690,012 | 41,878,909 |
| 1995 | 215 | 46,920,071 | 19 | 2,464,340 | 49,384,411 |

* Year-to-date data through July 2000.

*Source: Oregon Building Permit Report, Center for Population Research and Census, Portland State University.*

*Income.* Historical personal income and per capita income within Clackamas County and the State of Oregon follows:

**Clackamas County and State of Oregon**
**Total Personal and Per Capita Income**

| | Personal Income (Millions) | | Per Capita Income | |
|---|---|---|---|---|
| **Year** | **Clackamas County** | **State of Oregon** | **Clackamas County** | **State of Oregon** |
| 1998 | $10,280.6 | $85,043.5 | $30,709 | $25,912 |
| 1997 | 9,772.2 | 81,039.9 | 29,580 | 24,987 |
| 1996 | 9,014.8 | 75,560.8 | 27,859 | 23,649 |
| 1995 | 8,325.7 | 71,209.3 | 26,357 | 22,668 |
| 1994 | 7,683.6 | 66,129.7 | 24,787 | 21,421 |

*Source: U.S. Department of Commerce, Regional Economic Information System, Bureau of Economic Analysis, June 15, 2000*

## Legislative Referrals

Referrals are proposed laws that originate from the Legislature to be voted on by the people.

The Oregon Legislature referred a measure, known as Measure 88, to the November 2000 election. Under current law, joint-return personal income taxpayers generally may deduct up to $3,000 of their federal income tax payments from their Oregon taxable income. If approved by the voters in the November 2000 election, Measure 88 would increase the deductible amount to $5,000. The deductible amount also increases for other categories of taxpayers. The amendments would apply to tax years beginning on or after January 1, 2002.

By allowing a larger subtraction of federal personal income taxes from Oregon income, this Measure would reduce State General Fund revenue by approximately $47 million in fiscal year 2001-02, $120 million in fiscal year 2002-03 and approximately $130 million per year thereafter. This impact will grow according to growth in overall income tax revenue. There would be no loss to the State's General Fund in the current biennium. **The City believes voter approval of Measure 88 should not affect the City's ability to pay the Obligations.**

## The Initiative and Referendum Process

The Article IV, Section 1 of the Oregon Constitution reserves the initiative and referendum power to the people of the State of Oregon. The "referendum power" generally means the power of the people to require that a statewide vote be held on laws adopted by a governing body such as the State Legislative Assembly. The "initiative power" generally means the power to propose legislation for consideration by the state's voters without action by a governing body. The initiative power allows the people of the State of Oregon to amend the Oregon Constitution or enact legislation by placing a measure before the voters of the state.

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

After the ballot title has been certified the proponents of the initiative gather signatures on the petition. A petition to initiate a constitutional amendment must receive signatures of electors numbering at least eight percent of the qualified voters (87,230 signatures for the November 7, 2000 election). A petition to initiate a statute must be receive signatures of electors numbering at least six percent of the qualified voters (65,422 signatures for the November 7, 2000 election). The number of qualified voters is equal to the total number of votes cast for all candidates for governor at the last regular gubernatorial election before the petition was filed the Secretary of State. Current law only allows initiative petitions to be submitted to voters at general elections in even numbered years.

Any elector may sign an initiative petition for any measure on which the elector is entitled to vote.

The initiative petition must be filed with the Secretary of State at least four months before the election at which at which it will be voted upon. As a practical matter, under current law proponents of an initiative have approximately two years in which to gather the necessary number of signatures. State law permits persons circulating initiative petitions to pay money to persons obtaining signatures for the petition. If the person obtaining signature is being paid, the signature sheet must contain a notice of such payment.

### Historical Initiative Petitions

Over the past decade Oregon has witnessed increasing activity in the number of initiative petitions that have qualified for the statewide general election. According to the Elections Division of the Oregon Secretary of State, the number of initiative petitions that have qualified for the ballot and the number that have passed in the general elections in the years 1988, 1990, 1992, 1994, 1996, 1998 and 2000 are as follows:

| Year of General Election | Number of Initiatives that Qualified | Number of Initiatives that Passed |
|---|---|---|
| 2000 | 18 | * |
| 1998 | 10 | 6 |
| 1996 | 16 | 4 |
| 1994 | 16 | 8 |
| 1992 | 7 | 0 |
| 1990 | 8 | 3 |
| 1988 | 5 | 3 |

* The Secretary of State posts a listing of initiatives to be voted on at the November 7, 2000 general election (the "2000 Initiative Log") on its web site: www.sos.state.or.us.

*Source: Elections Division, Oregon Secretary of State, 2000 INITIATIVE LOG Elections Division as of August 4, 2000.*

**Initiative Petitions Which Have Qualified For The November 2000 Ballot**

The statewide initiative measures discussed below have qualified to be placed on the November 2000 ballot. If approved by the voters, the measures appear to have a material adverse impact on the financial condition of many local governments in Oregon, including the City. The City cannot predict whether the voters will approve any of the initiative measures.

Measure 91: Deduction of Federal Income Taxes from Oregon Taxable Income. Measure 91 would allow Oregon income taxpayers to deduct the full amount of federal income tax paid from their Oregon taxable income. As was discussed with regards to Measure 88 (see "Legislative Referrals" herein), under current law, personal income taxpayers generally may deduct up to $3,000 of their federal income tax payments from their Oregon taxable income. If approved by the voters in the November 2000 election, there is ambiguity whether Measure 91, unlike Measure 88, would be retroactive to January 1, 2000, forcing all reductions to State revenues to occur between November 2000 and June 30, 2001 for the current biennium. The statement in the Voters' Pamphlet will state that if Measure 91 applies to the 2000 tax year, the Measure will reduce State revenue by approximately $870 million in fiscal year 2000-01. If corporate excise taxpayers are subject to the Measure, State revenues will be reduced by an additional $66 million for 2000-01. State revenues will be reduced $800 million to $1 billion per year thereafter. This reduction in State income tax revenues may result in a corresponding reduction of payments to the City. The approval of Measure 91 may have an adverse effect on the financial condition of the City; however, **the City believes that voter approval of Measure 91 should not affect the City's ability to pay the Obligations.**

A copy of Measure 91 is available at the website of the Oregon Secretary of State, at www.sos.state.or.us.

Measure 93: Requiring Voter Approval of Taxes, Fees and Charges. Measure 93 limits future tax, fee and charge increases and requires refunds of certain past collections.

While the City can not predict with certainty how Measure 93 will be interpreted, **the City believes that Measure 93 will not materially and adversely affect the City's ability to pay the Obligations.**

*Basic Provisions.* Measure 93 (the "Measure") amends the Oregon Constitution to require special, supermajority voter approval for new or increased state or local government taxes, fees and charges, and to require a refund of past collections, unless the measure exempts them.

*Special, Supermajority Approval.* The Measure requires approval of taxes, fees and charges by not less than the percentage of voters approving the Measure, and can be given only at the biennial general election or at one annual election if the legislature permits approval of statewide initiatives at that election. Current law only allows initiative petitions to be approved at biennial general elections. Simple majority approval is adequate to renew certain police, fire, and 911 levies and for gas tax increases. All ballots must state that approval will increase taxes, even if the ballot proposes fee and charge increases.

*Retroactive Refund.* Governments must refund taxes, fees and charges newly imposed or increased more than three percent after December 6, 1998 unless they are exempt, were originally approved by the supermajority called for in the Measure, or are approved by a simple majority of voters at the first election after the Measure takes effect.

*Exemptions.* The Measure exempts the following fees and charges from its voter approval requirements: Peoples' utility and port district; mass transit; college and university; incurred charges and assessments for local improvements; increases which pass through certain wholesale inputs; fines or forfeitures; lottery revenue; certain fees paid to business and trade associations; interest earnings; investments; donations; asset sales; charges for anything provided by government which is available from the private sector if the governmental charge does not exceed the average private sector charge in that market; and inflationary increases after the effective date of the Measure in certain fees and charges which were in effect on December 6, 1998 or which receive special, supermajority voter approval.

*Borrowings.* The Measure appears to require voter approval of certificates of participation and similar financing techniques; it is not clear whether the Measure will restrict other kinds of borrowings.

*Emergency Overrides.* The Measure permits state and local governments to impose temporary charges for not more than one year without voter approval. State temporary charges must be: for a specific purpose, approved by a three-fourths vote of each house of the Legislative Assembly, and signed by the Governor. Local government taxes are permitted only if the Governor declares a local emergency, the local governing body approves the tax by a three-fourths vote, and the tax receives special, supermajority voter approval within 90 days after the declaration of emergency. The Measure may not permit emergency local fee and charge increases.

*Attorney's Fees.* The Measure requires governments to pay attorney's fees to taxpayers who successfully challenge a tax, fee, charge or bond issue; governments may receive attorney's fees when they prevail only if the suit is frivolous.

The Measure requires governments to repay collections made in violation of the Measure with interest.

*Impact on the City's General Fund.* New impound fees were implemented in the 1998-99 fiscal year and fee revenues totaled $43,000. Dog license fees increased in 1998-99, too. The total potential liability to the City is $22,000.

*The City's Obligation to Refund Gross Revenues.* At the November 3, 1998 general election, City voters approved a 3.7 percent water rate increase by a margin of 53.2 percent. The rate increase took effect on December 1, 1998, and the first billings reflecting that increase were mailed on February 1, 1999. The City believes that it will not owe a refund for this rate increase because the increased rate was in effect on December 6, 1998, the beginning of the retroactive period described in the Measure. In addition, if the Measure passes by a margin of 53.2 percent or less, the November 3, 1998 increase should not be subject to the Measure's refund requirement because that increase received supermajority voter approval. In estimating its maximum refund liability the City has assumed that no part of this 3.7 percent rate increase must be refunded.

On May 18, 1999, City voters approved a charter amendment (the "Charter Amendment" which allows an annual increase in water rates of 5 percent and requires voter approval for increases of more than five percent. The Charter Amendment was approved by a margin of 70.8 percent. Pursuant to that Charter Amendment, the City has increased water rates by 5 percent on two occasions: first in September 1999 and again in March 2000. Voter approval of the Charter Amendment may be sufficient to exempt the September 1999 and March 2000 increases from the refund requirement, however, the City has assumed in estimating its maximum refund liability that the portion of these increases which exceed three percent of the rates in effect on December 6, 1998, must be refunded.

If the City is required to refund revenues from prior water sales which increased by more than three percent after December 6, 1998, the refund is estimated by the City to not exceed $250,000. The City believes that it could pay a refund of this magnitude without materially and adversely affecting basic Water System operations.

A copy of Measure 93 is available at the website of the Oregon Secretary of State, at www.sos.state.or.us.

<u>Measure 8: Appropriations for State Government Expenditures</u>. The Appropriation Growth Limit Initiative (Measure 8) would amend the Oregon Constitution by creating a new Section 1d under Article IX. This measure provides that appropriations for State government expenditures in each biennium shall not exceed 15 percent of the State's personal income, which is defined as the total personal income, as computed by the federal government, for the two calendar years ending before the beginning of the biennium. Appropriation limits may be increased for a biennium, but only after a declaration of an emergency by the Governor and by a three-fourths majority vote in both houses of the Legislature. Measure 8 is effective commencing with the 2001-2003 biennium. Revenues received in excess of the limits, other than earnings from dedicated investment funds received by the State in excess of the appropriation limits shall be distributed to taxpayers on a proportional basis. Appropriations funded from proceeds of bonds issued by the State of Oregon are exempt; however, appropriations funded by "revenues from all other instruments of debt" (e.g., State certificates of participation), are subject to limitations of Measure 8. Further, appropriations to pay debt service on all State debt (presumably both bonds and cops) are subject to the limitations of this measure. According to the

financial impact statement attached to the Measure, the Measure will reduce State government appropriations by an estimated $5.7 billion for the 2001-2003 biennium. The Measure may result in a reduction of State-shared state and federal revenues to local governments. **The City believes that voter approval of Measure 8 should not affect the City's ability to pay the Obligations.**

Measure 7: Requiring Compensation for Property Value Reductions. Measure 7 is an initiative to amend the Oregon Constitution and has qualified for the November ballot. If approved by the voters, Measure 7 would require State and local governments to compensate private, real property owners for a reduction in the fair market value in an owner's property due to a regulation that restricts the use of the property. Measure 7 states that compensation is "due [to a] property owner if the regulation was adopted, first enforced or applied after the current owner of the property became the owner."

A fiscal impact committee, made up of the Secretary of State, Treasurer, the director of the Department of Administrative Services and the director of the Department of Revenue, has estimated the local government impact of the Measure to be $3.8 billion a year. The City has not estimated the fiscal impact of the Measure on the City; however, if Measure 7 is approved, it is likely to have a material adverse impact on the financial condition of the City. However**, the City believes that the Measure will not have a material adverse and long term effect on the ability of the City to pay the Obligations.**

## Tax Exemption

The Internal Revenue Code of 1986, as amended (the "Code") imposes certain requirements that must be met subsequent to the execution and delivery of the Obligations in order for interest on the Obligations to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause interest on the Obligations to be included in gross income for federal income tax purposes retroactive to the issue date of the Obligations. These requirements include limitations on the use of proceeds of the Obligations, limitations on the investment of proceeds of the Obligations prior to expenditure and a requirement that excess arbitrage earned on the investment of proceeds of the Obligations be rebated on a periodic basis to the United States under certain circumstances. The City has covenanted in the transaction documents that they will comply with these requirements (the "Tax Covenants.")

In the opinion of Preston Gates & Ellis LLP, Special Counsel to the City, under existing law and assuming compliance by the City with certain tax covenants described herein, interest on the Obligations is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of determining the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Special Counsel, interest on the Obligations is exempt from present personal income tax imposed by the State of Oregon.

However, Special Counsel notes that interest on the Obligations owned by corporations will be taken into account for purposes of determining the alternative minimum tax imposed on 75 percent of the excess of a corporation's adjusted current earnings over its alternative minimum taxable income (determined without regard to this adjustment and the alternative tax net operating loss).

Special Counsel expresses no opinion on any other federal, state or local tax consequences arising with respect to ownership of the Obligations. Special Counsel has not undertaken to advise in the future whether any events after the date of execution and delivery of the Obligations may affect the tax status of the Obligations.

Although Special Counsel has rendered an opinion that the interest on the Obligations is excluded from gross income for federal income tax purposes, prospective purchasers of the Obligations should be aware that ownership of the Obligations may result in collateral federal income tax consequences to certain taxpayers including, without limitation, financial institutions, property and casualty insurance companies, certain S corporations, recipients of Social Security and Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Obligations. Prospective purchasers of the Obligations should consult their tax advisors with respect to all such possible collateral consequences and as to the treatment of interest on the Obligations under the tax laws of any state other than Oregon.

*Financial Institutions.* The City has designated the Obligations as qualified tax-exempt obligations for banks, thrift institutions and other financial institutions so that such financial institutions will not be denied a deduction of 100 percent of their interest expenses allocable to the Obligations. However, corporate tax preference rules reduce by 20 percent the amount that may be deducted by such financial institutions for interest on funds allocable to tax-exempt obligations such as the Obligations.

## Continuing Disclosure

The Securities and Exchange Commission has published amendments to Rule 15c2-12 (the "Rule") that require at least annual disclosure of current financial information and timely disclosure of certain events with respect to the Obligations, if material. Pursuant to the Rule, the City has agreed to provide to each nationally recognized municipal securities information repository and to the appropriate state information depository, if any, audited financial information of the City and certain financial information or operating data. In addition, the City has agreed to provide to the Municipal Securities Rulemaking Board and to any state information repository, notice of certain events, pursuant to the requirements of Section (b)(5)(i) of the Rule. The City has not failed to comply with any prior undertaking under the Rule since July 3, 1995, the date on which the Rule became effective. A copy of the City's Continuing Disclosure Certificate is attached hereto as Appendix D.

## Legal and Underwriting

### Approval of Counsel

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

### Litigation

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

### Underwriting

The Obligations are being purchased by Seattle-Northwest Securities Corporation, the Underwriter. The purchase contract provides that the Underwriter will purchase all of the Obligations, if any are purchased, at a price of 98.2372 percent of the par value of the Obligations, plus accrued interest. The Obligations will be reoffered at an average price of 98.9499 percent of the par value of the Obligations. After the initial public offering, the public offering prices may be varied from time to time.

### Concluding Statement

All estimates, assumptions, statistical information and other statements contained herein, while taken from sources considered reliable, are not guaranteed by the Underwriter or the City. So far as any statement herein includes matters of opinion, or estimates of future expenses and income, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

The information contained herein should not be construed as representing all conditions affecting the City or the Series 2000 Obligations. Additional information may be obtained from the City. The statements relating to the Resolution are in summarized form, and in all respects are subject to and qualified in their entirety by express reference to the provisions of such document in its complete form.

Information with respect to the City set forth in this Official Statement has been supplied by the City, and the Underwriter has relied on the City with respect to the accuracy and sufficiency of such information.

# Appendix A

**Form of Special Counsel Opinion**

November 6, 2000

City of West Linn
22500 Salamo Road #600
West Linn, Oregon 97068

Seattle-Northwest Securities Corporation
1000 S.W. Broadway, Suite 1800
Portland, Oregon 97205

Subject: $4,300,000 City of West Linn, Oregon Full Faith and Credit Obligations, Series 2000

We have acted as special counsel in connection with the authorization and execution by the City of West Linn, in Clackamas County, Oregon (the "City") of a Financing Agreement between the City, as Borrower, and U.S. Bank Trust National Association, as Escrow Agent, which is dated as of November 1, 2000 (the "Financing Agreement"), and an Escrow Agreement between U.S. Bank Trust National Association, as Escrow Agent (the "Escrow Agent"), and the City, which is dated as of November 1, 2000 (the "Escrow Agreement"), as authorized by Resolution No. 00-48 of the City adopted October 23, 2000. The Escrow Agreement provides for the execution and delivery by the Escrow Agent of Full Faith and Credit Obligations, Series 2000 (the "Obligations"), dated November 1, 2000 and in the aggregate principal amount of Four Million Three Hundred Thousand Dollars ($4,300,000). The Obligations represent undivided proportionate ownership interests in specified Loan Payments to be made under the Financing Agreement by the City. Any capitalized terms not defined herein shall have the meanings assigned to them in the Financing Agreement and the Escrow Agreement.

We have examined the law, a duly certified transcript of proceedings of the City, prepared in part by us, relating to the execution and delivery of the Financing Agreement, the Escrow Agreement and the Obligations, and other documents which we deem necessary to render this opinion.

We have relied on the representations of the City contained in the Financing Agreement and the Escrow Agreement and in the certified proceedings and other certifications of public officials regarding questions of fact material to our opinion and have not undertaken to verify the same by independent investigation.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering material relating to the Obligations, except to the extent, if any, stated in the official statement, and we express no opinion relating thereto, excepting only the matters set forth as our opinion in the official statement.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Obligations, the Financing Agreement and the Escrow Agreement have been duly authorized, executed and delivered by the City, and constitute valid and binding agreements of the City which are enforceable in accordance with their terms.

2. The interest portion of the Loan Payments is excluded from gross income for purposes of federal income taxation under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"). We are also of the opinion that the Obligations are not private activity bonds.

3. The interest portion of the Loan Payments is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or corporations, but is taken into account in the

computation of adjusted current earnings for purposes of the corporate alternative minimum tax under Section 55 of the Code.

4. Under the Code, the City is required to comply with certain requirements relating to the use of the facilities financed with the proceeds of the Obligations and the use and investment of the proceeds of the Obligations. The City has covenanted to comply with these requirements and our opinion assumes such compliance. Failure to comply with these requirements may cause the interest portion of the Loan Payments to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Obligations.

5. The City has designated the Obligations as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

6. The interest portion of the Loan Payments is exempt from State of Oregon personal income taxes.

Except as stated herein, we express no opinion regarding any federal, state or local tax consequences arising with respect to ownership of the Obligations. Owners of the Obligations should be aware that the ownership of tax-exempt obligations may result in collateral tax consequences.

The opinions set forth above are qualified only to the extent that enforceability of the Obligations may be limited by or rendered ineffective by (i) bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting creditors' rights generally; (ii) the application of equitable principles and the exercise of judicial discretion in appropriate cases; (iii) common law and statutes affecting the enforceability of contractual obligations generally; (iv) principles of public policy concerning, affecting or limiting the enforcement of rights or remedies against governmental entities such as the City.

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

Respectfully submitted,

PRESTON GATES & ELLIS LLP

Lawyers

# Appendix B

**Financial Statements**

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

PAULY, ROGERS AND CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

• 12700 SW 72ND AVENUE • TIGARD, OREGON 97223
• (503) 620-2632 • FAX (503) 684-7523

March 21, 2000

To the Honorable Mayor and
Members of the City Council
City of West Linn
West Linn, Oregon

INDEPENDENT AUDITORS' REPORT

We have audited the general purpose financial statements of the City of West Linn, Oregon, as of and for the year ended June 30, 1999 as listed in the table of contents. The general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 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 the City of West Linn, Oregon, as of June 30, 1999 and the results of its operations, and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended, in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary data of combining and individual fund and account group statements and other financial schedules, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. 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 stated in all material respects in relation to the general purpose financial statements taken as a whole.

Pauly, Rogers and Co., P.C.



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# City of West Linn, Oregon

## General Purpose Financial Statements

# City of West Linn, Oregon
## Combined Balance Sheet
## All Fund Types and Account Groups
*June 30, 1999*

| | Governmental Fund Types | | | | Proprietary Fund Types | | Fiduciary Fund Types | Account Groups | | Totals (Memorandum Only) | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | General | Special Revenue | Debt Service | Capital Projects | Enterprise | Internal Service | Trust and Agency | General Fixed Assets | General Long-Term Debt | June 30, 1999 | June 30, 1998 |
| **ASSETS AND OTHER DEBITS** | | | | | | | | | | | |
| Equity in Pooled Cash and Investments | $ 2,524,367 | $ 7,315,823 | $ 106,061 | $ 4,170,574 | $ 2,161,352 | $ 384,461 | $ 167,440 | | | $ 16,830,078 | $ 13,675,402 |
| Cash Held by County Treasurer | 32,328 | 20,481 | 2,517 | | | | | | | 55,326 | 49,808 |
| Cash with Fiscal Agent | | | 350 | | | | | | | 350 | 18,960 |
| Property Taxes Receivable | 213,065 | 138,051 | 17,083 | | | | | | | 368,199 | 323,437 |
| Accounts Receivable, Net | 229,664 | 75,291 | | 115,845 | 677,103 | | | | | 1,097,703 | 856,925 |
| Contracts Receivable | | | | | - | | | | | - | 57,607 |
| Accrued Interest Receivable | 9,287 | 26,105 | 309 | 17,018 | 5,111 | 1,222 | 581 | | | 59,633 | 96,039 |
| Security Deposits | 11,960 | | | | | | | | | 11,960 | - |
| Due from Other Governments | 103,647 | 169,318 | | | | | | | | 272,965 | 203,245 |
| Inventory | | | | | 79,819 | 21,030 | | | | 100,849 | 100,849 |
| Prepaid Expenditures | | | 15,181 | | | | | | | 15,181 | 71,790 |
| Restricted Assets: | | | | | | | | | | | |
| Equity in Pooled Cash and Investments | | | | | | | | | | - | 424,689 |
| Accrued Interest Receivable | | | | | | | | | | - | 2,990 |
| Fixed Assets, Net | | | | | 18,398,860 | 34,714 | | $ 11,856,465 | | 30,290,039 | 27,072,591 |
| Investment in South Fork Water Board | | | | | 3,285,285 | | | | | 3,285,285 | 2,618,802 |
| Amount to be Provided for Bonded Debt Service | | | | | | | | | $ 124,892 | 124,892 | 873,079 |
| Amount Available for Bonded Debt Service | | | | | | | | | 4,950,108 | 4,950,108 | 96,921 |
| Total Assets and Other Debits | $ 3,124,318 | $ 7,745,069 | $ 141,501 | $ 4,303,237 | $ 24,607,530 | $ 441,427 | $ 168,021 | $ 11,856,465 | $ 5,075,000 | $ 57,462,568 | $ 46,543,134 |
| **LIABILITIES, FUND EQUITY AND OTHER CREDITS** | | | | | | | | | | | |
| Liabilities: | | | | | | | | | | | |
| Accounts Payable | $ 137,086 | $ 379,802 | | $ 157,856 | $ 277,531 | $ 12,822 | | | | $ 965,097 | $ 600,026 |
| Accrued Salaries and Payroll Taxes | 440,599 | 73,956 | | | | | | | | 514,555 | 209,214 |
| Accrued Liabilities | 5,884 | | | | 32,130 | 752 | | | | 38,766 | 412,086 |
| Accrued Interest Payable | | | | | | | | | | - | - |
| Due to Other Governments | 37,531 | | | | 262,683 | | | | | 300,214 | 694,800 |
| Deposits Payable | 417,930 | | | | 37,709 | | | | | 455,639 | 724,939 |
| Contract Retainage Payable | | | | 148 | 1,270 | | | | | 1,418 | 53,871 |
| Deferred Revenue | 412,941 | 131,394 | $ 16,259 | | | | | | | 560,594 | 432,929 |
| Matured Interest Payable | | | 350 | | | | | | | 350 | 350 |
| Bonds Payable | | | | | | | | | $ 5,075,000 | 5,075,000 | 970,000 |
| Total Liabilities | 1,451,971 | 585,152 | 16,609 | 158,004 | 611,323 | 13,574 | - | - | 5,075,000 | 7,911,633 | 4,098,215 |
| Fund Equity and Other Credits: | | | | | | | | | | | |
| Contributed Capital | | | | | 21,351,204 | 61,135 | | | | 21,412,339 | 20,195,932 |
| Investment in General Fixed Assets | | | | | | | | $ 11,856,465 | | 11,856,465 | 9,724,729 |
| Retained Earnings Reserve for Construction | | | | | | | | | | - | 296,830 |
| Retained Earnings Unreserved | | | | | 2,645,003 | 366,718 | | | | 3,011,721 | 2,349,198 |
| Fund Balances: | | | | | | | | | | | |
| Reserved for Prepaid Expenditures | | | | | | | | | | - | 71,790 |
| Reserved for Endowments | | | | | | | $ 168,021 | | | 168,021 | 169,702 |
| Reserved for System Development | | 3,370,656 | | | | | | | | 3,370,656 | 3,421,405 |
| Unreserved: | | | | | | | | | | | |
| Designated for Debt Service | | | 124,892 | | | | | | | 124,892 | 96,921 |
| Undesignated | 1,672,347 | 3,789,261 | | 4,145,233 | | | | | | 9,606,841 | 6,118,412 |
| Total Fund Equity and Other Credits | 1,672,347 | 7,159,917 | 124,892 | 4,145,233 | 23,996,207 | 427,853 | 168,021 | 11,856,465 | - | 49,550,935 | 42,444,919 |
| Total Liabilities and Fund Equity | $ 3,124,318 | $ 7,745,069 | $ 141,501 | $ 4,303,237 | $ 24,607,530 | $ 441,427 | $ 168,021 | $ 11,856,465 | $ 5,075,000 | $ 57,462,568 | $ 46,543,134 |

The accompanying notes are an integral part of the general purpose financial statements.



The accompanying notes are an integral part of the general purpose financial statements.

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## City of West Linn, Oregon
## Combined Statement of Revenues, Expenditures and Changes in Fund Balances
## All Governmental Fund Types
*For the Year Ended June 30, 1999*

| | Governmental Fund Types | | | | Totals (Memorandum Only) | |
|---|---|---|---|---|---|---|
| | General | Special Revenue | Debt Service | Capital Projects | 1999 | 1998 |
| REVENUES: | | | | | | |
| Taxes | $ 2,894,807 | $ 2,049,274 | $ 254,839 | | $ 5,198,920 | $ 4,858,478 |
| Intergovernmental Revenues | 243,736 | 1,695,738 | | | 1,939,474 | 1,877,949 |
| Franchise Fees | 1,035,693 | 51,770 | | | 1,087,463 | 925,651 |
| Licenses and Permits | 1,112,166 | - | | | 1,112,166 | 863,936 |
| Charges for Services | 1,563,016 | 400,587 | | | 1,963,603 | 794,565 |
| Fines and Forfeitures | 327,079 | - | | | 327,079 | 240,930 |
| Recycling revenues | | 1,371,876 | | | - | 43,820 |
| Systems Development Fees | | - | | | - | 1,341,567 |
| Interest Earnings | 100,009 | 394,936 | 5,377 | $ 152,707 | 653,029 | 558,839 |
| Miscellaneous | 197,407 | 21,562 | 130 | 289,079 | 508,178 | 361,544 |
| Total Revenues | 7,493,913 | 5,985,743 | 260,346 | 441,786 | 12,809,912 | 11,867,079 |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| General Government | 3,351,167 | 510,079 | | 2,923,477 | 6,784,723 | 2,125,823 |
| Cultural and Recreation | 1,827,902 | 140,612 | | | 1,768,514 | 2,146,003 |
| Public Safety | 2,027,093 | 2,557,669 | | | 4,584,762 | 4,191,529 |
| Highways and Streets | | 2,272,413 | | | 2,272,413 | 1,402,200 |
| Sanitation | | 726,260 | | | 726,260 | 1,233,371 |
| Debt Service: | | | | | | |
| Principal | | | 295,000 | | 295,000 | 275,000 |
| Interest | | | 27,995 | | 27,995 | 61,877 |
| Total Expenditures | 7,006,162 | 6,207,033 | 322,995 | 2,923,477 | 16,458,667 | 11,435,803 |
| Excess of Revenues Over (Under) Expenditures | 487,751 | (221,290) | (62,649) | (2,481,691) | (3,649,755) | 431,276 |
| Other Financing Sources (Uses): | | | | | | |
| Proceeds of Debt | - | - | - | 4,996,185 | 4,996,185 | - |
| Reimbursements From Other Funds | - | 180,598 | 90,620 | 973,293 | 1,244,511 | - |
| Special Payments | - | (670,200) | - | - | (670,200) | - |
| Interfund Transfers In | 456,335 | 663,068 | - | 201,000 | 1,320,403 | 674,464 |
| Interfund Transfers Out | (663,068) | (456,335) | - | (201,000) | (1,320,403) | (674,464) |
| Total Other Financing Sources (Uses) | (206,733) | (282,869) | 90,620 | 5,969,478 | 5,570,496 | - |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | 281,018 | (504,159) | 27,971 | 3,487,787 | 3,292,617 | 431,276 |
| Fund Balances, June 30, 1998 | 1,391,329 | 7,864,076 | 96,921 | 657,446 | 9,809,772 | 9,378,496 |
| Fund Balances, June 30, 1999 | $ 1,672,347 | $ 7,159,917 | $ 124,892 | $ 4,145,233 | $ 13,102,389 | $ 9,809,772 |

The accompanying notes are an integral part of the general purpose financial statements.

## City of West Linn, Oregon
## Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
## All Governmental Fund Types
*For the Year Ended June 30, 1999*

Governmental Fund Types

| | General | | | Special Revenue | | |
|---|---|---|---|---|---|---|
| | Original and Supplemental Budgets | Actual | Variance Favorable (Unfavorable) | Original and Supplemental Budgets | Actual | Variance Favorable (Unfavorable) |
| **REVENUES:** | | | | | | |
| Taxes | $ 2,688,247 | $ 2,894,807 | $ 206,560 | $ 2,066,888 | $ 2,049,274 | $ (17,614) |
| Intergovernmental Revenues | 253,449 | 243,736 | (9,713) | 1,604,208 | 1,695,738 | 91,530 |
| Franchise Fees | 908,000 | 1,035,693 | 127,693 | 60,000 | 51,770 | (8,230) |
| Licenses and Permits | 980,000 | 1,112,166 | 132,166 | | | |
| Charges for Services | 1,484,961 | 1,583,016 | 98,055 | 400,746 | 400,587 | (159) |
| Fines and Forfeitures | 200,200 | 327,079 | 126,879 | | | |
| Systems Development Fees | | | | 1,034,391 | 1,371,876 | 337,485 |
| Recycling Revenues | | | | | | - |
| Contributions, Donations and Fund Raising | | | | 2,650 | 15,488 | 12,838 |
| Interest Earnings | 98,000 | 100,009 | 2,009 | 168,972 | 394,936 | 225,964 |
| Miscellaneous | 72,700 | 197,407 | 124,707 | 31,800 | 6,074 | (25,726) |
| Total Revenues | 6,685,557 | 7,493,913 | 808,356 | 5,369,655 | 5,985,743 | 616,088 |
| **EXPENDITURES:** | | | | | | |
| Current: | | | | | | |
| General Government | 3,989,796 | 3,351,167 | 638,629 | 841,303 | 510,079 | 331,224 |
| Cultural and Recreation | 1,709,321 | 1,627,902 | 81,419 | 110,228 | 140,612 | (30,384) |
| Public Safety | 2,208,574 | 2,027,093 | 179,481 | 2,603,677 | 2,557,669 | 46,008 |
| Highways and Streets | | | | 4,360,939 | 2,272,413 | 2,088,526 |
| Sanitation | | | | 696,866 | 726,260 | (29,394) |
| Debt Service: | | | | | | |
| Principal | | | | | | |
| Interest | | | | | | |
| Contingency | - | | - | 3,698,697 | - | 3,698,697 |
| Reserve for Construction | | | | 500,000 | - | 500,000 |
| Reserve for Equipment Replacement | | | | 181,702 | - | 181,702 |
| Reserve for Future Debt Service | | | | | | |
| Total Expenditures | 7,905,891 | 7,006,162 | 899,529 | 12,993,412 | 6,207,033 | 6,786,379 |
| Excess of Revenues Over (Under) Expenditures | (1,220,134) | 487,751 | 1,707,885 | (7,623,757) | (221,290) | 7,402,467 |
| Other Financing Sources (Uses): | | | | | | |
| Proceeds of debt | - | - | - | - | - | - |
| Reimbursments From Other Funds | | | | 39,578 | 180,598 | 141,020 |
| Special Payments | | | | (447,931) | (670,200) | (222,269) |
| Operating Transfers In | 491,873 | 456,335 | (35,538) | 663,068 | 663,068 | - |
| Operating Transfers Out | (663,068) | (663,068) | - | (491,873) | (456,335) | 35,538 |
| Total Other Financing Sources (Uses) | (171,195) | (206,733) | (35,538) | (237,158) | (282,869) | (45,711) |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | (1,391,329) | 281,018 | 1,672,347 | (7,860,915) | (504,159) | 7,356,756 |
| Fund Balances, June 30, 1998 | 1,391,329 | 1,391,329 | - | 7,860,915 | 7,664,076 | (196,839) |
| Fund Balances, June 30, 1999 | $ - | $ 1,672,347 | $ 1,672,347 | $ - | $ 7,159,917 | $ 7,159,917 |

| | Debt Service | | | Capital Projects | | | Totals (Memorandum Only) Year Ended June 30, 1999 | | | Year Ended June 30, 1998 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Original and Supplemental Budgets | Actual | Variance Favorable (Unfavorable) | Original and Supplemental Budgets | Actual | Variance Favorable (Unfavorable) | Original and Supplemental Budgets | Actual | Variance Favorable (Unfavorable) | Actual |
| **REVENUES:** | | | | | | | | | | |
| Taxes | $ 257,101 | $ 255,538 | $ (1,563) | | | | $ 5,012,236 | $ 5,199,619 | $ 187,383 | $ 4,858,478 |
| Intergovernmental Revenues | | | | $ 375,000 | $ - | $ (375,000) | 2,232,657 | 1,939,474 | (293,183) | 1,879,010 |
| Franchise Fees | | | | | | - | 968,000 | 1,087,463 | 119,463 | 925,651 |
| Licenses and Permits | | | | | | - | 980,000 | 1,112,166 | 132,166 | 863,936 |
| Charges for Services | | | | | | - | 1,885,707 | 1,983,603 | 97,896 | 794,565 |
| Fines and Forfeitures | | | | | | - | 200,200 | 327,079 | 126,879 | 240,930 |
| Systems Development Fees | | | | | | - | 1,034,391 | 1,371,876 | 337,485 | 1,341,567 |
| Recycling Revenues | | | | | | | | | - | 43,820 |
| Contributions, Donations and Fund Raising | | | | 481,100 | 289,079 | (192,021) | 483,750 | 304,567 | (179,183) | 119,489 |
| Interest Earnings | 6,575 | 4,678 | (1,897) | 92,000 | 152,707 | 60,707 | 365,547 | 652,330 | 286,783 | 557,578 |
| Miscellaneous | 100 | 130 | 30 | | | | 104,600 | 203,611 | 99,011 | 242,055 |
| Total Revenues | 263,776 | 260,346 | (3,430) | 948,100 | 441,786 | (506,314) | 13,267,088 | 14,181,788 | 914,700 | 11,867,079 |
| **EXPENDITURES:** | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General Government | | | | 8,967,320 | 2,923,477 | 4,043,843 | 11,798,419 | 6,784,723 | 5,013,696 | 3,369,702 |
| Cultural and Recreation | | | | | | | 1,819,549 | 1,768,514 | 51,035 | 2,069,007 |
| Public Safety | | | | | | | 4,810,251 | 4,584,762 | 225,489 | 3,997,448 |
| Highways and Streets | | | | | | | 4,360,939 | 2,272,413 | 2,088,526 | 936,892 |
| Sanitation | | | | | | | 696,866 | 726,260 | (29,394) | 733,269 |
| Debt Service: | | | | | | | | | | |
| Principal | 295,000 | 295,000 | - | | | | 295,000 | 295,000 | - | 275,000 |
| Interest | 43,210 | 27,995 | 15,215 | | | | 43,210 | 27,995 | 15,215 | 61,877 |
| Contingency | | | - | 417,033 | - | 417,033 | 4,115,730 | - | 4,115,730 | - |
| Reserve for Construction | | | | | | | 500,000 | - | 500,000 | - |
| Reserve for Equipment Replacement | | | | | | - | 181,702 | - | 181,702 | - |
| Reserve for Future Debt Service | 128,322 | - | 128,322 | | | | 128,322 | - | 128,322 | - |
| Total Expenditures | 466,532 | 322,995 | 143,537 | 7,384,353 | 2,923,477 | 4,460,876 | 28,749,988 | 16,459,667 | 12,290,321 | 11,443,195 |
| Excess of Revenues Over (Under) Expenditures | (202,756) | (62,649) | 140,107 | (6,436,253) | (2,481,691) | 3,954,562 | (15,482,900) | (2,277,879) | 13,205,021 | 423,884 |
| Other Financing Sources (Uses): | | | | | | | | | | |
| Proceeds of debt | 15,215 | - | (15,215) | 4,996,185 | 4,996,185 | - | 5,011,400 | 4,996,185 | 15,215 | - |
| Reimbursments From Other Funds | 90,620 | 90,620 | - | 782,622 | 973,293 | 190,671 | 912,820 | 1,244,511 | 331,691 | - |
| Special Payments | - | - | - | | | - | (447,931) | (670,200) | (222,269) | - |
| Operating Transfers In | - | - | - | 201,000 | 201,000 | - | 1,355,941 | 1,320,403 | 35,538 | 1,991,649 |
| Operating Transfers Out | - | - | - | (201,000) | (201,000) | - | (1,355,941) | (1,320,403) | 35,538 | (1,984,257) |
| Total Other Financing Sources (Uses) | 105,835 | 90,620 | (15,215) | 5,778,807 | 5,969,478 | 190,671 | - | 5,570,496 | 5,570,496 | 7,392 |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | (96,921) | 27,971 | 124,892 | (657,446) | 3,487,787 | 4,145,233 | (10,006,611) | 3,292,617 | 13,299,228 | 431,276 |
| Fund Balances, June 30, 1998 | 96,921 | 96,921 | - | 657,446 | 657,446 | - | 10,006,611 | 9,809,772 | (196,839) | 9,378,496 |
| Fund Balances, June 30, 1999 | $ - | $ 124,892 | $ 124,892 | $ - | $ 4,145,233 | $ 4,145,233 | $ - | $ 13,102,389 | $ 13,102,389 | $ 9,809,772 |

The accompanying notes are an integral part of the general purpose financial statements.



The accompanying notes are an integral part of the general purpose financial statements.

# City of West Linn, Oregon
## Combined Statement of Revenues, Expenses and Changes in Retained Earnings
## All Proprietary Fund Types and Nonexpendable Trust Fund

*For the Year Ended June 30, 1999*

| | Proprietary Fund Types | | Fiduciary Fund Type | Totals (Memorandum Only) | |
|---|---|---|---|---|---|
| | Enterprise | Internal Service | Non-Expendable Trust | 1999 | 1998 |
| OPERATING REVENUES: | | | | | |
| Charges for Services (Net of $1,036,713 of Sewer Charges Remitted to Tri-City Service District) | $ 2,911,262 | $ 380,165 | | $ 3,291,427 | $ 3,012,045 |
| Connection Fees (Net of $350,196 of Sewer Connection Fees Remitted to Tri-City Service District) | 81,279 | - | | 81,279 | 48,147 |
| Other Operating Revenues | 44,732 | - | $ - | 44,732 | 46,644 |
| Total Operating Revenues | 3,037,273 | 380,165 | - | 3,417,438 | 3,106,836 |
| OPERATING EXPENSES: | | | | | |
| Salaries and Wages | 478,915 | 117,208 | - | 596,123 | 631,123 |
| System Repairs and Maintenance | 196,298 | - | - | 196,298 | 286,104 |
| Operating Supplies, Repairs and Services | 352,693 | 157,977 | 10,000 | 520,670 | 208,264 |
| Gasoline and Diesel Fuel | - | 48,213 | - | 48,213 | 60,828 |
| South Fork Water Board Expenses | 786,035 | - | - | 786,035 | 726,893 |
| Utilities | 70,817 | - | - | 70,817 | 61,196 |
| Insurance | 40,699 | 2,590 | - | 43,289 | 33,786 |
| Administrative Charges from General Fund | 526,862 | 47,076 | - | 573,938 | 529,067 |
| Depreciation | 478,934 | 5,331 | - | 484,265 | 479,420 |
| Total Operating Expenses | 2,931,253 | 378,395 | 10,000 | 3,319,648 | 3,016,681 |
| Operating Income (Loss) | 106,020 | 1,770 | (10,000) | 97,790 | 90,155 |
| NON-OPERATING REVENUES (EXPENSES): | | | | | |
| Interest Income | 102,778 | 17,564 | 8,318 | 128,660 | 159,922 |
| Net Income from Joint Venture | 666,483 | - | - | 666,483 | 406,689 |
| Forgiveness of Debt | - | - | - | - | 222,517 |
| Total Non-Operating Revenues (Expenses) | 769,261 | 17,564 | 8,318 | 795,143 | 789,128 |
| Income (Loss) Before Operating Transfers | 875,281 | 19,334 | (1,682) | 892,933 | 879,283 |
| SPECIAL PAYMENTS | (427,678) | - | - | (427,678) | - |
| Net Income (Loss) | 447,603 | 19,334 | (1,682) | 465,255 | 879,283 |
| RETAINED EARNINGS/FUND BALANCE, June 30, 1998 | 2,197,400 | 347,384 | 169,703 | 2,714,487 | 1,835,203 |
| RETAINED EARNINGS/FUND BALANCE, June 30, 1999 | $ 2,645,003 | $ 366,718 | $ 168,021 | $ 3,179,742 | $ 2,714,486 |

The accompanying notes are an integral part of the general purpose financial statements.



# City of West Linn, Oregon
## Combined Statement of Cash Flows
## All Proprietary Fund Types and Nonexpendable Trust Fund

*For the Year Ended June 30, 1999*

| | Proprietary Fund Types | | Fiduciary Fund Type | Totals (Memorandum Only) | |
|---|---|---|---|---|---|
| | Enterprise | Internal Service | Non-Expendable Trust | 1999 | 1998 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| Received from Customers | $ 2,943,204 | 380,166 | | $ 3,323,370 | $ 4,656,146 |
| Payments to Suppliers | (983,335) | (211,311) | $ (10,000) | (1,204,646) | (1,255,606) |
| Payments to Employees for Services | (478,916) | (117,208) | | (596,124) | (634,434) |
| Payment in Lieu of Taxes | 44,732 | | | 44,732 | - |
| Payments - Quasi External | (473,960) | (47,076) | | (521,036) | (559,110) |
| Payments to Tri-City Service District | (795,119) | | | (795,119) | (1,215,866) |
| Net Cash Provided by (Used by) Operating Activities | 256,606 | 4,571 | (10,000) | 251,177 | 991,130 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | | |
| Special Payments | (427,678) | | | (427,678) | - |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | | |
| Acquisition of Capital Assets | (341,721) | (11,849) | | (353,570) | (1,320,995) |
| Contributed Capital | | | | | 365,291 |
| Net Cash Used by Capital and Related Financing Activities | (341,721) | (11,849) | - | (353,570) | (955,704) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | |
| Interest Earnings | 116,834 | 18,803 | 8,923 | 144,560 | - |
| Net Increase (Decrease) in Pooled Cash and Investments | (395,959) | 11,525 | (1,077) | (385,511) | 35,426 |
| Equity in Pooled Cash and Investments - June 30, 1998 | 2,557,311 | 372,936 | 168,517 | 3,098,764 | 2,889,819 |
| Equity in Pooled Cash and Investments - June 30, 1999 | $ 2,161,352 | $ 384,461 | $ 167,440 | $ 2,713,253 | $ 2,925,245 |
| Comprised as Follows: | | | | | |
| Equity in Pooled Cash and Investments: | | | | | |
| Restricted | | | | | $ 424,689 |
| Unrestricted | $ 2,161,352 | $ 384,461 | $ 167,440 | $ 2,713,253 | 2,674,075 |
| Total Equity in Pooled Cash and Investments | $ 2,161,352 | $ 384,461 | $ 167,440 | $ 2,713,253 | $ 3,098,764 |

The accompanying notes are an integral part of the general purpose financial statements.

# City of West Linn, Oregon
## Combined Statement of Cash Flows
## All Proprietary Fund Types and Nonexpendable Trust Fund, Continued

*For the Year Ended June 30, 1999*

| | Proprietary Fund Types | | Fiduciary Fund Type | Totals (Memorandum Only) | |
|---|---|---|---|---|---|
| | Enterprise | Internal Service | Non-Expendable Trust | 1999 | 1998 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED BY) OPERATING ACTIVITIES: | | | | | |
| Operating Income (Loss) | $ 106,020 | $ 1,770 | $ (10,000) | $ 97,790 | $ 90,156 |
| Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities: | | | | | |
| Depreciation | 478,934 | 5,331 | | 484,265 | 479,420 |
| Interest Received | | | | - | 746 |
| Changes in Assets and Liabilities: | | | | | |
| Accounts Receivable | (65,280) | | | (65,280) | 21,724 |
| Due from Other Governments | | | | - | 4,217 |
| Contract Receivable | 57,607 | | | 57,607 | 5,681 |
| Accounts Payable | 104,942 | (953) | | 103,989 | 27,596 |
| Other Accrued Liabilities | 4,522 | (1,577) | | 2,945 | (13,908) |
| Contract Retainage Payable | | | | - | 52,601 |
| Due to Other Governments | (388,476) | | | (388,476) | 325,996 |
| Deposits Payable | 10,938 | | | 10,938 | 7,092 |
| Contract Receivable | (52,601) | | | (52,601) | 801 |
| Total Adjustments | 150,586 | 2,801 | - | 153,387 | 911,966 |
| Net Cash Provided by (Used by) Operating Activities | $ 256,606 | $ 4,571 | $ (10,000) | $ 251,177 | $ 1,002,122 |
| NONCASH CAPITAL ACTIVITY: | | | | | |
| Fixed Assets Contributed by Developers | | | | | $ 31,846 |

The accompanying notes are an integral part of the general purpose financial statements.

**1. The Reporting Entity and Summary of Significant Accounting Policies:**

The general purpose financial statements of the City of West Linn, Oregon (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

**The Financial Reporting Entity**

The City of West Linn, Oregon was incorporated in 1913 and operates under the provision of its own charter and applicable State law with a Manager-Council form of government. The Mayor, who serves a two-year term, chairs City Council meetings. The Mayor and Council vote on all ordinances and legislative powers of the City and determine matters of policy. The City Manager is appointed by the City Council. Other City department heads are appointed by the City Manager.

The City of West Linn provides a full range of municipal services to the community which includes police and fire protection, emergency medical services, traffic control and improvement, street maintenance and improvement, water, sewer and storm drain service, planning and zoning regulation (building inspection and regulation), community library service, municipal court and parks and recreation.

Generally accepted accounting principles require that these financial statements present the City of West Linn (the primary government) and all component units, if any. Component units, as established by the Governmental Accounting Standards Board (GASB) Statement No. 14, are separate organizations that are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The City of West Linn has no component units.

**Joint Venture -**

The South Fork Water Board (SFWB) operates a water distribution system jointly with the City and the City of Oregon City. Revenues earned by SFWB are expended for the continued operation and maintenance of facilities within the municipal boundaries of these cities. Upon dissolution of the SFWB, the net assets will be shared 50 percent to each city. The SFWB is governed by a five member board composed of three appointees from Oregon City and two from West Linn. As more fully discussed in the notes, the City's net investment and its share of the operating results of the SFWB are reported in the City's Water Revenue Fund (an Enterprise Fund). Complete financial statements for the SFWB can be obtained from the City of Oregon City Finance Department, 320 Warner-Milne Road, Oregon City, Oregon 97045.





**1. The Reporting Entity and Summary of Significant Accounting Policies, Continued:**

**Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The financial statements of the General, Special Revenue, Debt Service and Capital Projects funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The Enterprise, Internal Service and Nonexpendable Trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheets. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The financial statements of the General, Special Revenue, Debt Service, Capital Projects and Agency funds are maintained using the modified accrual basis of accounting under which revenues are recognized when susceptible to accrual (when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred.

Exceptions to the modified accrual basis of accounting for these funds are revenues for grants that are recorded as earned and interest on general long-term debts that are recorded as due.

Those revenues susceptible to accrual are property taxes and assessment liens receivable (which are collected within 60 days after year end) interest revenue, state, county and local shared revenue and federal and state grants.

The accrual basis of accounting is utilized by the Enterprise, Internal Service and Nonexpendable Trust funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Proprietary Funds have applied all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict or contradict Governmental Accounting Standards Board (GASB) pronouncements.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of operations.

1. The Reporting Entity and Summary of Significant Accounting Policies, Continued:

**Cash and Investments**

The City maintains a cash and investment pool that is available for use by all funds, except the Deferred Compensation Fund. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments". The investments of the Deferred Compensation Fund are held separately from those of other City funds.

For purposes of the statement of cash flows, the Proprietary and Nonexpendable Trust Funds consider cash to include cash and investments in the common pool since it has the general characteristics of demand deposit accounts in that the Proprietary and Nonexpendable Trust Funds may deposit additional cash at any time and also effectively may withdraw cash at any time without prior notice or penalty.

Investments, included in cash and investments, are carried at cost, which approximate market value, except for investments in the Deferred Compensation Fund, which are stated at market value.

**Receivables**

Uncollected property taxes receivable which have been collected within sixty days following year-end are considered measurable and available and are recognized as revenue. The remaining balance is recorded as deferred revenue because it is not deemed available to finance operations of the current period. Uncollected taxes are deemed to be substantially collectible or recoverable through liens. Property taxes become a lien against the property and are levied as of July 1 each year and are payable in three installments on November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent. All property taxes are due from property owners within the City.

The State of Oregon has a constitutional limit on property taxes for schools and nonschool government operations. Under the provisions of the limitation, tax revenues are separated into those for the public school system and those for local government operations other than the public school system. The limitation specifies $10.00 is the maximum allowable tax for each $1,000 of property real market value imposed on by local governments other than the public school system. Although the aggregate of nonschool local government taxes in the City does not currently exceed $10.00 per $1,000 of assessed value; this limitation may effect the availability of future tax revenues for the City.

Assessments receivable are recognized at the time owners are assessed for property improvements. Assessments receivable expected to be collected within sixty days following year end are considered measurable and available and are recognized as revenues. All other assessments receivable are offset by deferred revenue and, accordingly, have not been recorded as revenue.

Receivables for the Proprietary Fund Types are recorded as revenue as earned, including services earned but not billed. The Proprietary Fund Type receivables relate to billing for residential and commercial customers utilizing the City's water and sewer services.

Receivables for federal and state grants, and state, county and local shared revenue are recorded as revenue in all fund types as earned.





1. The Reporting Entity and Summary of Significant Accounting Policies, Continued:

**Inventory**

Inventories of operating supplies and repair parts in the Proprietary Funds are valued at the lower of cost or market (average cost) and charged against operations as used.

**Fixed Assets**

General fixed assets are not capitalized in the governmental funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Assets Account Group. All purchased fixed assets are stated at historical cost. In case of donations or gifts, fixed assets are stated at fair market value at the date of donation.

Maintenance and repairs are charged to expenditures in various governmental funds as incurred and not capitalized. Depreciation is not recorded on general fixed assets. Upon disposal, the General Fixed Assets Account Group is relieved of the related cost; proceeds from sales of general fixed assets are recorded as revenues of the appropriate fund.

Expenditures for public domain fixed assets (streets, sidewalks, curbs and gutters, lighting systems, and similar assets) that are immovable and of value only to the City as a governmental unit are reported as expenditures as incurred and not capitalized.

Fixed assets in the Proprietary Fund Types are stated at cost or, in the case of donations or gifts, at the appraised market value at the time received. Maintenance and repairs are expensed as incurred. Replacements that improve or extend the lives of property are capitalized. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. Upon disposal of such assets, the accounts are relieved of the related costs and accumulated depreciation and resulting gains or losses are reflected in operations. Depreciation on contributed fixed assets is recorded as an expense of operations and charged to retained earnings. Depreciation is recognized beginning with the month the asset is placed in service.

Depreciation is computed over the asset's estimated useful lives as follows:

| | |
|---|---|
| Building and improvements | 50 years |
| Water system | 50 years |
| Equipment | 5 - 30 years |

**Capitalized Interest**

Interest costs are capitalized in the Proprietary Fund Types as part of the costs of fixed assets during the period of construction based on the related weighted average net borrowing costs incurred. Interest earned on temporary investments acquired with the proceeds of such borrowed funds from the date of borrowing until the assets are ready for their intended use is used to reduce the interest costs capitalized on the constructed assets. During fiscal 1999 no interest was capitalized.

**1. The Reporting Entity and Summary of Significant Accounting Policies, Continued:**

**Investment in South Fork Water Board**

Investment in South Fork Water Board is accounted for using the equity method.

**Long-term Debt**

Long-term debt directly related and expected to be paid from the Enterprise Funds is included in such funds. All other unmatured long-term debt is recorded in the General Long-term Debt Account Group. Repayment of General Long-term Debt Account Group liabilities will be made from the Governmental Fund Types.

**Compensated Absences**

Earned but unpaid vacation pay is recorded as an expense or expenditure in the Proprietary Fund Types and Governmental Fund Types when earned. The entire amount of $309,387 accrued in the Governmental Fund Types and included in other accrued liabilities is recognized as expenditures in the funds because the City has provided currently available financial resources for these expenditures. Earned but unpaid sick pay does not vest and is recorded as an expense or expenditure when paid.

**Contributed Capital**

Contributed capital in the Proprietary Fund Types represents the accumulation of contributions in the form of cash or other assets which generally do not have to be returned to the contributor. Such contributions are recorded directly to contributed capital and, accordingly, are not recognized as revenue. The following transactions are recorded as contributions in the Proprietary Fund Types:

- Fixed assets contributed by developers.
- Fixed assets contributed from other funds.
- Contributions from customers for the acquisition of fixed assets (mainly connection fees).
- Residual equity transfers from other funds.

**Interfund Transactions**

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as Special Payments in the reimbursing fund and as Reimbursements From Other Funds in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**Reservations of Fund Balance**

Reserves for endowments and system development represent portions of fund balances legally segregated for specific future use.





**1. The Reporting Entity and Summary of Significant Accounting Policies, Continued:**

**Budget**

A budget is prepared and legally adopted for each governmental fund type in accordance with the modified accrual basis of accounting and legal requirements set forth in the Oregon Local Budget Law. The budgetary basis of accounting for all budgeted funds is the same as generally accepted accounting principles basis for the governmental fund types except for certain interfund transactions which are described in Note 3. A budget is also prepared and legally adopted for all other fund types in accordance with the provisions of the Oregon Local Budget Law.

The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. The resolution establishes a departmental level of control for the General Fund. For all other fund types the levels of control are personal services, materials and services, capital outlay, contingency and transfers. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriations resolution. A supplemental budget requires hearings before the public, publication in newspaper and approval by the City Council. Original and supplemental budgets may be modified by the use of appropriation transfers between the level of control. Such transfers require approval by the City Council. The City adopted two supplemental budgets and made one appropriation transfer during the year ended June 30, 1999. Appropriations lapse as of year end.

Expenditures of the various funds were within authorized appropriations, except for the Street Fund which was overexpended in Special Payments by $8,519; Solid Waste Recycling Program Fund which was overexpended in Special Payments by $10,577; Street Serial Levy Fund which was overexpended in Special Payments by $133,535; Police Serial Levy Fund which was overexpended in Special Payments by $18,295; Fire Serial Levy Fund which was overexpended in Materials and Services by $18,367 and Special Payments by $756; System Development Fund which was overexpended in Materials and Services by $6,274 and Special Payments by $171,026; Bolton Pump Station Construction Fund which was overexpended in Special Payments by $3,273; and Sewer Fund which was overexpended in Special Payments by $33,859. In addition the Arts Commission Fund has a negative fund balance of $297.

A portion of the second supplemental budget enclosed by the City Council for the Street Serial Levy Fund was executed in error and is not included in the budget amounts for that fund.

The budget for the Governmental Fund Types includes capital outlay expenditures in each program for capital outlays applicable to that program.

**Comparative Data**

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and results of operations. However, comparative data have not been presented for all statements because their inclusion would make certain statements unduly complex and difficult to understand.

**Totals (Memorandum Only) Columns**

The Totals (Memorandum Only) columns on the general purpose financial statements represent an aggregate of the columnar statements by fund type and account group. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in aggregation of this data.

**1. The Reporting Entity and Summary of Significant Accounting Policies, Continued:**

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**2. Description of Funds and Account Groups:**

The City uses funds and account groups to report on its financial position, results of its operations and cash flows. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not reported in the funds.

**Governmental Fund Types**

**General Fund**

The General Fund accounts for the financial operations of the City not accounted for in any other fund. The principal sources of revenue are property taxes, shared state revenues, franchise fees and licenses and permits. Primary expenditures are for general government, public safety and cultural and recreation.





**Special Revenue Funds**

These funds account for revenue derived from specific tax or other earmarked revenue sources, including federal and state grand awards, which are legally restricted to finance particular functions or activities. Funds included in this category are:

Street Fund
- State Revenue Sharing Fund
- Library Levy Fund
- 911 Emergency Communications Fund
- Cable TV / Public Access Fund
- Street Improvement Fund
- Solid Waste Recycling Program Fund
- Street Serial Levy Fund
- Police Serial Levy Fund
- Fire Serial Levy Fund
- Arts Commission Fund
- Public Education Government Fund
- System Development Fund
- Storm Drain Fund

**2. Description of Funds and Account Groups, Continued:**

**Debt Service Fund**

The Debt Service Fund accounts for payment of general obligation bond principal and interest. Its principal revenue source is property taxes.

**Capital Projects Fund**

The Capital Development Fund accounts for resources used for the acquisition or construction of capital facilities and equipment.

**Proprietary Fund Types**

**Enterprise Funds**

These funds account for the financial operation of self-supporting activities that render services on a user charge basis to the general public. Included are the following:

- Water Fund (includes the combined activity of three budgetary funds)
- Sewer Fund

#### Internal Service Funds

The Vehicle/Equipment Maintenance Fund accounts for the maintenance of the City's vehicles and equipment. Charges are made to other City funds to recover the costs of providing services.

The Insurance Fund accounts for all costs incurred by the City under its insurance programs, primarily unemployment insurance claims up to policy deductible limits. Funding sources are revenues from investment income, proceeds from insurance claims and charges to other funds.

### Fiduciary Fund Types

#### Nonexpendable Trust Fund

The Caufield Trust Fund accounts for an endowment held by the City under terms of a bequest. The principal of the Trust Fund may not be expended.

## 2. Description of Funds and Account Groups, Continued:

### Account Groups

#### General Fixed Assets Account Group

This account group accounts for the City's investment in fixed assets with the exception of those assets held by the Proprietary Fund Types.

#### General Long-term Debt Account Group

This account group accounts for the City's general long-term bonded debt other than debt recorded in the Proprietary Fund Types.

## 3. Reconciliation of Generally Accepted Accounting Principles Basis to Budgetary Basis:

The budget of the City is prepared differently from generally accepted accounting principles. Therefore, the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types is presented on the budgetary basis and is adjusted to the Combined Statement of Revenues, Expenditures and Changes in fund Balances - All Governmental Fund Types presented on a generally accepted accounting principles basis.





## 3. Reconciliation of Generally Accepted Accounting Principles Basis to Budgetary Basis, Contunied:

The following is a reconciliation of the difference between the budgetary basis and generally accepted accounting principles basis of expenditures and other financing sources and uses:

| | General Fund | Special Revenue Funds |
|---|---|---|
| Expenditures - budgetary basis | $ 6,827,436 | $ 6,279,305 |
| Reimbursement of expenditures budgeted as operating transfers in | (1,179,308) | (841,134) |
| Expenditures budgeted as operating transfers out | 841,794 | 963,643 |
| Expenditures - generally accepted accounting principles basis | $ 6,489,922 | $ 3,430,484 |
| Other financing sources (uses) - budgetary basis | $ 793,849 | $ (213,129) |
| Expenditures budgeted as operating transfers out | 841,794 | 963,643 |
| Reimbursement of expenditures budgeted as operating transfers in | (1,179,308) | (841,134) |
| Other financing sources (uses) - generally accepted accounting principles basis | $ 456,335 | $ (90,620) |

## 4. Equity in Pooled Cash and Investments:

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is presented on the combined balance sheet as "Equity in Pooled Cash and Investments".

Cash and Investments, carried at cost except for certain agency investments, are comprised of the following at June 30, 1999:

| | |
|---|---|
| Cash on hand | $ 2,050 |
| Demand Deposits with Financial Institutions | 133,591 |
| Time deposit | 11,960 |
| Cash with Agent | 32,159 |
| Investments | 16,662,279 |
| Total | $ 16,842,039 |

Cash and investments are reflected on the Combined Balance Sheet as Follows:

| | |
|---|---|
| Equity in Pooled Cash and Investments | $ 16,830,079 |
| Security Deposits | 11,960 |
| Total | $ 16,842,039 |

**4. Equity in Pooled Cash and Investments, Continued:**

**Deposits**

Deposits with financial institutions include bank demand deposits and time deposits. The total bank balance per the bank statements is $165,565. All of these deposits were covered by federal depository insurance. The balance was fully collateralized in accordance with state law. Oregon Revised Statutes require the depository institution to maintain on deposit with a collateral pool manager securities having a value of not less than 25% of the outstanding certificates of participation issued by the pool manager.

**Investments**

The City's investments are categorized as follows:

(1) Insured or registered, or securities held by the City or its agent in the City's name.

(2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.

(3) Uninsured and unregistered, with securities held by the counterparty, or by its agent; but not in the City's name.

At June 30, 1999 the carrying amount and market value of the investments were:

| | Categories 1 | Categories 2 | Categories 3 | Carrying Amount |
|---|---|---|---|---|
| U.S. Government Securities | $ 1,299,726 | | | $1,299,726 |
| Corporate Bonds | 5,073,111 | | | 5,073,111 |
| U.S. Government Agency Securities | 251,765 | | | 251,765 |
| | $ 6,624,602 | $ - | $ - | 6,624,602 |
| Investments not subject to categorization: | | | | |
| Oregon State Treasurer's Local Government Investment Pool, Variable Interest Rate | | | | 10,037,677 |
| Total Investments | | | | $16,662,279 |

**5. Contracts Receivable:**

Contracts receivable represents amounts due from certain property owners for payments arising from sewer connection services provided to these property owners. The contract is collateralized by a lien against the benefited property and, therefore, an allowance for uncollectible amounts is not deemed necessary.





**6. Fixed Assets:**

The changes in fixed assets for the fiscal year ended June 30, 1999 are as follows:

| | Internal Service Funds | | |
|---|---|---|---|
| | Balance June 30, 1998 | Additions | Balance June 30, 1999 |
| Buildings | $ 26,328 | | $ 26,328 |
| Equipment | 84,231 | $ 11,849 | 96,080 |
| Vehicles | 26,003 | | 26,003 |
| Totals | 136,562 | 11,849 | 148,411 |
| Less Accumulated Depreciation | (108,366) | (5,331) | (113,697) |
| Totals | $ 28,196 | $ 6,518 | $ 34,714 |

| | Enterprise Funds | | |
|---|---|---|---|
| | Balance June 30, 1998 | Additions | Balance June 30, 1999 |
| Land and Land Improvements | $ 489,188 | $ 1,000 | $ 490,188 |
| Buildings and Improvements | 1,893,164 | | 1,893,164 |
| Water and Sewer System | 18,034,472 | 3,800,447 | 21,834,919 |
| Equipment | 977,580 | 30,775 | 1,008,355 |
| Vehicles | 236,713 | 20,865 | 257,578 |
| Construction in Progress | 2,263,113 | (2,263,113) | |
| Totals | 23,894,230 | 1,589,974 | 25,484,204 |
| Less Accumulated Depreciation | (6,606,410) | (478,934) | (7,085,344) |
| Totals | $17,287,820 | $ 1,111,040 | $18,398,860 |

**6. Fixed Assets, Continued:**

| | General Fixed Assets Account Group | | | |
|---|---|---|---|---|
| | Balance June 30, 1998 | Additions | Transfers | Balance June 30, 1999 |
| Land and Land Improvements | $ 2,776,209 | $ 1,365,069 | $ 26,051 | $ 4,167,329 |
| Buildings and Improvements | 2,071,481 | 53,628 | | 2,125,109 |
| Equipment | 2,439,940 | 536,803 | | 2,976,743 |
| Vehicles | 1,844,196 | 64,140 | | 1,908,336 |
| Leasehold Improvements | 36,443 | - | | 36,443 |
| Construction in Progress | 556,460 | 112,095 | (26,051) | 642,504 |
| Totals | $ 9,724,729 | $ 2,131,736 | $ - | $11,856,465 |

**7. Deferred Compensation Plans:**

The City offers its employees deferred compensation plans created in accordance with Internal Revenue Code (IRC) Section 457. There are four separate plans. The plans, available to all City employees, permit employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The June 30, 1999, deferred compensation assets include the accumulation of amounts deferred since the inception of the plan and investment earnings thereon, less participant withdrawals. The assets of the plans are held by the plan administrator for the sole benefit of the participants and are not considered assets and liabilities of the City.

**8. Long Term Debt:**

**General Obligation Bonds**

General obligation bonds consist of the unmatured balance of four issues with interest rates ranging from 2.6% to 4.7% (original issue $6,840,000). Maturities of bond principal and interest are as follows:

| | Principal | | | | |
|---|---|---|---|---|---|
| Fiscal Year | Outstanding June 30, 1998 | Issued | Matured and Paid | Outstanding June 30, 1999 | Future Interest |
| 1999 | $ 180,000 | $ - | $ 180,000 | $ - | $ - |
| 2000 | 185,000 | 85,000 | | 270,000 | 313,675 |
| 2001 | 195,000 | 165,000 | | 360,000 | 207,696 |
| 2002 | 210,000 | 175,000 | | 385,000 | 192,321 |
| 2003 | 85,000 | 180,000 | | 265,000 | 175,871 |
| 2004 - 2019 | | 3,795,000 | | 3,795,000 | 1,483,531 |
| | $ 855,000 | $4,400,000 | $ 180,000 | $ 5,075,000 | $ 2,373,094 |

Principal and interest on general obligation bonds are payable solely from general tax revenues.





**8. Long Term Debt, Continued:**

On October 1, 1999 the City issued General Obligation Bonds, Series 1999 for $3,600,000

**Water System Revenue Bonds**

Water System Revenue bonds consist of the unmatured balance of one bond issue with interest rates of 6.00% per annum (original issue $1,025,000). The Debt Service Fund assumed responsibility for repayment of these bonds in the year ended June 30, 1998. The bonds matured as follows:

| | Principal | | |
|---|---|---|---|
| Fiscal Year | Outstanding June 30, 1998 | Matured and Paid | Outstanding June 30, 1999 |
| 1999 | $ 115,000 | $ 115,000 | $ - |

**Contracts Payable**

As prescribed in Resolution 98-32, the City entered into a lease-financing agreement with Bank of America, to finance the acquisition of a city-wide management information system, LAN/WAN systems, other computer equipment and software in an aggregate principal amount of not more than $600,000. In February 1999, the City made the first of twenty-eight quarterly payments of $24,971.81. Commitments under the 1998 Financing Agreement are as follows:

| Fiscal Year | Payments | Principal Portion | Interest Portion | Balance at June 30 year end |
|---|---|---|---|---|
| 1999 | $ 49,944 | $ 37,094 | $ 12,850 | $ 562,906 |
| 2000 | 99,887 | 76,640 | 23,247 | 486,266 |
| 2001 | 99,887 | 80,028 | 19,859 | 406,238 |
| 2002 | 99,887 | 83,567 | 16,320 | 322,671 |
| 2003 | 99,887 | 87,262 | 12,625 | 235,409 |
| 2004 | 99,887 | 91,120 | 8,767 | 144,289 |
| 2005 | 99,887 | 95,149 | 4,738 | 49,141 |
| 2006 | 49,944 | 49,141 | 803 | - |
| | $ 699,210 | $ 600,001 | $ 99,209 | |

**9. Pension Plan:**

The City is a member of the State of Oregon Public Employees Retirement System (PERS) an agent multiple-employer defined benefit public employee retirement system. All employees of the City are covered by the plan after six months of employment. The Public Employees Retirement Plan is a defined benefit pension plan to which employees and employer both contribute. Benefits are established by State statutes and consist of a retirement benefit paid for life upon a qualifying retirement, which is generally age 58. Benefits fully vest on reaching 5 years of service. The plan requires, and it is the policy of the City, to fund all current and prior service pension costs. The total pension contribution for fiscal year 1999 was $658,269. This was comprised of $383,088 in employer contributions and $275,181 of employee contributions. The 6 percent employee contribution of $275,181 was paid by the City in accordance with collective bargaining agreements.

The City's payroll for employees covered by PERS for 1998-99 was $4,588,700. The City's total payroll was $4,972,375.

The rate of employee contribution to the plan is established by law and is currently six percent of employee compensation.

The rate of employer contribution to the plan is set periodically by the Public Employees Retirement Board, based upon actuarial evaluations. Under the plan, a contribution rate is determined for each employer. The City's employer contribution rate for fiscal year 1999 was 7.88 percent of employee compensation. The rate will change to 8.09 percent effective July 1, 1999.

The PERS Board has statutory authority to revise employer contributions as necessary to ensure the promised benefits will be funded on a sound basis. Recent action taken by the Oregon Supreme Court with regard to House Bill 3349 (1995), the legislative remedy to certain income tax issues, may necessitate an increase in employer contributions. This potential increase in employer contributions has not been included in the above rates.

GASB Statement No. 27 disclosures are based on the actuarial assumptions and methods contained in the December 31, 1997 Actuarial Valuation of the PERS plan. The Actuarial Value of Assets is equal to Market Value. Liabilities and contributions are calculated using the Entry Age Actuarial Cost Method. The Unfunded Actuarial Liability is amortized as a level percentage of covered payroll over an open thirty year period.

The significant actuarial assumptions used in the December 31, 1997 valuation include (1) a rate of return on present and future investments of 8% per year, (2) projected salary increases of 4% per year attributable to general wage adjustments, with additional increases for promotion and longevity that vary by age and service, (3) projected automatic cost of living benefit increases of 2% per year, and (4) demographic assumptions that have been chosen to best estimate emerging experience of the system members.





**9. Pension Plan, Continued:**

Contribution information for the years ended June 30, 1999, 1998 and 1997 were as follows:

| | Employer Contributions | | | Employee Contributions | | |
|---|---|---|---|---|---|---|
| Year Ended June 30 | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation | Paid by Employer | Paid by Employees | Total Contributions |
| 1999 | $383,088 | 100% | $-0- | $275,181 | $ 0 | $658,269 |
| 1998 | 424,923 | 100% | -0- | 305,232 | 1,168 | 731,323 |
| 1997 | 322,029 | 100% | -0- | 280,866 | 1,005 | 603,900 |

*Funding Status:*

The information presented below is the latest available as the PERS only performs actuarial valuations on a biennial basis. Prior actuarial valuation information under the new standards is not available as PERS only converted the following information to the new standards.

| Dec. 31 Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability | Actuarial Assets in Excess of, -Less than, Accrued Liability | Funded Percent | Covered Payroll | Overfunded, -Underfunded Actuarial Liability as a % of Payroll |
|---|---|---|---|---|---|---|
| 1997 | $ 15,423,979 | $ 14,598,019 | $ 825,960 | 106% | $ 5,245,167 | 16% |
| 1995 | $ 10,263,057 | $ 10,628,586 | $ -365,529 | 97% | $ 4,367,416 | -8% |
| 1993 | $ 7,691,288 | $ 7,519,019 | $ 172,269 | 102% | $ 3,659,167 | 5% |

Trend information showing the system's progress in accumulating sufficient assets to pay benefits when due may be found in the June 30, 1997 stand-alone audit report of the Oregon Public Employees Retirement System. A copy of that report may be obtained by writing PERS, P.O. Box 23700, Tigard, OR 97281-3700.

**10. Contributed Capital:**

Changes in contributed capital are as follows:

| | Enterprise Funds | | Internal Service Fund | |
|---|---|---|---|---|
| | Water Fund | Sewer Fund | Vehicle Maintenance Fund | Total |
| Balance, June 30, 1998 | $ 10,547,500 | $ 9,555,451 | $ 61,135 | $20,164,086 |
| Contributed by Developers | 1,248,253 | | | 1,248,253 |
| Balance, June 30, 1999 | $ 11,795,753 | $ 9,555,451 | $ 61,135 | $21,412,339 |

**11. Segment Information:**

The City maintains two enterprise funds which provide water and sewer services. Segment information as of and for the year ended June 30, 1999 is as follows:

| | Water Fund | Sewer Fund | Total |
|---|---|---|---|
| Operating Revenues | $ 1,880,375 | $ 1,156,898 | $3,037,273 |
| Depreciation Expense | 235,298 | 243,636 | 478,934 |
| Operating Income (Loss) | (144,344) | 250,364 | 106,020 |
| Operating Transfers Out | (427,678) | - | (427,678) |
| Net Income | 118,634 | 328,969 | 447,603 |
| Fixed Assets (Net) | 9,834,807 | 8,564,053 | 18,398,860 |
| Investment in South Fork Water Board | 3,285,285 | - | 3,285,285 |
| Contributed Capital | 11,795,753 | 9,555,451 | 21,351,204 |
| Total Assets | 13,949,906 | 10,657,624 | 24,607,530 |
| Total Working Capital | 608,236 | 1,703,826 | 2,312,062 |
| Total Fund Equity | 13,728,328 | 10,267,879 | 23,996,207 |

The investment in South Fork Water Board (SFWB) is accounted for on the equity method. Significant financial information for the SFWB as of and for the year ended June 30, 1999 is as follows:

| | |
|---|---|
| Operating Revenues | $ 3,059,499 |
| Operating Income | 1,531,837 |
| Net Income | 1,332,966 |
| Total Assets | 13,336,903 |
| Total Working Capital | 1,987,645 |
| Bonds Payable | 6,422,954 |
| Contributed Capital | 877,788 |
| Total SFWB Equity | 6,570,571 |





**12. Risk Management:**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except for unemployment compensation, the City purchases commercial insurance to minimize its exposure to these risks. There has been no reduction in commercial insurance coverage from fiscal year 1998 to 1999. Workers compensation claims are insured through incurred loss retrospective policies. Except as discussed in the following paragraph, settled claims have not exceeded this commercial coverage for any of the past three years.

The City is self-insured for unemployment compensation claims. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The Insurance Fund has recorded the following changes in the balance of claims liabilities for the years ended June 30, 1999 and 1998 as follows:

| | 1999 | 1998 |
|---|---|---|
| Unpaid claims, beginning of year | $ - | $ 1,148 |
| Incurred claims | 3,150 | 932 |
| Claim Payments | (3,150) | (2,080) |
| Unpaid claims, end of year | $ - | $ - |

**13. Commitments and Contingencies:**

The City has an agreement with the Tri-City Service District to treat sewage wastewater. Pertinent terms of this agreement are as follows:

- The City will process and review all permit applications for hookup and inspection thereof; operate and maintain local collection facilities; bill and collect user charges, and bill and collect connection charges.
- The City will collect and remit all connection and user charges to the District, except for a portion to reimburse administrative costs and maintain the City's sewer system.
- Should the District fail to perform services outlined in this agreement, the City can terminate the agreement upon 30 days written notice.

The City entered into a Cooperative Improvement Agreement with the State of Oregon Department of Transportation (ODOT) in fiscal year 1997 for a street improvement project with total estimated costs of approximately $1,575,000. ODOT will pay up to $746,000 of the total project costs; the balance to complete the project is solely the responsibility of the City. Actual construction on the project commenced late in fiscal year 1998.

**14. Property Tax Limitations:**

The State of Oregon has a constitutional limit on property taxes for schools and nonschool government operations. The limitation provides that property taxes for nonschool operations are limited to $10.00 for each $1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt.

Also, the State of Oregon has a second limit on property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit.

This second limit has reduced the amount of operating property tax revenues available to the City for its 1997-98 fiscal year, and thereafter. This reduction will be accomplished by rolling assessed property values back to their 1995-96 values less 10% and limiting future assessment value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The Constitution also sets restrictive voter approval requirements for most tax and many fee increases and new bond issues.

**15. Subsequent Events:**

On June 15, 1999, the City entered into a ten-year agreement with Koss-Brod-Goodrich and Associates, Inc. to lease a two-story building with underground parking and storage situated at 22500 Salamo Road, in the Cascade Summit Shopping Center. This structure is to be utilized as the new City Hall by the City of West Linn. The lease provides two early termination dates, after three years and after five years. Both of these early termination options would require substantial payments by the City. In addition, the lease provides the City the option to purchase the building, at any time during the first three years, for $3,750,000.

The City is to pay a monthly base rent plus the tenant's share of all costs for operating, managing, administering, maintaining, repairing, replacing or improving the common areas and areas adjacent thereto, as defined by the lease. Monthly base rent is $27,130 for months 1-30, $28,758 for months 31-60, $30,482 for months 61-90, and $32,317 for months 91-120.

| Fiscal Year | Annual Base Rent |
|---|---|
| 1999-2000 | $ 216,748 |
| 2000-2001 | 325,567 |
| 2001-2002 | 330,450 |
| 2002-2003 | 345,101 |
| 2003-2004 | 345,101 |
| Thereafter | 1,873,303 |



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## Enterprise Funds

These funds account for the financial operation of self-supporting activities that render services on a user charge to the general public. Funds included in this fund category are:

< ***Water Fund*** - accounts for the City's water utility operations.

< ***Sewer Fund*** - accounts for the City's sewer utility operations.

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## City of West Linn, Oregon
## Enterprise Funds
## Combining Balance Sheet
*June 30, 1999*

| | Water Fund | Sewer Fund | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Current Assets: | | | |
| Equity in Pooled Cash and Investments | $ 453,997 | $ 1,707,355 | $ 2,161,352 |
| Accounts Receivable, Net | 301,418 | 375,685 | 677,103 |
| Accrued Interest Receivable | 1,762 | 3,349 | 5,111 |
| Inventory | 72,637 | 7,182 | 79,819 |
| Total Current Assets | 829,814 | 2,093,571 | 2,923,385 |
| Fixed Assets, Net | 9,834,807 | 8,564,053 | 18,398,860 |
| Investment in South Fork Water Board | 3,285,285 | - | 3,285,285 |
| Total Assets | $ 13,949,906 | $ 10,657,624 | $ 24,607,530 |
| **LIABILITIES AND FUND EQUITY** | | | |
| Current Liabilities: | | | |
| Accounts Payable | $ 132,961 | $ 144,570 | $ 277,531 |
| Meter Connection Deposits | 37,709 | - | 37,709 |
| Other Accrued Liabilities | 28,338 | 3,792 | 32,130 |
| Contract Retainage Payable | | 1,270 | 1,270 |
| Due to Other Governments | 22,570 | 240,113 | 262,683 |
| Total Current Liabilities | 221,578 | 389,745 | 611,323 |
| Fund Equity: | | | |
| Contributed Capital | 11,795,753 | 9,555,451 | 21,351,204 |
| Retained Earnings (Deficit) | 1,932,575 | 712,428 | 2,645,003 |
| Total Fund Equity | 13,728,328 | 10,267,879 | 23,996,207 |
| Total Liabilities and Fund Equity | $ 13,949,906 | $ 10,657,624 | $ 24,607,530 |



## City of West Linn, Oregon
## Enterprise Funds
## Combining Statement of Revenues, Expenses and Changes in Retained Earnings
*For the Year Ended June 30, 1999*

| | Water Fund | Sewer Fund | Total |
|---|---|---|---|
| OPERATING REVENUES: | | | |
| Charges for Services (Net of $1,036,713 of Sewer Charges Remitted to Tri-City Service District) | $ 1,754,388 | $ 1,156,874 | $ 2,911,262 |
| Connection Fees (Net of $350,196 of Sewer Connection Fees Remitted to Tri-City Service District) | 81,279 | | 81,279 |
| Other Operating Revenues | 44,708 | 24 | 44,732 |
| Total Operating Revenues | 1,880,375 | 1,156,898 | 3,037,273 |
| OPERATING EXPENSES: | | | |
| Salaries and Wages | 330,030 | 148,885 | 478,915 |
| System Repairs and Maintenance | 87,285 | 109,013 | 196,298 |
| Operating Supplies, Repairs and Services | 267,245 | 85,448 | 352,693 |
| South Fork Water Board Expenses | 786,035 | - | 786,035 |
| Utilities | 60,363 | 10,454 | 70,817 |
| Insurance | 21,483 | 19,216 | 40,699 |
| Administrative Charges from General Fund | 236,980 | 289,882 | 526,862 |
| Depreciation | 235,298 | 243,636 | 478,934 |
| Total Operating Expenses | 2,024,719 | 906,534 | 2,931,253 |
| Operating Income (Loss) | (144,344) | 250,364 | 106,020 |
| NON-OPERATING REVENUES: | | | |
| Interest Income | 24,173 | 78,605 | 102,778 |
| Net Income from Joint Venture | 666,483 | - | 666,483 |
| Total Non-Operating Revenues | 690,656 | 78,605 | 769,261 |
| Income Before Special Payments | 546,312 | 328,969 | 875,281 |
| SPECIAL PAYMENTS | (427,678) | - | (427,678) |
| Net Income | 118,634 | 328,969 | 447,603 |
| RETAINED EARNINGS, June 30, 1998 | 1,813,941 | 383,459 | 2,197,400 |
| RETAINED EARNINGS, June 30, 1999 | $ 1,932,575 | $ 712,428 | $ 2,645,003 |

# City of West Linn, Oregon
## Enterprise Funds
## Combining Statement of Cash Flows
*For the year ended June 30, 1999*

| | Water Fund | Sewer Fund | Total |
|---|---|---|---|
| Cash Flows from Operating Activities: | | | |
| Received from Customers | $ 1,812,179 | $ 1,131,025 | $ 2,943,204 |
| Paid to Suppliers | (437,155) | (546,180) | (983,335) |
| Payments to Employees for Services | (330,030) | (148,886) | (478,916) |
| Payment to Tri-City Service District | (795,119) | - | (795,119) |
| Other Operating Revenues | 44,708 | 24 | 44,732 |
| Payments - Quasi-External | (236,980) | (236,980) | (473,960) |
| Net Cash provided by Operating Activities | 57,603 | 199,003 | 256,606 |
| Cash Flows from Noncapital Financing Activities: | | | |
| Special Payments | (427,678) | - | (427,678) |
| Cash Flows from Capital and Related Financing Activities: | | | |
| Acquisition of Capital Assets | (21,991) | (319,730) | (341,721) |
| Cash Flows from Investing Activities: | | | |
| Interest Earnings | 28,787 | 88,047 | 116,834 |
| (Decrease) in Pooled Cash and Investments | (363,279) | (32,680) | (395,959) |
| Equity in Pooled Cash and Investments, June 30, 1998 | 817,276 | 1,740,035 | 2,557,311 |
| Equity in Pooled Cash and Investments, June 30, 1999 | $ 453,997 | $ 1,707,355 | $ 2,161,352 |

Continued on page 63



# City of West Linn, Oregon
## Enterprise Funds
## Combining Statement of Cash Flows, Continued
*For the year ended June 30, 1999*

| | Water Fund | Sewer Fund | Total |
|---|---|---|---|
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED BY) OPERATING ACTIVITIES: | | | |
| Operating Income (Loss) | $ (144,344) | $ 250,364 | $ 106,020 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | | | |
| Depreciation | 235,298 | 243,636 | 478,934 |
| Changes in Assets and Liabilities: | | | |
| Accounts Receivable | (34,425) | (30,855) | (65,280) |
| Contract Receivable | - | 57,607 | 57,607 |
| Accounts Payable | (5,343) | 110,285 | 104,942 |
| Other Accrued Liabilities | 4,563 | (41) | 4,522 |
| Due to Other Governments | (9,084) | (379,392) | (388,476) |
| Meter Connections Deposits | 10,938 | - | 10,938 |
| Contract Retainage Payable | - | (52,601) | (52,601) |
| Total Adjustments | 201,947 | (51,361) | 150,586 |
| Net Cash Provided by Operating Activities | $ 57,603 | $ 199,003 | $ 256,606 |
| NONCASH CAPITAL ACTIVITY: | | | |
| Fixed Assets Contributed by developers | $ 1,248,115 | $ - | $ 1,248,115 |

Continued from page 62

# City of West Linn, Oregon
## Water Fund
## Schedule of Revenues and Expenditures -
## Budget and Actual
*For the Year Ended June 30, 1999*

| | Original and Supplemental Budget | Actual | Variance Favorable (Unfavorable) |
|---|---|---|---|
| REVENUES: | | | |
| Service Charges and Other Fees: | | | |
| Water Sales | $ 1,653,450 | $ 1,754,388 | $ 100,938 |
| Water Connection Fees | 66,600 | 81,279 | 14,679 |
| Miscellaneous Revenues: | | | |
| Customer Service Charges | 6,500 | 7,706 | 1,206 |
| Interest Earnings | 1,200 | 24,173 | 22,973 |
| Other Revenues | 5,000 | 37,002 | 32,002 |
| Total Revenues | 1,732,750 | 1,904,548 | 171,798 |
| BEGINNING FUND BALANCE AVAILABLE FOR APPROPRIATION | 413,276 | 413,276 | - |
| | $ 2,146,026 | $ 2,317,824 | $ 171,798 |

| | Original and Supplemental Appropriation | Actual | Variance Favorable (Unfavorable) |
|---|---|---|---|
| EXPENDITURES: | | | |
| Personal Services | $ 344,496 | $ 330,030 | $ 14,466 |
| Materials and Services | 1,248,263 | 1,182,848 | 65,415 |
| Capital Outlay | 60,603 | 8,528 | 52,075 |
| Debt Service | 1,500 | - | 1,500 |
| Contingency | 150,872 | - | 150,872 |
| Total Expenditures | 1,813,734 | 1,521,406 | 292,328 |
| SPECIAL PAYMENTS: | | | |
| General Fund: | | | |
| Accounting/Financial Services | 82,088 | 70,322 | 11,766 |
| Planning/Development Services | 3,260 | 6,965 | (3,705) |
| Public Works Support Services | 75,324 | 52,291 | 23,033 |
| Administrative Services | 33,009 | 32,059 | 950 |
| Engineering Services | 70,827 | 73,854 | (3,027) |
| Project Design/Inspection | 10,560 | 1,488 | 9,072 |
| Vehicle/Equipment Maintenance Fund | 27,355 | 23,158 | 4,197 |
| M.I.S. Fund | 29,869 | 29,869 | - |
| Total Special Payments | 332,292 | 290,007 | 42,285 |
| Total Expenditures and Special Payments | $ 2,146,026 | $ 1,811,413 | $ 334,614 |



# City of West Linn, Oregon
## Horton Reservoir Fund
## Schedule of Revenues and Expenditures
## Budget and Actual
*For the Year Ended June 30, 1999*

| | Original and Supplemental Budget | Actual | Variance Favorable (Unfavorable) |
|---|---|---|---|
| BEGINNING FUND BALANCE AVAILABLE FOR APPROPRIATION | $ 427,678 | $ 427,678 | $ - |

| | Original and Supplemental Appropriations | Actual | Variance Favorable (Unfavorable) |
|---|---|---|---|
| SPECIAL PAYMENTS | | | |
| Bolton Pump Station Construction Fund | $ 388,100 | $ 388,100 | $ - |
| Tanner Basin Water SDC Fund | 39,578 | 39,578 | - |
| Total Special Payments | $ 427,678 | $ 427,678 | $ - |

## City of West Linn, Oregon
## Water Fund
## Reconciliation of Revenues and Expenditures (Budgetary) to Revenues and Expenses (GAAP)
*For the Year Ended June 30, 1999*

| | Revenues | Expenditures |
|---|---|---|
| Budgetary Basis Funds: | | |
| Water Fund | $ 1,904,548 | $ 1,521,406 |
| Horton Reservoir Fund | - | - |
| Revenues and Expenditures - Budgetary Basis | 1,904,548 | 1,521,406 |
| Adjustments: | | |
| Net Income from Joint Venture | 666,483 | |
| Depreciation Expense | | 235,298 |
| Expenditures Capitalized | | (21,992) |
| Expenses Budgeted as Special Payments | | 290,007 |
| Revenues and Expenses - GAAP Basis | $ 2,571,031 | $ 2,024,719 |

Comprised as follows:

| | | |
|---|---|---|
| Operating Revenues, Expenses | $ 1,880,375 | $ 2,024,719 |
| Non-operating Revenues: | | |
| Net Income from Joint Venture | 666,483 | |
| Interest Income, Expense | 24,173 | |
| | $ 2,571,031 | $ 2,024,719 |



## City of West Linn, Oregon
## Sewer Fund
## Schedule of Revenues and Expenditures - Budget and Actual
*For the Year Ended June 30, 1999*

| | Original and Supplemental Budget | Actual | Variance Favorable (Unfavorable) |
|---|---|---|---|
| REVENUES: | | | |
| Service Charges and Other Fees: | | | |
| Sewer Users' Charges | $ 2,082,000 | $ 2,204,263 | $ 122,263 |
| Sewer Connection Fees | 302,000 | 350,196 | 48,196 |
| Miscellaneous Revenues: | | | |
| Interest Earnings | 50,000 | 78,605 | 28,605 |
| Other Revenues | | 24 | 24 |
| Total Revenues | 2,434,000 | 2,633,088 | 199,088 |
| BEGINNING FUND BALANCE AVAILABLE FOR APPROPRIATION | 1,383,964 | 1,383,964 | - |
| | $ 3,817,964 | $ 4,017,052 | $ 199,088 |

| | Original and Supplemental Appropriation | Actual | Variance Favorable (Unfavorable) |
|---|---|---|---|
| EXPENDITURES: | | | |
| Personal Services | $ 219,729 | $ 148,886 | $ 70,843 |
| Materials and Services | 1,612,881 | 1,559,678 | 53,203 |
| Capital Outlay | 549,840 | 293,304 | 256,536 |
| Contingency | 1,091,026 | - | 1,091,026 |
| Total Expenditures | 3,473,476 | 2,001,868 | 1,471,608 |
| SPRCIAL PAYMENTS: | | | |
| General Fund: | | | |
| Accounting/Financial Services | 66,075 | 63,341 | 2,734 |
| Planning/Development Services | 3,260 | 6,965 | (3,705) |
| Public Works Support Services | 51,692 | 98,237 | (46,545) |
| Administrative Services | 39,787 | 41,544 | (1,757) |
| Engineering Services | 37,574 | 52,292 | (14,718) |
| Project Design/Inspection | 79,950 | 27,503 | 52,447 |
| Vehicle/Equipment Maintenance Fund | 25,784 | 48,099 | (22,315) |
| M.I.S. Fund | 40,366 | 40,366 | - |
| Total Special Payments | 344,488 | 378,347 | (33,859) |
| Total Expenditures and Special Payments | $ 3,817,964 | $ 2,380,215 | $ 1,437,749 |

## City of West Linn, Oregon
## Sewer Fund
## Reconciliation of Revenues and Expenditures (Budgetary) to Revenues and Expenses (GAAP)
*For the Year Ended June 30, 1999*

| | Revenues | Expenditures |
|---|---|---|
| Revenues and Expenditures | $ 2,633,088 | $ 2,001,868 |
| Sewer Users' Charges and Connection Fees Remitted to Tri-City Service District | (1,397,585) | (1,397,585) |
| Expenditures Capitalized | | (319,732) |
| Depreciation | | 243,636 |
| Expenses Budgeted as Other Financing Uses | | 378,347 |
| Revenues and Expenses | $ 1,235,503 | $ 906,534 |
| Comprised as follows: | | |
| Operating Revenues, Expenses | $ 1,156,898 | $ 906,534 |
| Non-operating Revenues - Interest Income | 78,605 | |
| | $ 1,235,503 | $ 906,534 |



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# Appendix C

## Book Entry Only System

## Sample Offering Document Language Describing Book-Entry-Only Issuance
**(Prepared by DTC—bracketed material may be applicable only to certain issues)**

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds $200 million, one certificate will be issued with respect to each $200 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

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

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

5. Conveyances of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

8. Prepayment proceeds, distributions and dividend payments on the Securities will be made to Cede & Co., as nominee of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from City or Agent, on payable date in accordance with their respective holdings shown

on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or Depositary, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of prepayment proceeds, distributions and dividends to Cede & Co. is the responsibility of Depositary, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

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

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

# Appendix D

**Form of Continuing Disclosure Certificate**

**CONTINUING DISCLOSURE CERTIFICATE**

**$4,300,000**
**City of West Linn, Oregon**
**Full Faith and Credit Obligations**
**Series 2000**

This Continuing Disclosure Certificate (the "Certificate") is executed and delivered by the City of West Linn, in Clackamas County, Oregon (the "Issuer") in connection with the issuance of the Issuer's Full Faith and Credit Obligations, Series 2000 (the "Obligations").

Section 1. Purpose of Certificate. This Certificate is being executed and delivered by the Issuer for the benefit of the holders of the Obligations and to assist the underwriter(s) of the Obligations in complying with paragraph (b)(5) of Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. § 240.15c2-12) (the "Rule"). This Certificate constitutes the Issuer's written undertaking for the benefit of the owners of the Obligations as required by Section (b)(5) of the Rule.

Section 2. Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for purposes of this Certificate, have the meanings herein specified.

"Beneficial Owner" means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Obligations, including persons holding Obligations through nominees or depositories.

"Commission" means the Securities and Exchange Commission.

"MSRB" means the Municipal Securities Rulemaking Board or any successor to its functions.

"NRMSIR" means a nationally recognized municipal securities information repository.

"Official Statement" means the final official statement for the Obligations dated October 30, 2000.

"Rule" means the Commission's Rule 15c2-12 under the Securities and Exchange Act of 1934, as the same may be amended from time to time.

"SID" means a state information depository for the State of Oregon (if one is created).

Section 3. Financial Information. The Issuer agrees to provide or cause to be provided to each NRMSIR and to the SID, if any, in each case as designated by the Commission in accordance with the Rule, the following annual financial information and operating data for the prior fiscal year (commencing in 2001 for the fiscal year ended June 30, 2000):

A. The Issuer's latest publicly available annual financial statements prepared in accordance with the Oregon Local Budget Law (or any successor statute) and in accordance with generally accepted accounting principles so prescribed by the Governmental Accounting Standards Board (or its successors) and generally of the type included in the official statement for the Obligations under the heading "Appendix B: Financial Statements";

B. Financial information or operating data of the type set forth in the Official Statement:

- Bonded Indebtedness
- Taxes:

  – Property Value

  – Tax Collection Record

  – Major Taxpayers – City of West Linn
- General Fund Balance Sheet
- General Fund Statement of Revenues, Expenditures and Changes in Fund Balance.

The annual information and operating data described above shall be provided on or before nine months after the end of the Issuer's fiscal year. The Issuer's current fiscal year ends June 30. The Issuer may adjust such fiscal year by providing written notice of the change of fiscal year to each then existing NRMSIR and the SID, if any. In lieu of providing such annual financial information and operating data, the Issuer may cross-reference to other documents provided to the NRMSIR, the SID or to the Commission and, if such document is a final official statement within the meaning of the Rule, available from the MSRB.

The Issuer agrees to provide or cause to be provided, in a timely manner, to each NRMSIR or to the MSRB, and to the appropriate SID, if any, notice of its failure to provide the annual financial information described in this Section 3 on or prior to the date set forth in the preceding paragraph.

If not provided as part of the annual financial information discussed above, the Issuer shall provide the Issuer's audited annual financial statement prepared in accordance with the Oregon Local Budget Law (or any successor statute) when and if available to each then existing NRMSIR and the SID, if any.

Section 4. Material Events. The Issuer agrees to provide or cause to be provided, in a timely manner, to the SID, if any, and to each NRMSIR or to the MSRB notice of the occurrence of any of the following events with respect to the Obligations, if material:

*1*. Principal and interest payment delinquencies;

*2*. Non-payment related defaults;

*3*. Unscheduled draws on debt service reserves for the Obligations reflecting financial difficulties;

*4*. Unscheduled draws on credit enhancements for the Obligations reflecting financial difficulties;

*5*. Substitution of credit or liquidity providers or their failure to perform;

*6*. Adverse tax opinions or events affecting the tax-exempt status of the Obligations;

*7*. Modifications to the rights of Obligation owners;

*8*. Optional redemption of Obligations prior to their maturity;

*9*. Defeasance of the Obligations;

*10*. Release, substitution or sale of property securing repayment of the Obligations; and

*11*. Rating changes.

Section 5. Termination/Modification. The Issuer's obligations to provide notices of material events shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Obligations. This Certificate, or any provision hereof, shall be null and void if the Issuer (a) obtains an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this Certificate, or any such provision, are invalid, have been repealed retroactively or otherwise do not apply to the Obligations; and (b) notifies each then existing NRMSIR and the SID, if any, of such opinion and the cancellation of this Certificate.

Notwithstanding any other provision of this Certificate, the Issuer may amend this Certificate, and any provision of this Certificate may be waived, provided that the following conditions are satisfied:

A. If the amendment or waiver relates to the provisions of Sections 3 or 4 hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Issuer with respect to the Obligations, or the type of business conducted;

B. The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Obligations, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

C. The amendment or waiver either (i) is approved by the owners of the Obligations or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the owners or Beneficial Owners of the Obligations.

In the event of any amendment or waiver of a provision of this Certificate, the Issuer shall describe such amendment in the next annual report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a material event under Section 4 hereof, and (ii) the annual report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 6. Obligation Owner's Remedies Under This Certificate. The right of any Obligation Owner or Beneficial Owner of Obligations to enforce the provisions of this Certificate shall be limited to a right to obtain specific enforcement of the Issuer's obligations hereunder, and any failure by the Issuer to comply with the provisions of this undertaking shall not be an event of default with respect to the Obligations hereunder.

Section 7. Choice of Law. This Certificate shall be governed by and construed in accordance with the laws of the State of Oregon, provided that to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

Dated as of the 6th day of November, 2000.

**City of West Linn, Oregon**

____________________________________

William Gin, Finance Director

# Appendix E

**Specimen Municipal Bond Insurance Policy**

**MBIA**

# FINANCIAL GUARANTY INSURANCE POLICY

## MBIA Insurance Corporation
## Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

**[PAR]**
**[LEGAL NAME OF ISSUE]**

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

**MBIA Insurance Corporation**

SPECIMEN

President

Attest:

Assistant Secretary

STD-R-6
4/95