OFFICIAL STATEMENT dated December 3, 2015

NEW ISSUE **BANK QUALIFIED**
BOOK-ENTRY **STANDARD & POOR'S RATING: "AA+"**
(See "RATING" herein)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Special Counsel to the City ("Special Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, the portion of the payments made under the Financing Agreement (the "Financing Obligations") designated and constituting interest received by the holders of the Obligations ("Interest") is excluded from the gross income for federal income tax purposes under under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Special Counsel, Interest is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Special Counsel observes that Interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In the opinion of Special Counsel, Interest is exempt from Oregon personal income taxes under existing law. The City has designated the Financing Obligations as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code. Special Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest with respect to the Obligations. (See "TAX MATTERS" herein.)

$5,265,000
CITY OF WEST LINN
CLACKAMAS COUNTY, OREGON
FULL FAITH AND CREDIT PROJECT AND REFUNDING OBLIGATIONS, SERIES 2015

DATED: Date of Delivery (expected to be on or about December 16, 2015) **Due: June 1, as shown on inside cover**

The City provides this Official Statement in connection with the issuance of its Full Faith and Credit Project and Refunding Obligations, Series 2015 (the "Obligations"). The Obligations mature on June 1 in each of the years and amounts set forth on the inside cover and will bear interest from the Date of Delivery to the dates of maturity, or date of prior redemption, at the rates per annum as shown on the inside cover hereof.

The Obligations evidence and represent undivided proportionate interests of the Owners thereof in Financing Payments (defined herein) to be made by the City pursuant to a Financing Agreement between the City and U.S. Bank National Association, dated as of December 1, 2015 (the "Financing Agreement"). The interest component of the Financing Payments evidenced and represented by the Obligations will be payable on June 1, 2016 and semiannually thereafter on June 1 and December 1 of each year. The principal component of the financing payments will be payable on June 1 as shown in the maturity schedule on the inside cover hereto. The principal and interest components of the Financing Payments evidenced and represented by the Obligations will be payable to the persons in whose names such Obligations are registered (the "Owners"), at their addresses appearing upon the registration books on the 15th day of the month preceding a payment date. Such principal and interest components will be payable by the escrow agent, paying agent and registrar, currently U.S. Bank National Association, to DTC which, in turn, is required to remit such principal and interest components to DTC Participants for subsequent disbursement to the Owners of the Obligations. For so long as the Obligations are held by DTC in book-entry format, principal and interest payments will be made as described herein. (See "DESCRIPTION OF THE OBLIGATIONS - Book-Entry Obligations" herein and "APPENDIX F – BOOK-ENTRY ONLY SYSTEM" attached hereto.)

Pursuant to the terms of the Financing Agreement the payment obligations of the City under the Financing Agreement (the "Financing Payments") are secured by and payable from the City's general non-restricted revenues and other funds that are lawfully available for that purpose, including the proceeds of the Financing Agreement and revenues from an *ad valorem* tax authorized to be levied under the City's permanent rate limit under Sections 11 and 11b, Article XI of the Oregon Constitution, and revenues derived from other taxes, if any, levied by the City in accordance with and subject to limitations and restrictions imposed under applicable law or contract that are not dedicated, restricted or obligated by law or contract to an inconsistent expenditure or use. Pursuant to Oregon Revised Statutes Section 287A.315 the City has pledged its full faith and credit and its taxing power to make the Financing Payments, and the obligation of the City to make the Financing Payments is not subject to appropriation. The registered Owners (as described herein) of the Obligations do not have a lien on or security interest in any revenues or property of the City. The Financing Agreement does not constitute a debt or indebtedness of the State of Oregon, or any political subdivision thereof other than the City.

The Obligations are being issued to provide funds, together with other legally available funds, if any, to (a) finance a portion of the capital costs associated with improvements to the Bolton Reservoir (the "Bolton Reservoir Project"); (b) refund on a current basis all of the outstanding Water Revenue Bonds, Series 2000 (the "2000 Revenue Bonds") maturing in the years 2016 through 2020 (the "Refunded 2000 Water Bonds"); (c) advance refund all of the outstanding Full Faith and Credit Obligations, Series 2009B (the "2009B Obligations") maturing in the years 2020, 2022, 2024, 2026, and 2029 (the "Refunded 2009B Obligations," together with the Refunded 2000 Water Bonds, the "Refunded Obligations"); and (d) pay for costs of issuance, sale and delivery of the Obligations. (See "DESCRIPTION OF THE OBLIGATIONS - Prepayment Provisions," "PURPOSE AND USE OF PROCEEDS," and "SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT AND ESCROW AGREEMENT – Security for the Obligations" herein.)

The Obligations will be issued as fully registered obligations under a book-entry system, initially registered to Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Obligations. Individual purchases of the Obligations will be made in the principal amount of $5,000, or integral multiples thereof within a single maturity. The purchasers will not receive certificates representing their interest in the Obligations, as long as the Obligations are in book-entry form.

The Obligations are offered by the Underwriter when, as and if issued by the City, subject to the opinion as to legality of the Obligations by Orrick, Herrington & Sutcliffe LLP, Portland, Oregon, Special Counsel, which opinion will be delivered with the Obligations. The Obligations, in book-entry form, are expected to be available for delivery through the facilities of DTC for delivery by Fast Automated Securities Transfer on or about December 16, 2015 (the "Date of Delivery").

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

PIPER JAFFRAY & CO.

$5,265,000
CITY OF WEST LINN
CLACKAMAS COUNTY, OREGON
FULL FAITH AND CREDIT PROJECT AND REFUNDING OBLIGATIONS, SERIES 2015

DATED: Date of Delivery (Expected to be on or about December 16, 2015)

MATURITY SCHEDULE

DUE: June 1 , as shown below

Due June 1	Amounts	Interest Rates	Yield	Price	CUSIP[1]
2017	$210,000	3.00	0.70%	103.331%	954039MM2
2018	215,000	3.00	0.90	105.094	954039MN0
2019	410,000	3.00	1.10	106.429	954039MP5
2020	425,000	3.00	1.30	107.340	954039MQ3
2021	445,000	3.00	1.40	108.379	954039MR1
2022	310,000	2.00	1.60	102.444	954039MS9
2023	320,000	3.00	1.70	109.069	954039MT7
2024	330,000	4.00	1.80	117.188	954039MU4
2025	345,000	4.00	1.90	118.100	954039MV2
2026	360,000	4.00	2.00	117.976[2]	954039MW0
2027	370,000	2.50	2.15	103.122[2]	954039MX8
2028	375,000	2.50	2.30	101.770[2]	954039MY6

$510,000, 3.00% Term Bond due June 1, 2030, to yield 2.45%, price 104.833%[2] CUSIP[1] 954039NA7

$375,000, 3.00% Term Bond due June 1, 2033, to yield 2.75%, price 102.164%[2] CUSIP[1] 954039ND1

$265,000, 3.00% Term Bond due June 1, 2035, to yield 3.00%, price 100.00% CUSIP[1] 954039NF6

[2] Priced to the optional prepayment date of December 1, 2025.

CITY OF WEST LINN
22500 Salamo Road
West Linn, Oregon 97068
(503) 657-0331

Mayor and City Council:

Mayor..Russ Axelrod

City Council..Thomas Frank, President
Brenda Perry, Councilor
Jenni Tan, Councilor
Bob Martin, Councilor[1]

Certain Appointed City Officials:

Interim City Manager ....Don Otterman

Chief Financial Officer..Richard Seals

Assistant Finance Director.. Lauren Breithaupt

FINANCIAL ADVISOR D.A. DAVIDSON & CO. 1300 SW 5th Avenue, Suite 1950 Portland, Oregon 97201 (503) 863-5094	**SPECIAL COUNSEL** ORRICK, HERRINGTON & SUTCLIFFE LLP 1120 Northwest Couch Street, Suite 200 Portland, Oregon 97209 (503) 943-4800
ESCROW AGENT, PAYING AGENT AND REGISTRAR U.S. BANK NATIONAL ASSOCIATION Global Corporate Trust Services 555 Southwest Oak Street PD-OR-P7TD Portland, Oregon 97204 (503) 464-3756	**UNDERWRITER** PIPER JAFFRAY & CO. 800 Nicollet Mall, Suite 1200 Minneapolis, Minnesota (612) 303-6666

[1] Bob Martin was elected to this position on November 3, 2015.

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City. The information in this Official Statement was obtained from sources believed to be reliable, but is not guaranteed as to accuracy or completeness.

D.A. Davidson & Co. is employed as Financial Advisor to the City in connection with the issuance of the Obligations. The Financial Advisor's fee for services rendered with respect to the sale of the Obligations is contingent upon issuance and delivery of the Obligations

The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of the information. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the City described herein since the date of its distribution. This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized.

The following descriptions of the Obligations, Financing Agreement, the Escrow Agreement, the Resolution, (defined herein) and all references to other documents or materials not claiming to be quoted in full are only brief outlines of some of the provisions and do not claim to summarize or describe all provisions. Copies of such documents may be obtained from the City, the Financial Advisor or the Underwriter.

THE OBLIGATIONS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED. IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

In connection with the offering and issuance of the Obligations, the Underwriter may over-allot or effect transactions that stabilize or maintain the market price of the Obligations at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "projection," "budget" or other similar words. No assurance can be given that the future results discussed herein will be achieved and actual results may differ materially from the forecasts described herein.

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$5,265,000
CITY OF WEST LINN
CLACKAMAS COUNTY, OREGON
FULL FAITH AND CREDIT PROJECT AND REFUNDING OBLIGATIONS, SERIES 2015

SUMMARY STATEMENT

The following summary is qualified in its entirety by reference to the detailed information appearing elsewhere in this Official Statement. No person is authorized to detach this Summary Statement from this Official Statement or to otherwise use it without this entire Official Statement.

ISSUER .... The City of West Linn, Oregon (the "City") is located in Clackamas County (the "County") in northwestern Oregon. The City is located approximately 14 miles southeast of the City of Portland and approximately 1 mile north and across the Willamette River from the City of Oregon City, the County seat. The City had a 2014 estimated population of 25,540, according to the Portland State University estimates. (See "THE CITY" and "APPENDIX A – ECONOMIC AND DEMOGRAPHIC INFORMATION" herein.)

AUTHORITY FOR ISSUANCE .... Under and in accordance with State laws and provisions, specifically Oregon Revised Statutes ("ORS") Sections 271.390, 287A.150, 287A.315, 287A.360 and the other applicable provisions of ORS Chapter 287A, the Obligations are being issued pursuant to Resolution No. 2015-17 (the "Resolution") adopted by the City Council (the "Council") on November 9, 2015. The Obligations will be issued under an Escrow Agreement and a Financing Agreement, each to be executed on the Date of Delivery.

INTEREST AND PRIOR PREPAYMENT .... Interest on the Obligations will be payable semiannually on June 1 and December 1 of each year, commencing June 1, 2016, as shown on the inside cover. The Obligations maturing on and after June 1, 2026 are subject to optional prepayment. Term Obligations are subject to mandatory prepayment. (See "DESCRIPTION OF THE OBLIGATIONS – Prepayment Provisions" herein.)

SOURCE OF REPAYMENT .... Pursuant to the terms of the Financing Agreement the payment obligations of the City under the Financing Agreement (the "Financing Payments") are secured by and payable from the City's general non-restricted revenues and other funds that are lawfully available for that purpose, including the proceeds of the Financing Agreement and revenues from an *ad* valorem tax authorized to be levied under the City's permanent rate limit under Sections 11 and 11b, Article XI of the Oregon Constitution, and revenues derived from other taxes, if any, levied by the City in accordance with and subject to limitations and restrictions imposed under applicable law or contract that are not dedicated, restricted or obligated by law or contract to an inconsistent expenditure or use. Pursuant to Oregon Revised Statutes Section 287A.315 the City has pledged its full faith and credit and its taxing power to make the Financing Payments, and the obligation of the City to make the Financing Payments is not subject to appropriation. The registered Owners (as described herein) of the Obligations do not have a lien on or security interest in any revenues or property of the City

USE OF PROCEEDS .... The Obligations are being issued to provide funds, together with other legally available funds, if any, to (a) finance a portion of the capital costs associated with improvements to the Bolton Reservoir (the "Bolton Reservoir Project"); (b) refund on a current basis all of the outstanding Water Revenue Bonds, Series 2000 (the "2000 Revenue Bonds") maturing in the years 2016 through 2020 (the "Refunded 2000 Water Bonds"); (c) advance refund all of the outstanding Full Faith and Credit Obligations, Series 2009B (the "2009B Obligations") maturing in the years 2020, 2022, 2024, 2026, and 2029 (the "Refunded 2009B Obligations," together with the Refunded 2000 Water Bonds, the "Refunded Obligations"); and (d) pay for costs of issuance, sale and delivery of the Obligations. (See "PURPOSE AND USE OF PROCEEDS" herein.)

$5,265,000
CITY OF WEST LINN
CLACKAMAS COUNTY, OREGON
FULL FAITH AND CREDIT PROJECT AND REFUNDING OBLIGATIONS, SERIES 2015

INTRODUCTION

The City of West Linn, Oregon (the "City") furnishes this Official Statement in connection with the offering of the City's Full Faith and Credit Project and Refunding Obligations, Series 2015 (the "Obligations"). This Official Statement, which includes the cover page, inside cover pages and appendices, provides information concerning the City and the Obligations.

The information set forth herein has been obtained from the City and other sources that are believed to be reliable. The information contained herein should not be construed as representing all conditions affecting the City or the Obligations. Additional information may be obtained from the City. The statements relating to the Resolution, Escrow Agreement and Financing Agreement, all as defined below, are in summarized form and, in all respects, are subject to and qualified in their entirety by express reference to the provisions of such documents in its complete and executed form. The agreements of the City are set forth in the Resolution, Financing Agreement and Escrow Agreement and the information assembled herein is not to be construed as a contract with Owners of the Obligations.

DESCRIPTION OF THE OBLIGATIONS

Authorization for Issuance

Under and in accordance with State laws and provisions, specifically Oregon Revised Statutes ("ORS") Sections 271.390, 287A.150, 287A.315, 287A.360 and the other applicable provisions of ORS Chapter 287A, the Obligations are being issued pursuant to Resolution No. 2015-17 (the "Resolution") adopted by the City Council (the "Council") on November 9, 2015 and an Escrow Agreement and a Financing Agreement, each to be executed on the Date of Delivery.

The Obligations evidence and represent undivided proportionate interests of the Owners thereof in payments (the "Financing Payments") to be made by the City pursuant to the Financing Agreement (the "Financing Agreement") dated on or about December 16, 2015 (the "Date of Delivery"), between the City and U.S. Bank National Association, as paying agent, registrar and escrow agent (the "Escrow Agent" or "Registrar"). The Obligations are executed and delivered pursuant to an escrow agreement (the "Escrow Agreement") dated as of December 1, 2015, between the City and the Escrow Agent. (See "APPENDIX D – FORM OF FINANCING AGREEMENT AND ESCROW AGREEMENT" attached hereto.)

Principal and Interest

The Obligations will be issued in the aggregate principal amount of $5,265,000 and will be dated and bear interest from the Date of Delivery. The interest component of the Financing Payments evidenced and represented by the Obligations will be payable on June 1, 2016 and semiannually thereafter on June 1 and December 1 of each year. The principal component will be payable on June 1 of each year as shown in the maturity schedule on the inside cover hereto, or until the date of prior prepayment as set forth herein.

Interest on the Obligations will be computed on the basis of a 360-day year consisting of twelve 30-day months. The "Record Date" is the 15^{th} day of the month immediately preceding a payment date.

Registrar and Registration Features

The Obligations will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co. as Owner and as nominee for The Depository Trust Company ("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 ("Owners") will not receive certificates representing their interest in the Obligations.

The principal of and interest on the Obligations will be payable by the Registrar, to DTC, which, in turn, is obligated to remit such principal and interest to its participants for subsequent disbursement to the owners of the Obligations. (See "APPENDIX F – BOOK-ENTRY ONLY SYSTEM" attached hereto for additional information.)

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 inside 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 F – BOOK-ENTRY ONLY SYSTEM" attached hereto for additional information.)

Procedure in the Event of Revisions of Book-Entry Transfer System. If DTC ceases to act as depository for the Obligations the City will request the Escrow Agent to, and the Escrow Agent and the City shall, amend the Escrow Agreement to provide for an alternative system of registration and payment for the Obligations that is of general acceptance in the municipal bond markets. If no better system is then available, the Escrow Agent and the City shall amend the Escrow Agreement to provide that printed, registered Obligations shall be issued to beneficial owners of the Obligations, and shall give notice of those amendments to all Owners.

Prepayment Provisions

Optional Prepayment. The Obligations maturing in years 2017 through 2025 inclusive, are not subject to optional prepayment prior to maturity. The Obligations maturing on June 1, 2026 and on any date thereafter are subject to prepayment at the option of the City (in such manner as may be determined by the City and by lot within a maturity) prior to their stated maturity date at any time on or after December 1, 2025, as a whole or in part, in authorized denominations at a price of par, plus accrued interest, if any, to the date fixed for prepayment. The City shall give notice of prepayment to the Escrow Agent no later than 5 business days before the notice is required to be given.

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

Mandatory Prepayment. If not previously prepaid under the provisions for optional redemption, the Term Obligations maturing on June 1, 2030, 2033, and 2035 are subject to mandatory prepayment on June 1 of the following years in the following principal amounts, at a price of par plus accrued interest to the date fixed for prepayment.

2030 Term Obligation			2033 Term Obligation			2035 Term Obligation	
Year	Amount		Year	Amount		Year	Amount
2029	$390,000		2031	$120,000		2034	$130,000
2030[1]	120,000		2032	125,000		2035[1]	135,000
			2033[1]	130,000			
Total	$510,000		Total	$375,000		Total	$265,000

[1] Final maturity.

Notice of Prepayment (Book-Entry). So long as the Obligations are in book-entry only form and unless DTC consents to a shorter period, the Escrow Agent shall notify DTC of an early prepayment not less than 20 days nor more than 60 days prior to the date fixed for prepayment, and shall provide such information as required by the Blanket Issuer Letter of Representations submitted to DTC in connection with the issuance of the Obligations. The City shall give notice of prepayment to the Escrow Agent not less than 25 days before the prepayment date.

Notice of Prepayment (No Book-Entry). During any period in which the Obligations are not in book-entry only form, unless waived by any Owner of the Obligations to be redeemed, official notice of any prepayment of Obligations shall 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, not less than 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 obligation register or at such other address as is furnished in writing by such Owner to the Escrow Agent. The City shall give notice of prepayment to the Escrow Agent not less than 35 days before the prepayment date.

Conditional Notice of Prepayment. Any notice of optional prepayment given for the Obligations may state that, if at the time of mailing of such notice there shall not have been deposited with the Escrow Agent moneys sufficient to prepay all of the Obligations selected for prepayment, or upon the satisfaction of any other condition, the optional prepayment is conditional upon receipt by the Escrow Agent of moneys or Defeasance Obligations necessary to effect prepayment of such Obligations, or upon the satisfaction of any other condition, and that such notice may be rescinded at any time before payment of such prepayment price if any such condition so specified is not satisfied or if any such other event occurs, and such notice shall be of no effect. Notice of such rescission or of the failure of any such condition shall be given by the Escrow Agent to affected owners of the Obligations as promptly as practicable.

PURPOSE AND USE OF PROCEEDS

Purpose

The Obligations are being issued to provide funds, together with other legally available funds, if any, to (a) finance a portion of the capital costs associated with improvements to the Bolton Reservoir (the "Bolton Reservoir Project"); (b) refund on a current basis all of the outstanding Water Revenue Bonds, Series 2000 (the "2000 Revenue Bonds") maturing in the years 2016 through 2020 (the "Refunded 2000 Water Bonds"); (c) advance refund all of the outstanding Full Faith and Credit Obligations, Series

2009B (the "2009B Obligations") maturing in the years 2020, 2022, 2024, 2026, and 2029 (the "Refunded 2009B Obligations," together with the Refunded 2000 Water Bonds, the "Refunded Obligations"); and (d) pay for costs of issuance, sale and delivery of the Obligations.

The portion of the Obligations allocable to the Bolton Reservoir Project (the "new money portion") is being issued in the principal amount of $2,000,000. The portion of the Obligations allocable to the Refunded Obligations (the "refunding portion") is being issued in the principal amount of $3,265,000, with $640,000 allocable to the Refunded 2000 Water Bonds (the "2000 refunding portion") and $2,625,000 allocable to the Refunded 2009B Obligations (the "2009B refunding portion"). The refunding portion of the Obligations is being issued to refinance the Refunded Obligations so that the City can obtain a benefit of savings in total debt service requirements.

The 2000 Water Bonds were originally issued October 1, 2000 in the principal amount of $1,800,000 to finance certain Water System Improvements. The 2009B Obligations were originally issued January 21, 2009 in the principal amount of $4,035,000 to finance the costs of land acquisition, capital construction and improvements.

The estimated sources and application of Obligation proceeds are shown in the table that follows.

	New Money Portion	Total Refunding Portion	Total
Sources of Funds			
Principal Amount	$2,000,000.00	$3,265,000.00	$5,265,000.00
Original Issue Premium	114,957.05	269,259.00	384,216.05
City Contribution	0.00	7,792.15	7,792.15
Total Available Proceeds	$2,114,957.05	$3,542,051.15	$5,657,008.20
Uses of Funds			
Project Fund Deposit	$2,078,177.57	n/a	$2,078,177.57
Pay-off Requirements	n/a	$3,475,658.63	3,475,658.63
Underwriter's Discount	11,418.80	18,641.20	30,060.00
Issuance Costs and Contingency	25,360.68	47,751.32	73,112.00
Total Uses of Funds	$2,114,957.05	$3,542,051.15	$5,657,008.20

Refunding Procedure

The proceeds of the Obligations will be used to refund the Refunded Obligations as described herein.

Refunded Obligation	Original Principal Amount	Principal Amount Outstanding	Amount Refunded	Redemption Date	Redemption Price
Refunded 2000 Water Bonds	$1,800,000	$660,000	$660,000	01/15/2016	100.00%
Refunded 2009B Obligations	4,035,000	3,145,000	2,605,000	06/01/2018	100.00
Total	$5,835,000	$3,805,000	$3,265,000		

Refunded 2000 Water Bonds

Maturity Years (October 1)	Principal Amounts[1]	Interest Rates	CUSIP 954065	Term Bond Amounts Refunded Year	Term Bond Amounts Refunded Amount
				2016	$115,000
				2017	125,000
				2018	130,000
				2019	140,000
2020[1]	$660,000	6.00%	AV0	2020	150,000
	$660,000				

Refunded 2009B Obligations

Maturity Years (June 1)	Principal Amounts	Interest Rates	CUSIP 954039	Term Obligation Amounts Refunded Year	Term Obligation Amounts Refunded Amount
				2019	$190,000
2020[1]	$390,000	4.00%	JW4	2020	200,000
				2021	$210,000
2022[1]	425,000	4.00	JY0	2022	215,000
				2023	$225,000
2024[1]	460,000	4.05	KA0	2024	235,000
				2025	$245,000
2026[1]	500,000	4.20	KC6	2026	255,000
				2027	$265,000
				2028	275,000
2029[1]	830,000	4.35	KF9	2029	290,000
	$2,605,000				

[1] Term Bond.

From the proceeds of the Obligations, the City will purchase certain direct United States government obligations (referred to herein as "Government Obligations"). These Government Obligations will be deposited in the custody of the Escrow Agent. The maturing principal of the Government Obligations, interest earned thereon, and necessary cash balance, if any, will provide the necessary funds to (i) call, pay and redeem the Refunded 2000 Water Bonds on January 15, 2016; (ii) pay interest of the Refunded 2009B Obligations through June 1, 2018; and (iii) call, pay, and redeem the Refunded 2009B Obligations on June 1, 2018.

The Government Obligations, interest earned thereon, and necessary cash balance, if any, will, pursuant to the Escrow Deposit Agreement, be irrevocably pledged to and held in Escrow for the benefit of the Owners of the Refunded Obligations.

Verification of Mathematical Calculations

Grant Thornton LLP, a firm of independent public accountants (the "Verification Agent"), will deliver to the City, on or before the Date of Delivery, its verification report indicating that it has verified, in accordance with attestation standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and/or the maturing principal of and interest on the Government Obligations, to pay, when due, the maturing principal of, interest on and related call premium requirements of the Refunded 2009B Obligations being refunded and (b) the mathematical computations of yield used by Special Counsel to support its opinion that interest on the Obligations will be excluded from gross income for federal income tax purposes.

The verification performed by the Verification Agent will be solely based upon data, information and documents provided to the Verification Agent by the District and its representatives. The Verification Agent has restricted its procedures to recalculating the computations provided by the District and its representatives and has not evaluated or examined the assumptions or information used in the computations.

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 (collectively, the "Agreements"). 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. Forms of the Agreements are attached to this Official Statement as Appendix D.

Under the Agreements, the Escrow Agent has agreed to finance for the City an amount equal to the Financing Amount from the proceeds of the Obligations. The City has agreed to borrow the Financing Amount from the Escrow Agent and to repay that principal amount in installments, with interest, by making the Financing Payments (as defined below under "Security for the Obligations") and paying the Additional Charges (as defined below under "Additional Charges") when due. The City is required to make Financing Payments to the Escrow Agent for deposit into the Payment Account established under the Escrow Agreement, as further set forth in the Escrow Agreement. Each deposit shall be applied by the Escrow Agent toward Financing Payments due on each June 1 and December 1 of each year, commencing June 1, 2016 (each a "Payment Date"). (See "SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT AND ESCROW AGREEMENT – Financing Payments" below.)

Security for the Obligations

Pursuant to the terms of the Financing Agreement the payment obligations of the City under the Financing Agreement (the "Financing Payments") are secured by and payable from the City's general non-restricted revenues and other funds that are lawfully available for that purpose, including the proceeds of the Financing Agreement and revenues from an *ad* valorem tax authorized to be levied under the City's permanent rate limit under Sections 11 and 11b, Article XI of the Oregon Constitution, and revenues derived from other taxes, if any, levied by the City in accordance with and subject to limitations and restrictions imposed under applicable law or contract that are not dedicated, restricted or obligated by law or contract to an inconsistent expenditure or use. Pursuant to ORS Section 287A.150, 287A.315, 287A.360 and other applicable provisions of ORS Chapter 287A, the City has pledged its full faith and credit and its taxing power to make the Financing Payments, and the obligation of the City to make the Financing Payments is not subject to appropriation. The registered Owners (as described herein) of the Obligations do not have a lien on or security interest in any revenues or property of the City.

Financing Payments

The City is required to deposit Financing Payments with the Escrow Agent not later than the Business Day prior to the Payment Date. In making such deposits, the City will be credited on each deposit date for any amounts then on hand in the Payment Account, further described herein, and available to pay the Financing Payment for which such deposit is being made and the City will only be required to pay the difference, if any, between the amount of the deposit then due and the amounts then on hand in the Payment Account.

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

Additional Charges

As described in the Financing Agreement, the City covenants to pay the following Additional Charges, as and when the same become due and payable:

(1) all applicable rebates due in connection with the Financing Agreement and the Obligations that are required to be paid under Section 148(f) of the Code consistent with the City's representations and covenants contained in any of the certificates or other documents executed by the City as provided under the Financing Agreement;

(2) to the extent permitted by law, all costs and expenses that the Escrow Agent may incur because of any default by the City under the Financing Agreement, including reasonable attorneys' fees and costs of suit or action at law to enforce the terms and conditions of the Financing Agreement;

(3) the fees, costs and expenses of the Escrow Agent as provided in the Escrow Agreement and the reasonable fees, costs and expenses of any successor Escrow Agent; and

(4) Additional Charges shall be paid by the City when due, unless such payment may be delayed without penalty or interest, or within 30 days after notice in writing from the Escrow Agent to the City stating the amount of Additional Charges then due and payable and the purpose thereof.

The City's obligation to make Financing Payments and Additional Charges is absolute and unconditional and shall not be subject to annual appropriations or any of the following:

(1) 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;

(2) any insolvency, bankruptcy, reorganization or similar proceedings by the City;

(3) abatement through damage, destruction or nonavailability of the Project; or

(4) any other event or circumstance whatsoever, whether or not similar to any of the foregoing.

Obligation of the City

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

Events of Default

The following constitute "Events of Default" under the Agreements:

(1) Failure by the City to pay any Financing Payment required to be paid under the Financing Agreement in the amount and at the time specified in the Financing Agreement.

(2) Except as provided in the Financing Agreement, 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 sixty (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 shall 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;

(3) The occurrence and continuance of any event of default under the Escrow Agreement;

(4) 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; or

(5) If by reason of force majeure, the City is unable in whole or in part to carry out its agreement contained in the Financing Agreement other than the obligations on the part of the City contained in Financing Agreement, the City shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall mean, without limitation, any of the following: acts of God; strikes, lockouts or other industrial disturbances; acts of the public enemy; orders or restraints of any kind of the government of the United States of America or of

the City wherein the City is located or any of their departments, agencies or officials, or any civil or military authority; insurrections; riots; landslides; earthquakes; fires; storms; droughts; floods; explosions; breakage or accident to machinery, transmission pipes or canals; or any similar or different cause or event not reasonably within the control of the City.

Remedies

Upon the occurrence and continuance of any Event of Default, the Escrow Agent may proceed, and upon written request of the Owners of not less than a majority in aggregate principal amount of Obligations then Outstanding and upon being indemnified to its satisfaction, shall proceed to take whatever action at law or in equity may appear necessary or desirable to enforce the Financing Agreement or to protect any of the rights vested in the Escrow Agent or the Owners of Obligations by the Escrow Agreement or by the Obligations, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in the Escrow Agreement or in aid of the exercise of any power granted in the Escrow Agreement or for the enforcement of any other legal or equitable right vested in the Escrow Agent by the Escrow Agreement or by law: PROVIDED, HOWEVER, THE FINANCING AMOUNT AND THE FINANCING PAYMENTS SHALL NOT BE SUBJECT TO ACCELERATION.

Select Funds and Accounts

The proceeds of the Obligations will be used for the refunding and costs relating to the issuance of the Obligations.

Payment Account. The Escrow Agent is required to establish the Payment Account. The Escrow Agent will keep the Payment Account separate and apart from all other funds and moneys held by it.

To secure the payment of Financing Payments, no later than the business day prior to the Payment Date, the City will transfer the deposits described in the Financing Agreement to the Escrow Agent.

On each Payment Date, the Escrow Agent will withdraw from the Payment Account and transfer to Owners an amount equal to the principal and interest components of the Financing Payment due and payable on such Payment Date, but solely from moneys on deposit in the Payment Account.

If on any Payment Date, the amount then due and payable exceeds the amounts deposited with the Escrow Agent and available therefor, the Escrow Agent will apply the moneys on hand, first to the payment of the interest component and then to the payment of the principal component, as provided in the Escrow Agreement.

Any amounts in the Payment Account in excess of the amount necessary to pay the principal and interest components of the Financing Payments and any earnings thereon will be retained in the Payment Account and invested until needed for payment of the Obligations; the excess and any earnings thereon will be credited against the deposits due from the City as provided in the Financing Agreement. The Escrow Agent will provide the City, not less than 30 days before each date a deposit is required under the Financing Agreement, an invoice which sets forth the amounts on deposit in the Payment Account and the amounts due on the next Payment Date.

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

Costs of Issuance Account. The City is required to establish and hold a Costs of Issuance Account for the payment of costs incurred in connection with the execution and delivery of the Obligations. The City is required to keep the Costs of Issuance Account separate and apart from all other funds and moneys held by it and will administer and maintain such account as provided in the Escrow Agreement. Any amounts remaining in the Costs of Issuance Account, after payment of all costs of issuance, will be transferred by the City to the Escrow Agent for deposit to the Payment Account.

Investments. Moneys held by the Escrow Agent will be invested and reinvested by the Escrow Agent in Qualified Investments selected by the City. The City may notify the Escrow Agent of its investment selections orally as long as the City promptly confirms its notification in writing. The Escrow Agent may rely upon the City's investment directions as to both the suitability and legality of such directed investments.

Qualified Investments in the Payment Account will mature on or before the date the amounts invested are required for use under the Escrow Agreement. The Escrow Agent will not be liable for the selection of investments or for any gain or loss of funds on any investment made in accordance with the instructions from the City.

CITY BORROWINGS

Statutory Debt Limitations

Full Faith and Credit Obligations. Cities may pledge their full faith and credit for "limited tax bonded indebtedness" or "full faith and credit obligations." Except as noted below, the Oregon Constitution and statutes do not limit the amount of limited tax bonded indebtedness that a City may issue. Full faith and credit obligations can take the form of bonds, certificates of participation, notes or capital leases. Collection of property taxes to pay principal and interest on such limited-tax debt is subject to the limitations of Article XI, Sections 11 and 11b. ***The Financing Agreement is a full faith and credit obligation.***

Pension Bonds. ORS 238.694 authorizes cities to issue full faith and credit obligations to pay pension liabilities without limitation as to principal amount. Pension bonds are not general obligations as defined under State law and cities are not authorized to levy additional taxes to make pension bond payments. The City has no outstanding pension bonds. ***The Financing Agreement is not a pension bond.***

Revenue Bonds. The City may issue revenue bonds for "a public purpose" pursuant to ORS 287A.150. ORS 287A.001 defines revenues as "fees, tolls, excise taxes, assessments, property taxes and other taxes, rates, charges, rentals and other income or receipts derived by a public body or to which a public body is entitled." Under Oregon law, the term "revenue bonds" means a bond that is not a "general obligation bond" as defined by Oregon law. ***The Financing Agreement is a revenue bond for the purposes of ORS Chapter 287A.***

Short-term Notes. Subject to any applicable limitations imposed by the Oregon Constitution or laws of the State or a resolution or an ordinance of a public body, such as the City, ORS 287A.180 provides that the City may issue revenue bonds in anticipation of tax revenues or other moneys, to provide interim financing for capital projects, or to refund revenue bonds issue pursuant to the authority of ORS 287A.180. ***The Financing Agreement is not a note.***

General Obligation Bonds. ORS 287A.050 establishes a limit on general obligation bonds for cities. Cities may not have outstanding an aggregate principal amount of general obligation debt in excess of 3.0 percent of all the Real Market Value of all taxable properties within the city as reflected in the last certified assessment roll per ORS 308.207. A lower limit may be applied by an individual city's charter. The 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 which are completely self-supporting. General obligation bonds are secured by the power to levy an additional tax outside the limitations of Article XI, Sections 11 and 11b. ***The Financing Agreement is not a general obligation bond.*** The City does have general obligation bonds outstanding that are subject to these limits.

Outstanding Long-Term Borrowings
(as of November 1, 2015)

Issue	Issue Date	Final Maturity	Original Principal Amount	Outstanding Principal Amount
GOVERNMENTAL ACTIVITIES[1]				
Full Faith and Credit Obligations				
Full Faith and Credit Refunding Obligations, Series 2009B[2] ("2009B Obligations")	01/21/2009	12/01/2029	4,035,000	$3,145,000
(Refunded 2009B Obligations)				(2,605,000)
Full Faith and Credit Refunding Obligations, Series 2010 ("2010 Obligations")	09/02/2010	12/01/2020	2,575,000	1,620,000
Full Faith and Credit Project and Refunding Obligations, Series 2015[3] (the "Obligations")	12/16/2015	06/01/2035	5,265,000	5,265,000
Subtotal Full Faith and Credit Obligations				$7,425,000
General Obligation Bonds[1]				
General Obligation Refunding Bonds, Series 2009A ("2009A Bonds")	01/21/2009	12/01/2018	$4,915,000	$1,995,000
General Obligation Refunding Bonds, Series 2010 ("2010 Bonds")	09/02/2010	06/01/2021	3,065,000	1,945,000
General Obligation Bonds, Series 2012 ("2012 Bonds")	01/25/2012	12/01/2031	8,500,000	7,900,000
Subtotal General Obligations				$11,840,000
TOTAL GOVERNMENTAL ACTIVITIES				$19,265,000
BUSINESS TYPE ACTIVITIES				
Water Revenue Bonds				
Water Revenue Bonds, Series 2000[4] ("2000 Water Bonds")	10/01/2000	10/01/2020	$1,800,000	$660,000
(Refunded 2000 Water Bonds)				(660,000)
Subtotal Water Revenue Obligations				$0
TOTAL BUSINESS TYPE ACTIVITIES				$0
TOTAL BORROWINGS				**$19,265,000**

[1] Tax supported direct debt.
[2] The debt being refunded.
[3] The Obligations. Approximately 12.2% ($640,000) of the principal amount of the Obligations is considered to be self-supporting debt, as a portion of the debt service payments will be paid from the City's Water Revenues.
[4] All or a portion of this debt is considered to be self-supporting debt as debt service payments are paid from the City's Water Revenues.
Source: The City and City's Audited Financial Statements

Projected Debt Service Requirements

(Some of the figures have been rounded.)

	2000 Revenue Bonds		2009A Bonds		2009B Obligations			2010 Obligations		2010 Bonds		2012 Bonds		The Obligations		
Fiscal Year Ended June 30	Debt Service	(Less Refunded Debt Service)	Principal (Due 6/1 & 12/1)	Interest (Due 6/1)	Principal (Due 12/1)	Interest (Due 12/1 & 6/1)	(Less Refunded Debt Service)	Principal (Due 12/1)	Interest (Due 12/1 & 6/1)	Principal (Due 6/5)	Interest (Due 12/1 & 6/1)	Principal (Due 6/1)	Interest (Due 12/1 & 6/1)	Principal (Due 06/1)	Interest (Due 12/1 & 6/1)	Total Debt Service Requirements
2016	$19,800	$(19,800)	$555,000	$69,838	$175,000	$127,723	$(54,168)	$245,000	$51,600	$275,000	$49,338	$275,000	$179,338	---	$74,009	$2,022,678
2017	151,150	(151,150)	570,000	51,800	180,000	122,035	(108,335)	255,000	42,825	290,000	43,838	295,000	173,838	$210,000	161,475	2,287,476
2018	153,950	(153,950)	590,000	31,850	185,000	115,735	(108,335)	265,000	32,425	310,000	37,313	310,000	167,938	215,000	155,175	2,307,101
2019	151,300	(151,300)	280,000	5,600	190,000	108,335	(298,335)	275,000	23,000	330,000	29,563	335,000	161,738	410,000	148,725	1,998,626
2020	153,200	(153,200)			200,000	100,735	(300,735)	285,000	14,600	355,000	21,313	355,000	155,038	425,000	136,425	1,747,376
2021	154,500	(154,500)			210,000	92,735	(302,735)	295,000	5,163	385,000	11,550	375,000	147,938	445,000	123,675	1,788,326
2022					215,000	84,335	(299,335)					400,000	140,438	310,000	110,325	960,763
2023					225,000	75,735	(300,735)					425,000	132,438	320,000	104,125	981,563
2024					235,000	66,623	(301,622)					450,000	123,938	330,000	94,525	998,464
2025					245,000	57,105	(302,105)					475,000	114,938	345,000	81,325	1,016,263
2026					255,000	46,815	(301,815)					505,000	105,438	360,000	67,525	1,037,963
2027					265,000	36,105	(301,105)					530,000	94,706	370,000	53,125	1,047,831
2028					275,000	24,578	(299,578)					565,000	82,781	375,000	43,875	1,066,656
2029					290,000	12,615	(302,615)					595,000	69,363	390,000	34,500	1,088,863
2030												630,000	54,488	120,000	22,800	827,288
2031												665,000	37,950	120,000	19,200	842,150
2032												715,000	9,831	125,000	15,600	865,431
2033														130,000	11,850	141,850
2034														130,000	7,950	137,950
2035														135,000	4,050	139,050
Total	$783,900	$(783,900)	$1,995,000	$159,088	$3,145,000	$1,071,209	$(3,581,553)	$1,620,000	$169,613	$1,945,000	$192,915	$7,900,000	$1,952,137	$5,265,000	$1,470,259	$23,303,668

Source: The City, the City's Audited Financial Report for the Fiscal Year ended June 30, 2015 and this issue

Summary of Overlapping Debt
(As of November 1, 2015)

Property tax-backed debt shown in the following table does not include appropriation credits, conduit revenue bonds, dedicated niche obligations, revenue bonds, obligations issued for less than 13-month, lease purchase agreements, loans, lines of credit or other non-publicly offered financial obligations.

			Overlapping Debt	
Overlapping Issuer Name	Overlapping District Real Market Value	Percent Overlapping	Gross Property Tax-Backed Debt[1]	Net Property Tax-Backed Debt[2]
Clackamas Community College	$38,741,861,484	9.94%	$9,357,439	$6,570,411
Clackamas County	53,076,860,113	7.32	7,272,922	7,170,450
Clackamas County ESD	50,340,306,466	7.72	1,839,082	32,848
Clackamas County School District No. 3J	8,153,569,135	47.22	119,354,686	119,354,686
Clackamas County School District No. 7J	9,232,054,344	0.38	381,268	381,268
Metro	215,408,649,968	1.80	4,004,041	3,455,416
Port of Portland	234,450,071,682	1.66	1,125,301	43,238
Portland Community College	171,948,533,146	0.02	92,448	32,499
Tualatin Valley Fire and Rescue District	63,503,759,481	6.12	3,488,256	3,365,904
			$146,915,443	$140,406,720

[1] Gross Property Tax-Backed Debt includes all limited and unlimited tax supported debt.
[2] Net Property Tax-Backed Debt is Gross Property Tax-Backed debt less self-supporting unlimited tax general obligation debt and less self-supporting full faith and credit debt.

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

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Debt Ratios

The following table presents information regarding the City's tax supported direct debt, including the Obligations, and the estimated portion of the debt of overlapping taxing districts allocated to the City's property owners. Property tax-backed debt shown in the following table does not include appropriation credits, conduit revenue bonds, dedicated niche obligations, revenue bonds, obligations issued for less than 13-month, lease purchase agreements, loans, lines of credit or other non-publicly offered financial obligations.

Debt Ratios		
Real Market Value	$4,232,095,255	
Estimated Population	25,540	
Per Capita Real Market Value	$165,705	
Debt Information	Gross Property Tax-Backed Debt	Net Property Tax-Backed Debt[2]
Direct Debt	$19,265,000	$19,265,000
Overlapping Direct Debt	146,915,443	140,406,720
Total Direct Debt	$166,180,443	$159,671,720
Bonded Debt Ratios		
Direct Debt to Real Market Value	0.46%	0.46%
Total Direct Debt to Real Market Value	3.93%	3.77%
Per Capita Direct Debt	$754	$754
Per Capita Total Direct Debt	$6,507	$6,252

[1] Gross Property Tax-Backed Debt includes all limited and unlimited tax supported debt, including the Obligations.
[2] Net Property Tax-Backed Debt is Gross Property Tax-Backed debt less self-supporting unlimited tax general obligation debt and less self-supporting full faith and credit debt. The Obligations (nor any portion thereof) are *NOT* classified as self-supporting for the purposes of this table.

Source: Clackamas County, Oregon State Treasury, City's Audited Financial Statements and the Obligations

Short-term Borrowing

ORS 287A.180(3)(b) requires that obligations issued in anticipation of taxes or other revenues (except grant moneys) shall not be issued in an amount greater than 80 percent of the amount budgeted to be received in the Fiscal Year in which the obligations are issued. No short-term borrowing is expected in Fiscal Year 2015-2016.

Debt Payment Record

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

Future Financings

The City has no authorized but unissued bonds. The City does not expect to issue additional debt in calendar year 2015 or Fiscal Year 2015-2016.

REVENUE SOURCES

The following section summarizes certain of the major revenues sources of the City.

The City receives funds from a variety of sources including taxes, intergovernmental revenues and charges for services. General governmental activities, such as City administration, are primarily supported by property taxes. Enterprises, such as water and sewer utilities, are primarily supported by charges for services. (See "FINANCIAL INFORMATION – Government-wide Statement of Activities" and "- General Fund – Statement of Revenues, Expenditures, and Changes in Fund Balance" herein.)

Property Taxes

Most local governments, school districts, education service districts and community college districts ("local governments") have permanent authority to levy property taxes for operations ("Permanent Rates") up to a maximum rate (the "Operating Tax Rate Limit"). Local governments that have never levied property taxes may request that the voters approve a new Operating Tax Rate Limit.

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

Local Option Levies that fund operating expenses are limited to five years, and Local Option Levies that are dedicated to capital expenditures are limited to ten years. The City does not currently collect a local option levy.

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

Valuation of Property – Real Market Value. "Real Market Value" is the minimum amount in cash which could reasonably be expected by an informed seller acting without compulsion, from an informed buyer acting without compulsion, in an "arms-length" transaction during the period for which the property is taxed.

Property subject to taxation includes all privately owned real property (land, buildings and improvements) and personal property (machinery, office furniture and equipment) for non-residential taxpayers. There is no property tax on household furnishings (exempt since 1913), personal belongings, automobiles (exempt since 1920), crops, orchards, business inventories or intangible property such as stocks, bonds or bank accounts, except for centrally assessed utilities, for which intangible personal property is subject to taxation.

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

Valuation of Property – Assessed Value. Property taxes are imposed on the assessed value of property. The assessed value of each parcel cannot exceed its Taxable Real Market Value, and ordinarily is less than its Taxable Real Market Value. The assessed value of property was initially established in 1997 as a result of a constitutional amendment. That amendment (now Article XI, Section 11, often called "Measure 50") assigned each property a value and limited increases of the assessed value to three percent per year, unless the property is improved, rezoned, subdivided, or ceases to qualify for exemption, it is assigned an assessed value that is comparable to the assessed value of similar property.

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

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

Tax Rate Limitation (Measure 5). A tax rate limitation was established in 1990 as the result of a constitutional amendment. That amendment (now Article XI, Section 11b, or "Measure 5") separates property taxes into the following two categories:

1) To fund the public school system (kindergarten through grade twelve school districts, education service districts and community college districts, collectively, "Education Taxes"). Education Taxes are limited to $5.00 per $1,000 of the Taxable Real Market Value of property (the "Education Measure 5 Limits").

2) To fund government operations other than the public school system ("General Government Taxes"). General Government taxes are limited to $10 per $1,000 of the Taxable Real Market Value of property (the "General Government Measure 5 Limits," and, together with the Education Measure 5 Limits, the "Measure 5 Limits").

If the taxes on a property exceed the Education Measure 5 Limits or General Government Measure 5 Limits, then tax rates are compressed to the Measure 5 Limit. Local Option Levy rates compress to zero before there is any compression of Permanent Rates. In Fiscal Year 2016, there was $0.00 compression of the City's Permanent Rate due to the tax rate limitation.

Taxes imposed to pay the principal and interest on the following bonded indebtedness are not subject to Measure 5 Limits: (1) bonded indebtedness authorized by a specific provision of the Oregon Constitution; and (2) general obligation bonded indebtedness incurred for capital costs approved by the electors of the issuer and bonds issued to refund such bonds.

Property taxes imposed to pay the principal of and interest on the Financing Payments ARE subject to the limitations of Article XI, Sections 11 and 11b.

In 2007, the Oregon Supreme Court determined that taxes levied by general purpose governments (such as cities and counties) may be subject to the Education Measure 5 Limits if those taxes are used for educational services provided by public schools. The City currently does not levy any taxes that are subject to the Education Measure 5 Limits.

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

Taxes Collected – City of West Linn

Tax Collection Record[1]

	Percent collected as of	
Fiscal Year	Levy Year[2]	6/30/2015[3]
2015	95%	97%
2014	94	97
2013	93	97
2012	93	97
2011	93	97
2010	93	97

[1] Percentage of total tax levy collection in the County. Pre-payment discounts are considered to be collected when outstanding taxes are calculated. The tax rates are before offsets.

[2] The percentage of taxes collected in the "year of the levy" represents taxes collected in a single levy year, beginning July 1 and ending June 30.

[3] The percentage of taxes collected represents taxes collected for that levy year through June 30, 2015.

Source: City of West Linn 2015 Comprehensive Annual Financial Report

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

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

Property Values – City of West Linn
Taxable Property Values

The following table presents historical Real Market Value and Assessed Value (used for calculating property taxes) for the City.

The City				
	Permanent Levy and Bond Levy			
Fiscal Year	Measure 5 Real Market Value[1]	Total Taxable Assessed Value	Urban Renewal Excess Value[2]	Assessed Value to compute the Taxes
2016	$4,232,095,255	$3,389,429,710	0	$3,389,429,710
2015	3,885,035,988	3,265,786,956	0	3,265,786,956
2014	3,460,978,688	3,142,863,538	0	3,142,863,538
2013	3,305,208,425	3,011,776,239	0	3,011,776,239
2012	3,487,305,552	2,965,918,688	0	2,965,918,688
2011	3,650,547,820	2,865,044,468	0	2,865,044,468

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

Source: Clackamas County Department of Assessment and Taxation and the Oregon Department of Revenue

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Fiscal Year 2015 Representative Levy Rates – City of West Linn
(Rates Per $1,000 of Assessed Value)

The following table illustrates the Fiscal Year 2016 tax rates for one representative tax code (the tax code with the highest combined tax rate – Tax Code 003-002) in the City, including taxing jurisdictions within Clackamas County that overlap the City.

The City's Operating Tax Rate Limit is $2.1200 per $1,000 of assessed property value. The Operating Tax Rate Limit was calculated in 1997 in conjunction with the implementation of Measure 50. The Billing Rates shown in the following table are the rates that are actually applied to the assessed value of the taxing district. The Billing Rates may be different from the Operating Tax Rate Limit of the taxing district due to a portion of the billing rate being allocated to the Madras Urban Renewal Area. Additionally, the Billing Rates may be different from the Operating Tax Limit of the taxing district due to the decision by the taxing district to levy less than its Operating Tax Rate Limit. County assessors report levy rates by tax code. Levy rates apply to the assessed property value. (See "REVENUE SOURCES - Property Taxes – Tax Rate Limitation (Measure 5)" herein.)

General Government	Billing Rate	Bond Levy Rate	Local Option Rate[1]	Consolidated Rate
Clackamas County	$2.4036	---	---	$2.4036
City of West Linn	2.1200	$0.4186	---	2.5386
County Extension & 4-H	0.0499	---	---	0.0499
County Library	0.3959	---	---	0.3959
County Public Safety	0.0000	---	$0.2480	0.2480
County Soil Conservation	0.0499	---	---	0.0499
Tualatin Valley Fire District	1.5252	0.1326	0.4500	2.1078
Port of Portland	0.0699	---	---	0.0699
Metropolitan	0.0962	0.1957	0.0960	0.3879
County Urban Renewal	0.0078	---	---	0.0078
Vector Control	0.0065	---	0.0250	0.3150
	$6.7249	$0.7469	$0.8190	$8.2908
Education				
Clackamas Community College	$0.5554	$0.1874	---	$0.7428
Clackamas County Education Service District	0.3673	---	---	0.3673
West Linn/Wilsonville School District	4.8684	2.8668	1.5000	9.2352
	$5.7911	$3.0542	$1.5000	$10.3453
	$12.5160	$3.8011	$2.3190	$18.6361

[1] Local Option Levies are voter-approved serial levies. They are limited by ORS 280.060 to five years for operations or ten years for capital construction. Local Option Levy rates compress to zero before there is any compression of district billing rates. (See "REVENUE SOURCES - Property Taxes – Tax Rate Limitation – Measure 5" herein.)

Source: Clackamas County Department of Assessment and Taxation, Tax Code Area 003-002

Major Taxpayers – City of West Linn
(Fiscal Year 2015-16)
The following table shows the top taxpayers in the City.

Taxpayer	Business/Service	Tax[1]	Taxable Assessed Value[2]	Percent of Value
Portland General Electric Co.	Utility	$1,016,564.77	$61,868,913	1.83%
West Linn Paper Prop. Co.	Paper Manufacturing	490,208.07	29,818,146	0.88
Simpson Realty Group LP	Property Management	512,446.53	28,126,462	0.83
Comcast Corporation	Telecommunications	408,119.41	21,899,400	0.65
West Linn Shopping Ctr Assoc.	Commercial/Retail	370,729.95	21,356,560	0.63
Blackhawk Nevada LLC	Property Management	282,367.52	16,741,115	0.49
ROIC Cascade Summit LLC	Property Management	199,471.19	11,241,831	0.33
Northwest Natural Gas Co.	Utility	183,245.75	11,216,300	0.33
BHSUM LLC	Property Management	182,397.76	10,434,337	0.31
ROIC Robinwood LLC	Property Management	171,568.21	10,003,909	0.30
Subtotal - Ten largest taxpayers		$3,817,119.16	$222,706,973	6.57%
All other City taxpayers			3,166,722,737	93.43
Total City			$3,389,429,710	100.00%

[1] Tax amount is the total tax paid by the taxpayer. This amount is distributed to individual local governments by the County. A breakdown of amounts paid to each individual local government is not available.
[2] Assessed value does not exclude offsets such as urban renewal and farm tax credits.

Source: Clackamas County Department of Assessment and Taxation

Major Taxpayers – Clackamas County
(Fiscal Year 2015-16)
The following table shows the top taxpayers in the County.

Taxpayer	Business/Service	Tax[1]	Taxable Assessed Value[2]	Percent of Value
Portland General Electric Co.	Utility	$9,760,777.68	$693,695,000	1.57%
Shorenstein Properties LLC	Property Management	4,426,990.53	276,494,593	0.62
General Growth Properties LLC	Shopping Center	3,824,247.56	240,171,889	0.54
Comcast Corporation	Telecommunications	3,613,278.44	202,848,600	0.46
Northwest Natural Gas Co.	Utility	2,873,821.37	189,266,800	0.43
Fred Meyer Stores Inc.	Grocer	3,063,730.06	183,670,340	0.41
PCC Structurals Inc.	Manufacturing/Aerospace	2,160,549.18	128,910,260	0.29
Xerox Corporation	Printing	1,539,942.55	85,764,760	0.19
Marvin F Poer & Co.	Property Tax Advisor	1,179,477.89	72,296,670	0.16
Blount Inc.	Outdoor Equipment Manufacturing	1,226,427.55	68,966,058	0.16
		$33,669,242.81	$2,142,084,970	4.84%
All other County taxpayers			42,151,298,319	95.16
Total County			$44,293,383,289	100.00%

[1] Tax amount is the total tax paid by the taxpayer within the boundaries of the County. This amount is distributed to individual local governments by the County. A breakdown of amounts paid to each individual local government is not available.
[2] Assessed value does not exclude offsets such as urban renewal and farm tax credits.

Source: Clackamas County Department of Assessment and Taxation

Strategic Investments Program

The Strategic Investments Program ("SIP") was authorized by the Oregon Senate and Oregon House of Representatives (the "Legislative Assembly") in 1993 to provide tax incentives for capital intensive investments by firms in Oregon's key industries, particularly in the high technology and metals industries. SIP recipients receive a tax break on the assessed value of new construction over $100 million for 15 years. The $100 million cap on assessed value increases by six percent per year. SIP recipients pay an annual Community Service Fee which is equal to twenty-five percent of the value of the tax break, which is allocated to local governments. Allocation is determined by negotiation of the local governments. The Community Service Fee is not considered a property tax and thus is outside of the Constitutional property tax rate limitations. There are no SIP recipients in the City and the City does not currently receive Community Service Fees.

State Legislature

The State has a citizen legislature consisting of the Senate, whose 30 members are elected to serve four-year terms, and the House of Representatives, which has 60 members elected for two-year terms (the "Legislature" or "Legislative Assembly"). The Legislature convenes annually at the State Capitol in Salem. Sessions may not exceed 160 days in odd-numbered years and 35 days in even-numbered years, with five-day extensions allowed by a two-thirds vote in each house. The Legislative Assembly convenes on the second Monday in January in odd-numbered years, and in February in even-numbered years.

THE CITY

The City of West Linn (the "City") is located in Clackamas County (the "County) in northwestern Oregon. The City was incorporated in 1913 and operates under the provision of its own charter (the "West Linn Charter") and applicable State law with Manager-Council form of government. The City is located approximately 14 miles southeast of the City of Portland and approximately 1 mile north and across the Willamette River from the City of Oregon City, the County seat. The City provides a full range of municipal services to the community which includes police protection, traffic control and improvement, street maintenance and improvement, water, sewer and storm drain service, planning and zoning regulation (building inspection and regulation), library service, municipal court and parks and recreation. The City had a 2014 estimated population of 25,540, according to the Portland State University estimates.

Administration

The City is overseen by a five member City Council (the "Council") under the constitution and laws of the State of Oregon and its own charter (the "West Linn Charter"). The West Linn Charter was amended in May of 2008 to change the term of the office of the Mayor from two to four years. The Council is composed of a Mayor and four elected Council members. Council member positions are for a term of four years with overlapping terms to provide for the election of two new council members every two years. The Mayor is the presiding officer of the Council. The Council is responsible for establishing policy to meet the needs of the community and are members of the budget committee and participating in fiscal planning. The Council also appoints the City Manager.

The current Mayor and Council are shown in the following table.

Mayor and City Council				
Name	Position	Occupation	Service Began	Term Expires
Russ Axelrod	Mayor	Geologist	2015	12/31/2016
Thomas Frank	President	Professor	2010	12/31/2016
Brenda Perry	Councilor	Retired Nurse	2015	12/31/2018
Jenni Tan	Councilor	Homemaker	2010	12/31/2016
Bob Martin[1]	Councilor	Consulting	2015	12/31/2018

[1] Bob Martin was elected to this position on November 3, 2015.

Source: The City

The two City officials most closely associated with the operation and finances of the City are the City Manager and Chief Financial Officer. The day-to-day operations of the City are managed by the City Manager.

Don Otterman, Interim City Manager. Mr. Otterman began his tenure as interim city manager for the City of West Linn in August 2015. Mr. Otterman retired from the City of North Plains in 2011. Since his retirement, he has served as the interim city manager in Wheeler, Hood River and Scappoose. Prior to his tenure in North Plains, Mr. Otterman was the city manager in Scappoose, Keizer and La Canada Flintridge, California.

Richard Seals, Chief Financial Officer. Mr. Seals joined the City in October 2008 after serving as the Finance Director for the City of Lake Oswego, Oregon for ten years. Prior to joining the City of Lake Oswego, Mr. Seals was the Controller for the Oregon State Lottery and was employed by the accounting firm PriceWaterhouse. Mr. Seals earned Bachelors' degrees in Accounting and Information Systems Management, a Master's degree in Business Administration from California State University - East Bay, earned the California Certified Public Accountant ("CPA") designation in 1989, and earned the Oregon CPA designation in 1990. Mr. Seals maintains five professional licenses: Certified Public Accountant, Certified Management Accountant, Certified Financial Manager, Certified Fraud Examiner, and Chartered Global Management Accountant. In May 2015, the Portland Business Journal named Richard as an honoree for their CFO of the Year Award in the nonprofit category.

Lauren Breithaupt, Assistant Finance Director. Ms. Breithaupt joined the City of West Linn in November of 2011 following two years with Talbot, Korvola and Warwick, LLP ("TKW"), as a Senior Auditor. In 2009, she received a Bachelor of Science degree from California Polytechnic State University, San Luis Obispo, with concentrations in Accounting and Agricultural Finance and Appraisal. Ms. Breithaupt obtained her CPA designation in 2011 and was admitted to the Municipal Auditor Roster in 2012. She is currently working on earning the Certified Management Accountant ("CMA") designation.

Staffing and Bargaining Units

The City has 110 full-time employees and 17 part-time employees. Bargaining units which represent City employees are as follows.

Bargaining Units		
Bargaining Unit	No. of Employees	Contract Expires
Clackamas County Peace Officers Association	25	06/30/2015[1]
American Federation of State, County, and Municipal Employees	67	06/30/2015

[1] A new contract is currently in negotiations.

Source: The City

FINANCIAL INFORMATION

Financial Reporting and Accounting Policies

The City's basic financial statements were prepared using accounting principles generally accepted in the United States of America.

The City follows the "governmental activities" and "business-type activities" reporting requirements of Governmental Accounting Standards Board ("GASB") Statement 34 that provides a comprehensive two-column look at the City's financial activities. In addition, the City provides financial statements by funds, divided into two categories: governmental funds and proprietary funds. Additional information on the City's accounting methods is available in the City's audited financial statements. A copy of the City's audited financial statements for Fiscal Year 2015 is attached hereto as Appendix E.

Auditing

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

The City's audits for the Fiscal Years ended June 30, 2010 through 2015 were performed by Talbot, Korvola & Warwick LLP, Certified Public Accountants and Consultants, Lake Oswego, Oregon (the "Auditor"). The audit report for Fiscal Year 2015 indicates the financial statements present fairly, in all material respects, the City's respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the respective changes in financial position and the cash flows, where applicable, in accordance with generally accepted accounting principles. The Auditor was not requested to review this Official Statement. The City has filed its audit report for the past five fiscal years on time with the Oregon Secretary of State Office. Future financial statements may be ordered by contacting the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system, a free, centralized repository located at: www.emma.msrb.org.

Government-wide Statement of Net Position

(Fiscal Years Ended June 30)

The Net Position, as shown in the table below, presents information on the City's Primary Government assets and liabilities (excludes component unit) with the difference between the two reported as net position. Totals may not foot due to rounding.

	Audited					
Assets	2010	2011	2012	2013	2014	2015
Current Assets						
Cash and Cash Investments	$7,070,191	$7,011,640	$9,855,992	$10,207,282	$12,303,966	$10,897,205
Accounts Receivables, net	1,421,110	2,238,235	2,149,526	2,184,187	2,587,065	2,638,412
Property Taxes Receivables	490,090	447,856	501,287	521,817	518,407	509,545
Prepaids	36,838	150,378	164,462	169,275	150,427	188,685
Restricted Cash and Investments	6,659,528	5,195,573	13,357,256	13,234,356	14,077,710	9,537,132
Noncurrent Assets						
Bond Issue Costs	321,111	425,674	474,780	423,038	0	0
Land	188,918,519	190,734,338	192,549,387	192,596,450	192,596,450	192,596,450
Construction in Progress	930,170	1,656,456	1,518,724	1,342,590	6,263,820	2,908,064
Buildings and Improvements	17,392,616	17,120,369	16,380,048	17,143,297	16,821,284	23,251,690
Vehicles and Equipment	1,837,719	1,789,017	1,549,142	1,894,890	2,097,790	2,529,356
Infrastructure	50,093,135	48,984,617	48,595,838	47,792,110	47,463,567	50,503,182
Investment in Joint Venture	7,275,298	7,349,803	7,638,115	8,068,437	8,345,886	8,624,064
Total Assets	$282,446,325	$283,103,956	$294,734,557	$295,577,729	$303,226,372	$306,978,336
Deferred Outflows of Resources						
Deferred Outflow of Resources-Pensions	n/a	n/a	n/a	n/a	n/a	$892,780
Total Assets/Deferred Outflows	$282,446,325	$283,103,956	$294,734,557	$295,577,729	$303,226,372	$307,871,116
Liabilities						
Current Liabilities						
Accounts	$1,005,369	$837,415	$1,071,246	$1,721,245	$2,186,339	$1,706,157
Accrued Salaries/payroll Tax Payable	468,482	495,744	557,369	651,090	480,519	558,636
Deposits and Other Liabilities	434,163	367,700	191,236	213,264	5,481,203	357,531
Accrued Compensated Abs. Payable	901,937	895,108	960,901	0	0	0
Accrued Interest Payable	68,200	52,762	131,334	93,150	87,978	80,944
Noncurrent Liabilities						
Due Within One Year	1,055,000	1,150,000	1,335,000	1,823,465	1,928,771	2,046,715
Due In More than One Year	14,680,128	13,612,289	20,827,008	20,709,933	19,267,002	17,785,281
Accrued OPEB	518,273	658,457	768,441	0	0	0
Total Liabilities	$19,131,552	$18,069,475	$25,842,535	$25,212,147	$29,431,821	$22,535,264
Deferred Inflows of Resources						
Deferred Inflow of Resources-Pensions	n/a	n/a	n/a	n/a	n/a	$5,630,679
Net Position						
Net Invested in Capital Assets	$245,077,159	$245,522,508	$245,433,959	$246,224,874	$247,463,131	$254,102,126
Restricted Assets						
Library Endowment/ Nonexpendable	157,300	157,300	157,300	157,300	157,300	157,300
Building operations	72,657	243,425	255,045	133,703	70,955	0
Capital Projects	6,102,449	4,404,616	5,595,549	6,095,249	6,844,726	8,905,237
Debt Service	271,554	279,895	223,181	235,190	318,041	358,691
Unrestricted	11,633,654	14,426,737	17,226,988	17,519,266	18,940,398	16,181,819
Total Net Position	$263,314,773	$265,034,481	$268,892,022	$270,365,582	$273,794,551	$279,705,173
Total Liabilities/Deferred Inflows/Net Position	$282,446,325	$283,103,956	$294,734,557	$295,577,729	$303,226,372	$307,871,116

Source: City of West Linn - Audited and unaudited Financial Statements.

Government-wide Statement of Activities
(Fiscal Years Ended June 30)

Summaries of the City's Government-wide Statements of Activities for Fiscal Years ended June 30 are shown in the following table. Totals may not foot due to rounding.

	Audited					
Revenues	2010	2011	2012	2013	2014	2015
Program Revenues						
Charge for Service	$15,162,645	$16,051,009	$18,081,341	$18,427,769	$19,466,902	$20,350,840
Operating Grants	3,045,272	4,015,212	3,851,930	3,974,898	3,776,218	4,018,604
Capital Grants	869,680	699,076	2,467,723	403,957	935151	5,936,148
General Revenues						
Taxes	6,613,414	6,802,235	7,020,487	7,517,968	7,846,200	8,122,627
Franchise Fees	1,952,259	1,662,509	1,748,619	1,661,718	1,682,559	1,721,760
Investment Earnings/Other	29,918	20,564	18,944	9,833	7,512	15,270
Grants and contributions	360,470	674,790	303,350	319,017	337,149	296,534
Transfers	0	0	0	0	0	0
Miscellaneous	14,240	222,529	0	0	62,997	236,120
Total Revenues	$28,047,898	$30,147,924	$33,492,394	$32,315,160	$34,114,688	$40,697,903
Expenses						
Governmental						
General Government	$6,304,523	$6,675,728	$7,109,598	$7,305,164	$7,169,337	$6,775,368
Public Safety	6,472,333	6,367,739	6,802,592	7,074,418	7,094,794	6,250,995
Culture and Recreation	5,491,882	5,787,089	6,038,493	6,291,070	6,060,451	5,804,078
Highways and Streets	3,491,626	3,492,445	3,431,106	3,580,707	3,663,301	3,680,846
Interest on Long Term Debt	626,391	404,337	507,160	614,941	549,004	507,678
Business-Type						
Water	3,071,098	3,060,633	3,025,201	3,219,543	3,242,689	3,231,032
Environmental Services	2,559,931	2,640,245	2,720,703	2,755,757	2,906,143	2,821,902
Total Expenses	$28,017,784	$28,428,216	$29,634,853	$30,841,600	$30,685,719	$29,071,899
Change in Net Position						
Change in Net Position	$30,114	$1,719,708	$3,857,541	$1,473,560	$3,428,969	$11,626,004
Net Position, July 1	$263,284,659	$263,314,773	$265,034,481	$268,892,022	$270,365,582	$273,794,551
Restatement	0	0	0	0	0	(5,715,382)
Net Position, June 30	$263,314,773	$265,034,481	$268,892,022	$270,365,582	$273,794,551	$279,705,173

Source: City of West Linn - Audited and unaudited Financial Statements.

General Fund - Statement of Revenues, Expenditures and Changes in Fund Balance
(Fiscal Years Ended June 30)

Summaries of the City's General Fund - Statement of Revenues, Expenditures and Changes in Fund Balance for Fiscal Years ended June 30 are shown in the following table. Totals may not foot due to rounding.

	Audited					
Revenues	2010	2011	2012	2013	2014	2015
Property Taxes	$0	$0	$0	$0	$0	$0
Franchise Taxes	0	30,932	93,957	151,141	0	0
Licenses and permits	177,743	194,593	284,218	225,109	259,195	236,340
Charges for Services	5,079,000	5,078,681	5,436,000	5,714,000	6,025,000	6,229,000
Intergovernmental	8,441	41,667	112,040	140,621	74,000	119,375
Fine and Forfeitures	428,171	421,535	332,386	349,548	397,387	384,087
Earnings on Investments	3,118	5,953	18,445	9,052	6,737	14,477
Miscellaneous	207,676	273,233	105,829	77,640	70,106	67,954
Total Operating Revenues	$5,904,149	$6,046,594	$6,382,875	$6,667,111	$6,832,425	$7,051,233
Expenditures						
General Government	$5,347,131	$5,627,506	$5,750,825	$6,224,139	$5,790,688	$6,789,885
Cultural and Recreation	0	0	0	0	0	0
Public Safety	0	0	0	0	0	0
Highways and Streets	0	0	0	0	0	0
Debt Service	341,095	6,240,290	413,425	411,750	409,925	409,925
Capital Outlay	19,792	93,224	15,597	51,210	19,009	393,017
Total Expenditures	$5,708,018	$11,961,020	$6,179,847	$6,687,099	$6,219,622	$7,592,827
Revs. Over (Under)/Exp.	$196,131	$(5,914,426)	$203,028	$(19,988)	$612,803	$(541,594)
Other Financing Sources/(Uses)						
Sale of Capital Assets	$0	$891	$84,456	$0	$0	$0
Refunding Bonds Issued	0	5,640,000	0	0	0	0
Bond Premium on Debt Issuance	0	294,861	0	0	0	0
Transfer In	0	0	0	0	0	0
Transfer Out	0	0	0	0	0	0
Total Other Financing Sources/(Uses)	$0	$5,935,752	$84,456	$0	$0	$0
Net Change in Fund Balance						
Net Change in Fund Balance	$196,131	$21,326	$287,484	$(19,988)	$612,803	$(541,594)
Fund Balance – July 1	$985,405	$1,181,536	$1,202,862	$1,490,346	$1,470,358	$2,083,161
Fund Balance – June 30	$1,181,536	$1,202,862	$1,490,346	$1,470,358	$2,083,161	$1,541,567

Source: City of West Linn - Audited Financial Statements

Budgetary Process

The City prepares a biennial budget in accordance with Oregon Local Budget Law (ORS Chapter 294) which establishes standard procedures for all budget functions for 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 Council members and lay members. After giving due consideration to the input received from the citizens, the Council adopts the budget, authorizes the levying of taxes and sets appropriations. The budget must be adopted no 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 Board pursuant to ORS 294.480.

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General Fund Adopted Budget
(Fiscal Years Ended June 30)

	Budgets (amounts in thousands, 000's)			
	2015 Biennium	2017 Biennium		
Revenue	Total	FY 2016	FY 2017	Total
Beginning Fund Balance	$1,578	$1,663	$1,771	$3,434
Intergovernmental	$378	$139	$139	$278
Franchise Fees	0	0	0	0
Fees & Charges	585	254	262	516
Fines and Forfeitures	737	424	437	861
Interest	10	5	5	10
Miscellaneous	206	106	108	214
Transfers	12,254	6,880	7,100	13,980
Total Resources	$15,748	$9,471	$9,822	$19,293
Requirements				
Personnel Services	$7,859	$4,253	$4,441	$8,694
Materials & Services	4,831	2,623	2,706	5,329
Debt Service	828	414	414	828
Transfer to Other Funds	814	233	390	623
Capital Outlay	253	177	245	422
Total Requirements	$14,585	$7,700	$8,196	$15,896
Reserves				
Contingency	$700	$655	$650	$1,305
Unappropriated Ending Fund Balance	463	1,116	976	2,092
Total Requirements and Reserves	**$15,748**	**$9,471**	**$9,822**	**$19,293**

Source: City of West Linn – Adopted Budget for fiscal years 204, 2015, 2016 and 2017

Investments

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

As of September 9, 2014, municipalities are also authorized to invest approximately $46.8 million (adjusted for inflation) in the Local Government Investment Pool of the Oregon Short-Term Fund, which is managed by the State Treasurer's office. Such investments are managed in accordance with the "prudent person rule" (ORS 293.726) and administrative regulations of the State Treasurer which may change from time to time. Eligible investments presently include all of those listed above, as well as repurchase agreements and reverse repurchase agreements. A listing of investments held by the Oregon Short-Term Fund is available on the Oregon State Treasury website under "Other OSTF Reports – OSTF Detailed Monthly Reports" at: www.ost.state.or.us/about/boards/OSTF/About.htm[1].

[1] This inactive textual reference to the website is not a hyperlink and the website, by such reference, is not incorporated herein.

Pension System

General. The City participates in a retirement pension benefit program under the State of Oregon Public Employees Retirement System ("PERS" or the "System"). Substantially all City employees after six full months of employment are participants in one of three retirement pension benefit programs under PERS – the Tier 1 and Tier 2 pension programs (the "T1/T2 Pension Programs") or the Oregon Public Service Retirement Plan ("OPSRP").

Employees hired before August 29, 2003 participate in the T1/T2 Pension Programs which are based on a defined benefit model that provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries. Different benefit structures apply to participants depending on their date of hire.

Employees hired on or after August 29, 2003 participate in the OPSRP unless membership was previously established in the T1/T2 Pension Programs. OPSRP is a hybrid defined contribution/defined benefit pension plan with two components. Employer contributions fund the defined benefit program and employee contributions fund individual retirement accounts under the separate defined contribution program.

Actuarial Valuation. Oregon statutes require an actuarial valuation of the System at least once every two years. Based on the biennial actuarial valuations as of December 31 of odd-numbered years the Oregon Public Employees Retirement System Board (the "PERB") establishes the contribution rates that employers will pay to fund the T1/T2 Pension Programs, OPSRP and the PERS-sponsored Retirement Health Insurance Account program ("RHIA") described herein. Actuarial valuations have been performed annually as of December 31 of each year, with the valuations as of December 31 of even-numbered years (such as 2012) used for advisory purposes only and valuations as of December 31 of odd-number years (such as 2013) used to set payroll contribution rates. Actuarial valuations are performed for the entire System (the "System Valuation"), and for each participating employer, including the City (the "City Valuation"). Valuations are released approximately one-year after the valuation date. PERS' current actuary is Milliman, Inc. ("Milliman"), which replaced the prior actuary, Mercer (US), Inc. in January 2012.

Previous employer	Release Date	Rates Effective
December 31, 2011	October 2012	July 1, 2013 - June 30, 2015
December 31, 2012	November 2013	Advisory only
December 31, 2013	September 2014	July 1, 2015 - June 30, 2017

On September 29, 2014, Milliman released the December 31, 2013 System Valuation (the "2013 System Valuation"), which indicated that the System as a whole was 86.4% funded as of December 31, 2013, not including employer side accounts and had an actuarial liability of approximately $8.5 billion. When side accounts are included the funded status increases to 95.9% and the actuarial liability decreases to approximately $2.6 billion.

Employer Assets, Liabilities, and Unfunded Actuarial Liabilities. An employer's unfunded actuarial liability ("UAL") is the excess of the actuarially determined present value of the employer's benefit obligations to employees over the existing actuarially determined assets available to pay those benefits.

According to the 2013 City's Valuation, as of December 31, 2013, for the T1/T2 Pension Programs the City had an actuarial liability of $6,027,043, which is a decrease from the actuarial liability of $9,134,504 as of December 31, 2012 according to the City's December 31, 2012 Valuation (the "2012 City Valuation").

For the T1/T2 Pension Programs, the City is pooled with the State and Oregon local government and community college public employers (the "State and Local Government Rate Pool" or "SLGRP"). The City's portion of the SLGRP's assets and liabilities is based on the City's proportionate share of the SLGRP's pooled payroll (the "City Allocated T1/T2 UAL"). Changes in the City's relative growth in payroll will cause the City Allocated T1/T2 UAL to shift. The City Allocated T1/T2 UAL may increase if other pool participants fail to pay their full employee contributions.

OPSRP's assets and liabilities are pooled on a program-wide basis. These assets and liabilities are not tracked or calculated on an employer basis. The City's allocated share of OPSRP's assets and liabilities is based on the City's proportionate share of OPSRP's pooled payroll. According to the City's 2013 Valuation, the City's allocated share of OPSRP's assets and liabilities results in an allocated OPSRP UAL of $562,047 as of December 31, 2013 and was $628,616 as of December 31, 2012 according to the 2012 City Valuation.

The funded status of PERS and of the City as reported by Milliman, the PERS actuary, will change over time depending on the market performance of the securities that OPERF has invested, future changes in compensation and benefits of covered employees, demographic characteristics of members and methodologies and assumptions used by the actuary in estimating the assets and liabilities of PERS.

Significant actuarial assumptions and methods used in the 2012 and 2013 valuations included: (a) Entry Age normal method, (b) asset valuation method based on market value, (c) rate of return on the investment of present and future assets of 7.75%, (d) payroll growth rate of 3.75%, (e) consumer price inflation of 2.75% per year, and (f) UAL amortization method of a level percentage of payroll over 20 years (fixed) from the date of the first rate-setting valuation at which the UAL is recognized for the T1/T2 Pensions Programs and 16 years (fixed) from the date of the first rate-setting valuation at which the UAL is recognized for OPSRP.

Employer Contribution Rates. The City's contribution rates are based on the current and projected cost of benefits and the anticipated level of funding available from the OPERF, including anticipated investment performance of the fund. Contribution rates are subject to future adjustment based on factors such as the result of subsequent actuarial valuations and changes in benefits resulting from legislative modifications. Employees are required to contribute 6 percent of their annual salary to the respective programs. The City makes this contribution on behalf of its employees hired prior to October 20, 1994.

Contribution Rate Collar. In January 2010 the PERB adopted a rate collar to limit increases in employer contribution rates from biennium to biennium; the rate collar limits increases in employer contribution rates before rate reductions from side accounts are deducted, and does not cover charges associated with the RHIA. On September 27, 2013, the PERB adopted the current policy as follows: contribution rates may increase or decrease by 3% of payroll or by 20% of the previous rate, whichever is greater, when the funded status of an employer, or the rate pool which the employer participates, is between 70% or 130%. At a funded status of 60% or less, or 140% or more, the limitation doubles to 6% of payroll or 40% of the previous rate, whichever is greater. At a funded status between 60% - 70% , or 130% - 140%, the limitation increases in increments between 3% - 6% of payroll or 20% - 40% of the previous rate, whichever is greater.

City Contribution Rates. The 2011 City Valuation contained the City's employer contribution rates for the 2013-2015 biennium. However, legislation approved by the 2013 Legislation (SB 822 and SB 861) reduced the 2013-15 biennium employer contribution rates for the T1/T2 Pension Programs (see "Changes to PERS during the 2013 Legislative Session and the 2013 Special Session" below). The 2013 City Valuation contains contribution rates for the 2015-17 biennium. The City's revised current employer contribution rates for the 2013-15 biennium and contribution rates for the 2015-17 biennium are provided in the following table.

Employer Contribution Rates – City of West Linn

The City's revised employer contribution rates for the 2013-15 biennium and contribution rates for the 2015-17 biennium are provided in the following table.

	Prior Rates (2013-2015)[1]			Current Rates (2015-2017)		
	T1/T2	OPSRP General	OPSRP Police and Fire	T1/T2	OPSRP General	OPSRP Police and Fire
Normal Cost Rate	--	--	--	14.28%	7.33%	11.44%
T1/T2 UAL Rate	--	--	--	4.50	4.50	4.50
OPSRP UAL Rate	--	--	--	0.61	0.61	0.61
Pre-SLGRP Pooled Liability	--	--	--	0.00	0.00	0.00
Transition Liability/(Surplus)	--	--	--	(4.28)	(4.28)	(4.28)
Side Account Rate Relief	--	--	--	0.00	0.00	0.00
Net Pension Contribution Rate	--	--	--	15.11%	8.16%	12.27%
Net Retiree Healthcare Rate[2]	--	--	--	0.53	0.45	0.45
Total Net Contribution Rate	12.95%	9.02%	11.75%	15.64%	8.61%	12.72%

[1] Breakdown of the revised total net contribution rates for 2013-15 biennium as amended by SB 822 not provided by PERS. The City's original total net contribution rates for the 2013-15 biennium per the 2011 City Valuation were 17.35% T1/T2, 13.42% OPSRP General and 16.15% OPSRP Police and Fire.
[2] Contribution rates to fund RHIA benefits are included in the total City employer contribution rate, but are not a pension cost.

Source: 2011 and 2013 City Valuations and PERS

Changes to PERS during the 2013 Legislative Session and the 2013 Special Session. During the 2013 Legislative Session which was held during the winter of 2012 and spring of 2013 (the "Legislative Session"), and a subsequently called special session, which was held in September 2013 (the "Special Session"), the Legislative Assembly made changes to PERS by enacting Senate Bill 822 ("SB 822"), signed by the Governor on May 6, 2013, and Senate Bill 861 ("SB 861"), signed by the Governor on October 8, 2013. These bills limited annual cost of living adjustments ("COLAs"), eliminated a benefit increase for out-of-state retirees based on Oregon income tax, excluded salary increases given to pay for insurance costs from the final average salary used to calculate pension benefits, and reduced legislators' participation in PERS. Expenditure reductions from these changes reduced the required employer contribution amount to PERS from all employers by approximately $460 million for the 2013-15 biennium. The changes are estimated to reduce the total accrued actuarial liability of the System by approximately $4.7 billion and reduced employer contribution rates by an average of 4.28 percent of payroll for the 2013-15 biennium. Lawsuits challenging the constitutionality of the changes made by SB 822 and SB 861 were filed in the Oregon Supreme Court and oral arguments were held on October 14, 2014. On April 30, 2015, the Oregon Supreme Court released its decision regarding the lawsuits.

PERS Reform Challenges. Several cases were filed with the Oregon Supreme Court on behalf of PERS retirees and active employees challenging changes to PERS retirement benefits that were enacted by the Legislative Assembly in the Legislative Session through SB 822 and in the Special Session through SB 861. The petitioners alleged that the enacted legislation constituted a breach of contract as well as an impairment of contract and a taking of property rights in violation of the Oregon and United States constitutions.

On April 30, 2015, the Oregon Supreme Court reversed, in part, the changes made to the PERS system through SB 822 and SB 861. The Court's decision invalidated the reductions in COLAs to be applied to benefits that members earned before the effective dates of the legislative changes (retired prior to May 6, 2013). The decision held that adjustments to COLAs were permissible and to be applied to benefits that members earn on or after the effective dates of the legislative changes and such benefits will be based on a blended or tiered formulas. The Court also upheld the elimination of a benefit increase for out-of-state retirees.

The decision is likely to result in an increase in required PERS contributions by public employers, including the City above current levels, but it is not currently possible to predict the magnitude of the increase. A reasonable estimate of the cost of those changes will take actuarial analysis and the City cannot predict when such information may be available. Under current PERS practices, any increase in contributions would not affect City contributions until July 1, 2017. At its meeting on May 29, 2015, the PERS Board reviewed a preliminary analysis presented by Milliman of the effect of the Oregon Supreme Court decision. The PERS Board is expected to further analyze the decision and take action at subsequent meetings in preparation for determining employer contribution rates for the 2017-19 biennium.

The City cannot predict the overall impact of the PERS decision on the unfunded actuarial liability of the System but assumes that all or a portion of the reduction of the accrued actuarial liability of the System achieved by the SB 822 and SB 861 will not be realized. The City also cannot predict whether any legislation or related actions will attempt to further modify the PERS system and/or whether such attempts would withstand legal challenge.

Other Post-Employment Benefits

Retirement Health Insurance Account. PERS retirees who receive benefits through the Tier 1 and Tier 2 plans and are enrolled in certain PERS administered health insurance programs, may receive a subsidy towards the payment of health insurance premiums. Under ORS 238.420, retirees may receive a subsidy for Medicare supplemental health insurance of up to $60 per month towards the cost of their health insurance premium under the RHIA plan. The RHIA program's assets and liabilities are pooled on a system-wide basis and are not tracked or calculated on an employer basis. According to the 2013 System Valuation, this program had a UAL of approximately $180.2 million. The City's allocated share of the RHIA program's assets and liabilities is based on the City's proportionate share of the program's pooled payroll. According to the 2013 City Valuation, the City's allocated share of the RHIA program's UAL is $110,024 and was $187,178 as of according to the 2012 City Valuation.

GASB 45. GASB 45 requires the City to determine the extent of its liabilities for post-employment benefits and record the liability in its financial statements on an actuarial basis. This includes the requirement under ORS 243.303 of offering the same healthcare benefits for current employees to all retirees and their dependents until such time as the retirees are eligible for Medicare. GASB 45 refers to this as an "implicit subsidy."

The City, pursuant to Oregon Revised Statutes 243.303, provides retirees with group health and dental insurance (the "health plan") from the date of retirement to age 65 at the same rate provided to current employees. The retires are responsible for 100% of the premiums, which the City collects monthly from all retirees on the health plan and deposits them into a restricted insurance premium account. The City then pays the health plan premiums for all retirees at tiered rates to the insurance company. The required contributions to the plan include the employer's pay-as-you-go amount, an amount paid by retirees, and an additional amount calculated to prefund future benefits as determined by the actuary.

The City's Other Post-Employment Benefit ("OPEB") cost for the health plan is calculated based on the annual required contribution ("ARC") of the City. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize and unfunded actuarial liabilities over a period of 15 years.

The most recent actuarial valuation date, August 1, 2012, the plan had an actuarial accrued liability ("AAL") of $1,444,381, all of which was unfunded, or the "UAAL".

	Fiscal Year			
	2011	2012	2013	2014
Normal Cost at Year End	$115,000	$110,770	$117,305	$108,788
Amortization of UAAL with Interest	117,467	112,243	119,037	179,238
ARC	$232,467	$223,013	$236,342	$288,026
Interest on OPEB Obligation	23,322	26,338	30,738	31,338
Adjustment to ARC	(36,583)	(44,748)	(52,223)	(107,662)
Annual OPEB Cost	$219,206	$204,603	$214,857	$211,702
Annual OPEB Contributions	0	0	0	0
Less Implicit Benefit Payments	(79,022)	(94,619)	(87,915)	(78,766)
Change in Net OPEB Obligation	$140,184	$109,984	$126,942	$132,936
Net OPEB Obligation – Beginning	518,273	658,457	768,441	895,383
Net OPEB Obligation – End	$658,457	$768,441	$895,383	$1,028,319
Fund Ratio	n/a	0%	0%	0%
Covered Payroll	n/a	$7,897,000	$8,240,000	$8,652,000
UAAL as % of Covered Payroll	n/a	19%	18%	17%

Source: The City

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Such methods, assumptions and estimates are only that and are subject to change.

Risk Management

The City is exposed to various risks of loss. A description of the risks is provided in the City's Audited Financial Statements. The audited financial statement for Fiscal Year 2015 is attached hereto as Appendix E.

THE INITIATIVE AND REFERENDUM PROCESS

The Oregon Constitution, Article IV, Section 1, reserves to the people of the State the initiative and referendum power pursuant to which measures designed to amend the Oregon Constitution or enact legislation can be placed on the statewide general election ballot for consideration by the voters.

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

Because many proposed initiative measures are submitted that do not qualify for the ballot, the City does not formally or systematically monitor the impact of those measures or estimate their financial effect prior to the time the measures qualify for the ballot. Consequently, the City does not ordinarily disclose information about proposed initiative measures that have not qualified for the ballot

Process For Qualifying State-Wide Initiatives To Be Placed On The Ballot

To place a proposed state-wide initiative on a general election ballot, the proponents must submit to the Secretary of State initiative petitions signed by the number of qualified voters equal to a specified percentage of the total number of votes cast for all candidates for governor at the gubernatorial election at which a governor was elected for a term of four years next preceding the filing of the petition with the Secretary of State. Any elector may sign an initiative petition for any measure on which the elector is entitled to vote. State-wide initiatives may only be filed for general elections in even-numbered years.

A state-wide initiative petition must be submitted to the Secretary of State not less than four months prior to the general election at which the proposed measure is to be voted upon. As a practical matter, proponents of an initiative have approximately two years in which to gather the necessary number of signatures. State law permits persons circulating initiative petitions to pay money to persons obtaining signatures for the petition.

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

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

Statewide Initiative Petitions that Qualified and Passed 2004-2014		
	Number of Initiatives that	
Year of General Election	Qualified	Passed
2014	4	2
2012	7	2
2010	4	2
2008	8	0
2006	10	3
2004	6	2

Source: Elections Division, Oregon Secretary of State

The measures that were approved in November of 2014 addressed a variety of social and political issues, but none limit the financial powers of the City or are likely to have a material and adverse effect on the financial condition of the City.

Future State-Wide Initiative Measures

The next election at which citizen initiatives may be placed on the statewide ballot will be in November of 2016.

The recent experience in Oregon is that many more initiative measures are proposed in some form than receive the number of signatures required to be placed on a ballot. Consequently, the City cannot accurately predict whether specific future initiative measures that may have an adverse effect on the City's financial operations will be proposed, obtain sufficient signatures, and be placed on a ballot for voter approval, or if placed on a ballot, will be approved by voters.

The Oregon Secretary of State's office maintains a list of all initiative petitions that have been submitted to that office. The office can be reached by telephone at (503) 986-1518.

Local Initiatives

Article IV, Section 1 and Article XI, Section 2 of the Oregon Constitution and state statutes grant the voters in the City the initiative power to amend the City Charter or City ordinances, and to refer City ordinances. No initiative or referendum petitions are currently being circulated that would limit the financial powers of the City. The City Council may also refer measures directly to voters. Under current law, local initiative and referendum elections may be held only in March, May, September and November, unless the City Council calls for a special election due to public interest in prompt resolution.

LEGAL MATTERS AND LITIGATION

Legality

The validity of the Obligations and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Special Counsel to the City ("Special Counsel"). A complete copy of the proposed form of Special Counsel opinion is contained in Appendix C hereto. Special Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement.

Litigation

On November 24, 2015, the City received notice of a tort claim indicating that the Assistant City Manager may file a suit against the City seeking payment for damages related to the hiring of the Interim City Manager. No suit has been filed as of the date of this Official Statement and the City believes that if a suit is filed and damages awarded, current City insurance policies would be sufficient to reimburse any related expenditures by the City. However, 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.

FINANCIAL ADVISOR

In connection with the authorization and issuance of the Obligations, the City has retained D.A. Davidson & Co. as Financial Advisor (the "Financial Advisor") to the City in the offering of the Obligations. The Financial Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for, the accuracy, completeness, or fairness of the information contained in the Official Statement.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Special Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, the portion of the payments made under the Financing Agreement (the "Financing Obligations") designated and constituting interest received by holders of the Obligations ("Interest") is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). In the further opinion of Special Counsel, Interest is not a specific item for purposes of the federal individual or corporate alternative minimum taxes, although Special Counsel observes that Interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Special Counsel is also of the opinion that Interest is exempt from State of Oregon personal income taxes under existing law. A complete copy of the proposed form of opinion of Special Counsel is set forth in Appendix C hereto.

To the extent the issue price of any maturity of the Financing Obligations is less than the amount to be paid at maturity of such Financing Obligations (excluding amounts stated to be interest and payable at least annually over the term of such Financing Obligations), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Financing Obligations which is excluded from gross income for federal income tax purposes and State of Oregon personal income taxes. For this purpose, the issue price of a particular maturity of the Financing Obligations is the first price at which a substantial amount of such maturity of the Financing Obligations is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Financing Obligations accrues daily over the term to maturity of such Financing Obligations on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Financing Obligations to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Financing Obligations. Beneficial Owners of the Obligations should consult their own tax advisors with respect to the tax consequences of ownership of Obligations with original issue discount, including the treatment of Beneficial Owners who do not purchase such Obligations in the original offering to the public at the first price at which a substantial amount of such Obligations is sold to the public.

Obligations purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Obligations") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Obligations, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Obligations should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Section 103 of the Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of Interest. The City has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that Interest will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in Interest being included in gross income for federal income tax purposes, possibly from the date of original execution and delivery of the Obligations. The opinion of Special Counsel assumes the accuracy of these representations and compliance with these covenants. Special Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Special Counsel's attention after the date of execution and delivery of the Obligations may adversely affect the value of, or the tax status of Interest. Accordingly, the opinion of Special Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Special Counsel is of the opinion that Interest is excluded from gross income for federal income tax purposes and is exempt from State of Oregon personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest represented by the Obligations may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Special Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause Interest to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, the Obama Administration's budget proposals in recent years have proposed legislation that would limit the exclusion from gross income of Interest to some extent for high-income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Obligations. Prospective purchasers of the Obligations should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Special Counsel is expected to express no opinion.

The opinion of Special Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Special Counsel's judgment as to the proper treatment of the Obligations for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Special Counsel cannot give and has not given any opinion or assurance about the future activities of the City, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The City has covenanted, however, to comply with the requirements of the Code.

Special Counsel's engagement with respect to the Obligations and the Financing Obligations ends with the execution and delivery of the Obligations, and, unless separately engaged, Special Counsel is not obligated to defend the City or the Beneficial Owners regarding the tax-exempt status of the Obligations or the Financing Obligations in the event of an audit examination by the IRS. Under current procedures, parties other than the City and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt Obligations or Financing Obligations is difficult, obtaining an independent review of IRS positions with which the City legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Obligations or Financing Obligations for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Obligations, and may cause the City or the Beneficial Owners to incur significant expense.

The City has designated the Financing Obligations as qualified tax exempt obligations within the meaning of Section 265(b)(3) of the Code.

CONTINUING DISCLOSURE

Securities and Exchange Commission Rule 15c2-12, as amended (the "Rule") requires 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 the Municipal Securities Rulemaking Board ("MSRB"), audited financial information of the City and certain financial information or operating data. In addition, the City has agreed to provide to the MSRB, notice of certain events, pursuant to the requirements of Section (b)(5)(i) of the Rule.

A copy of the form of the City's Continuing Disclosure Certificate for the Obligations is attached hereto as Appendix B.

The City is an obligated party pursuant to the respective continuing disclosure undertakings (the "Outstanding Disclosure Undertakings") entered into with respect to its outstanding 2000 Water Bonds, 2009A Bonds, 2009B Obligations, 2010 Bonds, 2010 Obligations, and 2012 Bonds. The City also had continuing disclosure undertakings related to its General Obligation Bonds, Series 2000 and Full Faith and Credit Obligations, Series 2000 that terminated within the past five years (the "Terminated Undertakings") that the City was/was not in compliance with.

Record of Filing Annual Financial Information and Operating Data. During the preparation of this Official Statement, the City discovered that with respect to its 2000 Water Bonds it has failed to provide the annual operating data for fiscal years 2011 through 2014. On November 16, 2015, the City posted the relevant operating data to the 2000 Water Bonds along with a notice regarding the late filing of such information. The City currently believes it is in compliance, in all material respects, with its Outstanding Disclosure Undertakings.

RATING

As noted on the cover page of this Official Statement, Standard & Poor's Ratings Services ("Standard & Poor's" or "S&P"), has assigned its municipal bond rating of "AA+" to the Obligations. No application was made to any other rating agency for the purpose of obtaining an additional rating on the Obligations. The rating reflects only the view of S&P and an interpretation of such rating may be obtained only from the rating agency furnishing the same. There is no assurance that such rating will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agency, if, in the judgment of such agency, circumstances so warrant. Any such revision or withdrawal of such rating may have an adverse effect on the market price of the Obligations. Any further explanation of the underlying ratings may be obtained from S&P.

UNDERWRITING

Piper Jaffray & Co. (the "Underwriter") has agreed, subject to the terms of the Official Notice of Sale, to purchase the Obligations from the City at a price of 106.726611% of the par value of the Obligations and will initially reoffer the Obligations at a price of 107.297551 % of the par value of the Obligations plus accrued interest, if any. The Obligations are being offered for sale to the public at the prices shown on the inside cover of this Official Statement. Concessions from the initial offering price may be allowed to selected dealers and special purchasers. The initial offering prices are subject to change after the date hereof.

DISCLOSURE STATEMENT

The City has also confirmed that the information in this Official Statement, except for matters relating to DTC, the Registrar, and the statement regarding the Underwriter in the italicized paragraph on the page immediately preceding the table of contents does not contain any untrue statement of a material fact or omit any statement or information which is necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

APPROVAL OF OFFICIAL STATEMENT

The execution and delivery of this Official Statement have been duly authorized by the City.

CITY OF WEST LINN, OREGON

By: ______________________________
Authorized City Official

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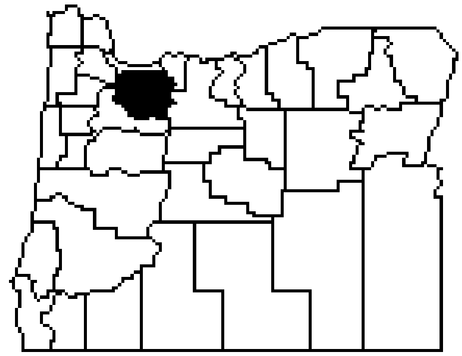
APPENDIX A

Economic and Demographic Information

ECONOMIC AND DEMOGRAPHIC INFORMATION

The following discussion includes descriptive information obtained from a variety of sources. The information is presented to provide the reader with an overview of the City's economy, but is not intended to be exhaustive or comprehensive.

Local Economic Overview



The City is located in the northwest portion of Clackamas County (the "County") and is located approximately 30 miles northeast of the City of Salem, and 14 miles southeast of the City of Portland, the largest city in the state based on population. The City has a 2014 preliminary estimated population of 25,540.

Population

Historical populations of the City and the County are shown in the following table.

July 1	State of Oregon	Clackamas County	City of West Linn
2014	3,962,565	391,525	25,540
2013	3,919,020	386,080	25,425
2012	3,883,735	381,680	25,370
2011	3,857,625	378,480	25,250
2010	3,837,300	376,780	25,150
2009	3,815,775	374,729	24,400
2008	3,784,182	372,074	24,400
2007	3,739,359	368,214	24,180
2006	3,685,206	363,514	24,180
2005	3,626,938	358,304	24,075
2004	3,578,895	353,785	23,970
2003	3,538,591	351,515	23,820
2002	3,502,588	349,445	23,430
2001	3,470,385	344,275	23,090
2000	3,431,085	339,297	22,440
April 1[1]			
2010	3,831,074	375,992	25,109
2000	3,421,399	338,391	22,261
1990	2,842,321	278,850	16,389

[1] U.S. Census Counts on April 1.

Source: U.S Census Bureau and Portland State University.

Major Employers

Major employers in the County are shown in the following table.

Clackamas County		
Company	Product or Service	No. Employees
Kaiser Sunnyside	Healthcare	2,000+
PCC Structurals, Inc.	Metal Manufacturing	1,000-2,000
Clackamas County	Government	1,000-2,000
Xerox Corporation	Office Manufacturing	1,000-2,000
Providence Willamette Falls Medical Center	Healthcare	1,000-2,000
Oregon Cutting Systems	Tool Manufacturing	1,000-2,000
Kaiser Foundation Health Plan of NW	Healthcare	1,000-2,000
Mentor Graphics Corporation	Technology	1,000-2,000
Kroger, Inc.	Grocer	750-1,000
Legacy Meridian Park Medical Center	Healthcare	750-1,000
Safeway District Office	Grocer	750-1,000

Source: Clackamas County Office of Business and Economic Development, 2013.

Major employers in the City are shown in the following table.

City of West Linn		
Company	Product or Service	No. Employees
West Linn Wilsonville School District	Education	718
West Linn Paper Company	Paper Manufacturing	300
City of West Linn	Government	124
Safeway, Inc.	Grocer	114
First Transit, Inc.	Student Transportation	100
Oregon Golf Club	Golf Course	100
Rose Linn Vintage Place	Healthcare	100
Albertsons	Grocer	90
Pond Maintenance Services	Building Maintenance Services	75
Tanner Springs Assisted Living	Healthcare	63

Source: City of West Linn 2014 CAFR

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Clackamas County Labor Force and Employment

Labor trends by employment and industry are shown in the following tables.

							2015 Change from				
	2015[1]	2014	2013	2012	2011	2010	2014	2013	2012	2011	2010
Civilian Labor Force	203,659	200,428	196,908	200,473	203,870	202,654	3,231	6,751	3,186	-211	1,005
Unemployment	10,682	12,601	13,894	16,123	18,013	20,374	-1,919	-3,212	-5,441	-7,331	-9,692
Unemployment Rate	5.2%	6.3%	7.1%	8.01%	8.8%	10.1%	xx	xx	xx	xx	xx
Total Employment	192,977	187,827	183,014	184,350	185,857	182,280	5,150	9,963	8,627	7,120	10,697

							2015 Change from				
	2015[1]	2014	2013	2012	2011	2010	2014	2013	2012	2011	2010
Total Nonfarm Payroll Employment	148,900	143,800	141,000	137,900	135,700	135,100	5,100	7,900	11,000	13,200	13,800
Total Private	132,500	127,400	124,600	121,200	118,800	117,700	5,100	7,900	11,300	13,700	14,800
Natural resources and mining	200	200	200	200	100	200	0	0	0	100	0
Construction	10,600	9,700	9,000	8,600	8,400	8,500	900	1,600	2,000	2,200	2,100
Manufacturing	17,500	17,200	17,600	16,900	16,000	15,600	300	-100	600	1,500	1,900
Trade, transportation, and utilities	33,800	32,900	32,100	31,400	31,300	31,100	900	1,700	2,400	2,500	2,700
Information	2,000	1,800	1,900	2,100	1,900	2,100	200	100	-100	100	-100
Financial activities	8,800	8,700	8,800	8,600	8,400	8,400	100	0	200	400	400
Professional and business services	17,900	17,000	16,200	15,700	15,300	15,100	900	1,700	2,200	2,600	2,800
Educational and health services	20,400	20,100	19,500	19,000	19,000	18,900	300	900	1,400	1,400	1,500
Leisure and hospitality	15,600	14,400	13,900	13,400	13,100	12,900	1,200	1,700	2,200	2,500	2,700
Other services	5,700	5,600	5,500	5,400	5,200	5,000	100	200	300	500	700
Government	16,400	16,400	16,400	16,700	16,900	17,400	0	0	-300	-500	-1,000

[1] As of September 2015.

Source: State of Oregon Employment Division, Department of Human Resources as of September 2015.

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State and County Personal and Per Capita Income

Personal and per capita income trends for the Sate and the County are shown in the following table.

	State of Oregon		Clackamas County	
Year	Total Personal Income ($000)	Per Capita Income	Total Personal Income ($000)	Per Capita Income
2013	$156,605,034	$39,848	$19,200,727	$49,453
2012	153,097,493	39,258	18,813,208	49,040
2011	145,848,505	37,707	17,512,678	46,113
2010	137,747,099	35,898	16,500,499	43,779
2009	135,854,810	35,671	16,515,734	44,150
2008	138,678,120	36,797	17,214,084	46,386
2007	133,331,353	35,818	16,602,949	45,263
2006	127,254,206	34,666	15,826,302	43,538
2005	117,659,195	32,564	14,559,854	40,522
2004	112,841,981	31,613	13,860,984	38,962

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

Building Permits

Historic building permits for single-family and multi-family housing in the County are shown in the following table.

Clackamas County				
	New Single Family		New Multi-Family	
Year	Number of Buildings	Construction Cost	Number of Buildings	Construction Cost
2014	1,278	$369,144,897	44	$31,077,223
2013	1,325	371,091,620	24	14,279,185
2012	1,121	296,528,169	29	38,059,439
2011	782	206,588,525	17	37,408,346
2010	607	155,290,952	18	8,006,271

Source: U.S Census Bureau.

Historic building permits for single-family and multi-family housing in the City is shown in the following table.

City of West Linn				
	New Single Family		New Multi-Family	
Year	Number of Buildings	Construction Cost	Number of Buildings	Construction Cost
2014	38	$13,047,384	0	$0
2013	51	18,485,120	0	0
2012	87	29,907,002	0	0
2011	59	18,031,342	0	0
2010	40	12,967,295	0	0

Source: U.S Census Bureau.

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APPENDIX B

Form of Continuing Disclosure Certificate

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CONTINUING DISCLOSURE CERTIFICATE

CITY OF WEST LINN, OREGON
FULL FAITH AND CREDIT PROJECT AND REFUNDING OBLIGATIONS
SERIES 2015

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the City of West Linn, Oregon (the "City") in connection with the execution and delivery of the City's Full Faith and Credit Project and Refunding Obligations, Series 2015 (the "Obligations"). The Obligations evidence and represent undivided proportionate interests of the Owners (as defined below) thereof in financing payments to be made by the City pursuant to a Financing Agreement between the City and U.S. Bank National Association, dated as of December 1, 2015 (the "Financing Agreement"). The City covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Owners and Beneficial Owners of the Obligations and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission ("S.E.C.") Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Financing Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Obligations (including persons holding Obligations through nominees, depositories or other intermediaries).

"Dissemination Agent" shall mean the City, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) or (b) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

"Official Statement" shall mean the Official Statement, dated December 3, 2015, prepared and distributed in connection with the initial sale of the Obligations.

"Owner" shall mean the person in whose name the Obligations are registered.

"Participating Underwriter" shall mean the original underwriter of the Obligations required to comply with the Rule in connection with offering of the Obligations.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than 270 days after the end of the City's fiscal year, commencing with the report for the City's fiscal year ending June 30, 2015, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City's fiscal year changes, it shall give notice of such change in a filing with the MSRB. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Obligations by name and CUSIP number.

(b) Not later than 15 business days prior to said date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If the City is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the City shall, in a timely manner, send or cause to be sent to the MSRB a notice in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the City) file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

SECTION 4. Content of Annual Reports. The City's Annual Report shall contain or include by reference the audited financial statements of the City for the preceding fiscal year, prepared in accordance with the laws of the State of Oregon. If the City's audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when they become available.

Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been made available to the public on the MSRB's website. The City shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Obligations in a timely manner not later than ten business days after the occurrence of the event:

(1) Principal and interest payment delinquencies;

(2) Unscheduled draws on debt service reserves reflecting financial difficulties;

(3) Unscheduled draws on credit enhancements reflecting financial difficulties;

(4) Substitution of credit or liquidity providers, or their failure to perform;

(5) Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

(6) Tender offers;

(7) Defeasances;

(8) Rating changes; or

(9) Bankruptcy, insolvency, receivership or similar event of the City.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

(b) The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Obligations, if material, in a timely manner not later than ten business days after the occurrence of the event:

(1) Unless described in paragraph 5(a)(5), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Obligations or other material events affecting the tax status of the Obligations;

(2) Modifications to rights of Obligation holders;

(3) Optional, unscheduled or contingent Obligation calls;

(4) Release, substitution, or sale of property securing repayment of the Obligations;

(5) Non-payment related defaults;

(6) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

(7) Appointment of a successor or additional trustee or the change of name of a trustee.

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the City shall determine if such event would be material under applicable federal securities laws.

(d) If the City learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the City shall within ten business days of occurrence file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(7) or (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Obligations pursuant to the Financing Agreement.

SECTION 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Obligations. If such termination occurs prior to the final maturity of the Obligations, the City shall give notice of such termination in a filing with the MSRB.

SECTION 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the City.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a) or (b), 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 an obligated person 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 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 Disclosure Certificate, the City 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 City. 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 a filing with the MSRB, 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 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Certificate, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

SECTION 11. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Owner or Beneficial Owner of the Obligations may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in Clackamas County Circuit Court or if a federal forum is required, in the federal courts of the State of Oregon. The sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and Owners and Beneficial Owners from time to time of the Obligations, and shall create no rights in any other person or entity.

Date: December __, 2015.

CITY OF WEST LINN, OREGON

By: ______________________________

Richard W. Seals
Chief Financial Officer

CONTINUING DISCLOSURE EXHIBIT A

FORM OF NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of City:	CITY OF WEST LINN, CLACKAMAS COUNTY, OREGON
Name of Issue:	$5,265,000 City of West Linn, Oregon Full Faith and Credit Project and Refunding Obligations, Series 2015
Date of Issuance:	December __, 2015

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Obligations as required by Section 4 of the Continuing Disclosure Certificate of the City, dated the Date of Issuance. [The City anticipates that the Annual Report will be filed by _____________.]

Dated:_______________

CITY OF WEST LINN, OREGON

By ___[to be signed only if filed]___ ____
Title ______________________________

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APPENDIX C

Form of Legal Opinion

December __, 2015

City of West Linn
West Linn, Oregon

$5,265,000
City of West Linn, Oregon
Full Faith and Credit Project and Refunding Obligations, Series 2015
(Final Opinion)

Ladies and Gentlemen:

We have acted as special counsel to the City of West Linn, Oregon (the "City") in connection with the execution and delivery of $5,265,000 aggregate principal amount of Full Faith and Credit Project and Refunding Obligations, Series 2015 (the "Obligations"), which are executed and delivered by U.S. Bank National Association, as escrow agent (the "Escrow Agent"), pursuant to an Escrow Agreement, dated as of December 1, 2015, (the "Escrow Agreement") between the Escrow Agent and the City. The Obligations represent undivided proportionate interests in the Financing Payments made by the City under the Financing Agreement defined below.

In such connection, we have reviewed the Escrow Agreement, a Financing Agreement between the Escrow Agent and the City, dated as of December 1, 2015 (the "Financing Agreement"), Resolution No. 2015-17 adopted by the City Council of the City on November 9, 2015 (the "Resolution"), a tax certificate of the City, dated as of the date hereof (the "Tax Certificate"), certificates of the City and the Escrow Agent and others and such other documents and matters to the extent we deemed necessary to render the opinions set forth herein. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Escrow Agreement.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Obligations has concluded with their execution and delivery, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Financing

Agreement, the Escrow Agreement, the Resolution and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause the portion of each Financing Payment designated as and constituting interest paid by the City under the Financing Agreement with respect to the Obligations to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations with respect to the Obligations and under the Financing Agreement, the Escrow Agreement, the Resolution and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against cities in the State of Oregon. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Financing Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Obligations and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Financing Agreement and the Escrow Agreement have been duly executed and delivered by, and constitute valid and binding obligations of, the City.

2. The Financing Agreement is payable from Financing Payments made by the City from its general non-restricted revenues and other funds which may be lawfully available therefor.

3. The portion of each Financing Payment designated as and constituting interest paid by the City under the Financing Agreement with respect to the Obligations and received by the registered owners of the Obligations is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of Oregon personal income taxes. Such interest component is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes,

although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We note that the City has designated its financial obligations under the Financing Agreement as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest with respect to, the Obligations.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX D

Forms of Financing Agreement and Escrow Agreement

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EXECUTION VERSION

FINANCING AGREEMENT

between

U.S. BANK NATIONAL ASSOCIATION
as Escrow Agent

and the

CITY OF WEST LINN, OREGON
as City

Relating to

City of West Linn
Clackamas County, Oregon
$5,265,000
Full Faith and Credit Project and Refunding Obligations
Series 2015

Dated as of December 1, 2015

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EXHIBITS

FINANCING AGREEMENT

This Financing Agreement is dated as of December 1, 2015, and is entered into by and between **U.S. BANK NATIONAL ASSOCIATION**, a national banking association (the "Escrow Agent"), and the **CITY OF WEST LINN**, Oregon (the "City"). The parties hereby agree as follows:

ARTICLE I
RECITALS, DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.1 Recitals.

(a) The City recites:

The City is authorized to finance real and personal property by a financing agreement pursuant to ORS 271.390, and execute and deliver this Financing Agreement to finance the Project (as defined in Section 1.2) pursuant to that statute.

(b) The City and the Escrow Agent recite:

(i) The Escrow Agent desires to provide to the City the Financing Amount to finance the Project, but only from the proceeds of the City's Full Faith and Credit Project and Refunding Obligations, Series 2015 (the "Obligations"); and

(ii) The City desires to borrow the Financing Amount from the Escrow Agent to finance the Project, subject to the terms and conditions of and for the purposes set forth herein.

Section 1.2 Definitions. All capitalized terms not defined in this Financing Agreement shall have the meanings defined for those terms in the Escrow Agreement. Unless the context clearly requires use of a different definition, the following capitalized terms shall have the meanings defined for those terms in this section:

"**Escrow Agreement**" means the Escrow Agreement between the City and the Escrow Agent, of even date herewith, as it may be amended or supplemented relating to the Obligations.

"**Financing Agreement**" means this Financing Agreement, including the exhibits attached to this Financing Agreement and any amendments to this Financing Agreement and its exhibits.

"**Financing Amount**" means the sum of the principal components of the Financing Payments, as shown in the attached Exhibit A.

"**First Deposit Date**" means the date on which the first deposit under Section 3.2 below is due, as shown in Exhibit A attached hereto.

"**Principal Office**" means the Corporate Trust office of the Escrow Agent located in Portland, Oregon.

"**Project**" means the cost of financing or refinancing:

(a) the costs of design, acquisition, construction, improvement and equipping of, and additions, replacements, expansions and/or improvements of capital projects related to the Bolton Reservoir, and the acquisition of all real and personal property necessary, useful or convenient thereto;

(b) the refunding of all of the City's Limited Water System Revenue Bonds, Series 2000 and a portion of the City's Full Faith and Credit Obligations, Series 2009B; and

(c) related financing and issuance costs.

"**Project Account**" means the account established by the City to hold the proceeds of the Obligations.

Section 1.3 Rules of Construction. References to section numbers in documents which do not specify the document in which the section is located shall be construed as references to section numbers in this Financing Agreement.

ARTICLE II
REPRESENTATIONS AND COVENANTS OF CITY AND ESCROW AGENT

Section 2.1 Representations and Covenants of City. The City represents and covenants for the benefit of the Escrow Agent and its assignees as follows:

(a) The City is the City of West Linn, Oregon, a municipality of the State of Oregon.

(b) The City is authorized under Oregon Revised Statutes ("ORS") 271.390 to enter into this Financing Agreement and to perform all of its obligations under this Financing Agreement.

(c) All required action has been taken to ensure the enforceability of this Financing Agreement (except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally).

(d) All Financing Payments and deposits required by Section 3.2(b) below and the Additional Charges required by Sections 3.2(c)(ii), 3.2(c)(iii) and 3.2(c)(iv) below shall be paid to the Escrow Agent at its Principal Office.

Section 2.2 Representations and Covenants of Escrow Agent. The Escrow Agent represents and covenants for the benefit of the City as follows:

(a) The Escrow Agent is a national banking association organized and existing under the laws of the United States of America and duly qualified to transact business of the type contemplated by this Financing Agreement and the Escrow Agreement in the State of Oregon, and has all necessary power to own its properties and assets and to carry on its business as now conducted.

(b) The consummation of the transactions contemplated by this Financing Agreement will not violate the provisions of, or constitute a breach or default under, the articles of association of the Escrow Agent or any material agreement to which the Escrow Agent is a party.

(c) The execution, delivery and performance by the Escrow Agent of this Financing Agreement and all related agreements, instruments and documents to which the Escrow Agent is a party have been duly authorized and constitute legal, valid and binding obligations of the Escrow Agent, enforceable against the Escrow Agent in accordance with their terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally.

Section 2.3 Tax Covenants. The City shall comply with the instructions and requirements of the Tax Certificate or Tax Certificate relating to the Obligations. This covenant shall survive payment in full or defeasance of the Obligations.

ARTICLE III
THE FINANCING AND THE PAYMENTS

Section 3.1 The Financing. The Escrow Agent agrees to provide to the City an amount equal to the Financing Amount, but solely from the proceeds of the sale of the Obligations as provided in this Financing Agreement and the Escrow Agreement. The City agrees to borrow the Financing Amount from the Escrow Agent, and to repay that principal amount in installments, with interest, by making the Financing Payments and paying the Additional Charges as provided in this Financing Agreement. This financing for the City will be deemed to have been made when the transfers to the City which are specified in Section 3.5 of the Escrow Agreement have occurred. This Financing Agreement shall commence on the Closing Date and shall end on the date all Financing Payments and Additional Charges that the City is required to pay under this Financing Agreement have been paid or defeased in accordance with Section 11.1 of the Escrow Agreement. The Escrow Agent is not selling, arranging for sale or establishing the terms of the Obligations.

Section 3.2 The Payments and Additional Charges.

(a) The City agrees to pay the Escrow Agent, its successors or assigns, without deduction or offset of any kind, as payment for the financing made under this Financing Agreement, the Financing Payments and the Additional Charges.

(b) The City shall pay the Financing Amount to the Escrow Agent in installments, with interest, on or before 1:00 p.m., prevailing West Linn, Oregon time, on the Business Day preceding the scheduled Payment Dates shown in Exhibit A, as those amounts may be reduced by any prepayment of the Financing Payments.

(i) To secure the performance of its obligation to pay Financing Payments, the City shall deposit an amount equal to each scheduled Financing Payment with the Escrow Agent on the Business Day preceding the scheduled Payment Date into the Payment Account. Each deposit made under this Section 3.2(b) shall be applied toward Financing Payments due from the City as provided in the Escrow Agreement.

(ii) In making deposits under this Section 3.2(b), the City shall be credited on each deposit date for any amounts then on hand in the Payment Account and available to pay the Financing Payment for which such deposit is being made and the City shall only be required to pay the difference, if any, between the amount of the deposit then due and the amounts then on hand in the Payment Account.

(c) In addition to the Financing Payments, the City covenants to pay the following Additional Charges, as and when the same become due and payable:

(i) all applicable rebates due in connection with this Financing Agreement and the Obligations that are required to be paid under Section 148(f) of the Code consistent with the City's representations and covenants contained in any of the certificates or other documents executed by the City as provided under Section 2.3 hereof; and

(ii) to the extent permitted by law, all costs and expenses that the Escrow Agent may incur because of any default by the City under this Financing Agreement, including reasonable attorneys' fees and costs of suit or action at law to enforce the terms and conditions of this Financing Agreement; and

(iii) the fees, costs and expenses of the Escrow Agent as provided in the Escrow Agreement and the reasonable fees, costs and expenses of any successor Escrow Agent; and

(iv) Additional Charges shall be paid by the City when due, unless such payment may be delayed without penalty or interest, or within 30 days after notice in writing from the Escrow Agent to the City stating the amount of Additional Charges then due and payable and the purpose thereof. Additional Charges described in Sections 3.2(c)(i) shall be paid to the United States Treasury. Additional Charges described in Sections 3.2(c)(ii) and 3.2(c)(iii) above shall be paid to the Escrow Agent.

Section 3.3 Prepayment. The Financing Payments are subject to prepayment as provided in Exhibit B.

(a) Except as provided in Exhibit B, the Financing Payments are not otherwise subject to prepayment. The City may prepay the deposits required by Section 3.2(b)(i) above at any time.

(b) The City shall give notice of optional prepayment of Financing Payments to the Escrow Agent not later than thirty-five (35) days before the prepayment date. The notice shall state the date of the prepayment, the maturities and the amounts of the principal components to be prepaid. The Escrow Agent will select the Obligations to be prepaid thereby pursuant to Section 2.10 of the Escrow Agreement. If the prepayment date is other than a Payment Date, the accrued portion of the interest component of Financing Payments due on the prepayment date shall be equal to the interest owed on the prepayment date with respect to the Obligations selected by the Escrow Agent for prepayment pursuant to Section 2.10 of the Escrow Agreement.

(c) If the principal component of a Financing Payment is prepaid, the schedule of Financing Payments in the attached Exhibit A shall be revised to reflect the prepayment, and the City shall provide the Escrow Agent such revised Exhibit A.

Section 3.4 Conditional Notice of Optional Prepayment. Any notice of optional prepayment to the Registrar or to the Obligation Owners may state that the optional prepayment is conditional upon receipt by the Registrar of moneys sufficient to pay the prepayment price of such Obligations or upon the satisfaction of any other condition, and/or that such notice may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such prepayment price if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission or of the failure of any such condition shall be given by the Registrar to the affected Obligation Owners as promptly as practicable upon the failure of such condition or the occurrence of such other event. Any notice of such rescission or of the failure of any such condition or occurrence of such other event shall not constitute an event of default under the Escrow Agreement or this Financing Agreement.

Section 3.5 Nature of City's Obligations. The payment of the principal and interest components on this Financing Agreement shall be secured by and payable from the City's general non-restricted revenues and other funds that are lawfully available for that purpose, including, the proceeds of the Financing Agreement and revenues from an ad valorem tax authorized to be levied under the City's permanent rate limit under sections 11 and 11b, Article XI of the Oregon Constitution, and revenues derived from other taxes, if any, levied by the City in accordance with and subject to limitations and restrictions imposed under applicable law or contract, that are not dedicated, restricted or obligated by law or contract to an inconsistent expenditure or use. The obligation to pay the principal and interest components of this Financing Agreement is a full faith and credit obligation of the City.

(a) The City hereby covenants to use all taxing power available to the City under the law which is necessary to generate funds sufficient to permit the City to make Financing Payments, subject only to the limitations provided in Sections 11 and 11b, Article XI of the Oregon Constitution and any limitations that are imposed by law.

(b) The City hereby agrees that its obligation to pay all Financing Payments and Additional Charges is absolute and unconditional, and shall not be subject to annual appropriation or any of the following:

(i) 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;

(ii) any insolvency, bankruptcy, reorganization or similar proceedings by the City;

(iii) abatement through damage, destruction or non-availability of the Project; or

(iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing.

Section 3.6 Estoppel. The City hereby certifies, recites and declares that all things, conditions and acts required by the Constitution and Statutes of the State of Oregon and by this Financing Agreement and the Escrow Agreement to exist, to have happened and to have been performed precedent to and in the execution and the delivery of this Financing Agreement, do exist, have happened and have been performed in due time, form and manner, as required by law, and that this Financing Agreement is a valid and binding obligation of the City which is enforceable against the City in accordance with its terms, except to the extent that enforceability may be limited by applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other laws or judicial decisions or principles of equity relating to or affecting the enforcement of creditors' rights or contractual obligations generally.

ARTICLE IV
ASSIGNMENT

Section 4.1 By the Escrow Agent. The Escrow Agent may assign its rights under this Financing Agreement only as specifically permitted by Article V of the Escrow Agreement.

Section 4.2 By the City. The rights and obligations of City under this Financing Agreement may be assigned or transferred to any entity which succeeds or replaces the City, or any entity into which the City may be merged, but only if the assignee or transferee assumes all of the City's obligations under this Financing Agreement. The rights and obligations of the City under this Financing Agreement shall not otherwise be assigned or transferred.

ARTICLE V
TITLE; FUTURE ENCUMBRANCES AND PARITY OBLIGATIONS

Section 5.1 Title. The Escrow Agent agrees that the City shall be entitled to exclusive possession and enjoyment of the Project while this Financing Agreement is in effect, without interference from the Escrow Agent or the Owners. The Escrow Agent shall have no mortgage, security interest or other right to the Project.

Section 5.2 Future Encumbrances and Parity Obligations. The Obligations are not secured by any interest in the Project, and the City reserves the right to sell, lease or grant other interests in the Project. The City reserves the right to commit its full faith and credit and available general funds for other purposes without limitation.

Section 5.3 Maintenance; Modification; Taxes; Insurance and Other Matters. The Escrow Agent shall have no obligation to maintain or modify the Project, or to pay any taxes, fees or charges associated with the Project, or to take any action related to the Project except actions specifically required by this Financing Agreement or the Escrow Agreement.

ARTICLE VI
EVENTS OF DEFAULT AND REMEDIES

Section 6.1 Events of Default Defined.

(a) The following shall be events of default under this Financing Agreement and the terms "events of default" and "default" shall mean, whenever they are used in this Financing Agreement, any one or more of the following events:

(i) Failure by the City to pay any Financing Payment required to be paid hereunder in the amount and at the time specified herein.

(ii) Except as provided in Section 6.1(a)(v) below, 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 sixty (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 shall 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;

(iii) The occurrence and continuance of any event of default under the Escrow Agreement; or

(iv) 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.

(v) If by reason of force majeure, the City is unable in whole or in part to carry out its agreement herein contained, other than the obligations on the part of the City contained in Article 3 hereof, the City shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall mean, without limitation, any of the following: acts of God; strikes, lockouts or other industrial disturbances; acts of the public enemy; orders or restraints of any kind of the government of the United States of America or of the City wherein the City is located or any of their departments, agencies or officials, or any civil or military authority; insurrections; riots; landslides; earthquakes; fires; storms; droughts; floods; explosions; breakage or accident to machinery, transmission pipes or canals; or any similar or different cause or event not reasonably within the control of the City.

Section 6.2 Remedies on Default.

(a) Whenever any event of default referred to in Section 6.1 above shall have happened and be continuing, the Escrow Agent shall have the right, at its sole option without any further demand or notice, to exercise any remedy described in Section 9.2 of the Escrow Agreement.

(b) The Escrow Agent shall exercise its rights hereunder only in accordance with the Escrow Agreement. No remedy referred to in this Section 6.2 is exclusive, but each shall be cumulative and in addition to any other remedy referred to herein or otherwise available to the Escrow Agent at law or in equity. In the event that the Escrow Agent exercises or begins to exercise any one or more of such remedies, such action shall not preclude the simultaneous or later exercise by the Escrow Agent of any other remedies. No express or implied waiver by the Escrow Agent of an event of default shall constitute a waiver of any other or subsequent event of default.

ARTICLE VII
MISCELLANEOUS

Section 7.1 Notices.

(a) Except as otherwise provided in Section 7.1(b) below, all notices, obligations or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by first class mail, postage prepaid and facsimile, to:

To the Escrow Agent at:
U.S. Bank National Association
Attn: Global Corporate Trust Services
555 SW Oak Street PD-OR-P7TD
Portland, OR 97204
Facsimile: (503)-464-4122
Email: corazon.gruenberg@usbank.com

To the City at:
City of West Linn, Oregon
22500 Salamo Road
West Linn, OR 97068
Attn: Chief Financial Officer
Facsimile: (503) 650-9041
Email: rseals@westlinnoregon.gov

To Special Counsel at:
Douglas E. Goe, Esq.
Orrick, Herrington & Sutcliffe LLP
1120 N.W. Couch Street, Suite 200
Portland, OR 97209
Facsimile: (503) 943-4801
Email: dgoe@orrick.com

(b) **Facsimile Instructions**. The Escrow Agent agrees to accept and act upon facsimile transmission of written instructions and/or directions pursuant to this Section 7.1 provided, however, that: (a) subsequent to such facsimile transmission of written instructions and/or directions the Escrow Agent shall forthwith receive the originally executed instructions and/or directions; (b) such originally executed instructions and/or directions shall be signed by a person as may be designated and authorized to sign for the party signing such instructions and/or directions; and (c) the Escrow Agent shall have received a current incumbency certificate containing the specimen signature of such designated person.

Section 7.2 Binding Effect. This Financing Agreement shall inure to the benefit of and shall be binding upon the Escrow Agent and the City and their respective successors and assigns.

Section 7.3 Severability. In the event any provisions of this Financing Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provisions hereof.

Section 7.4 Amendments. This Financing Agreement may be amended only as provided in the Escrow Agreement.

Section 7.5 Execution in Counterparts. This Financing Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 7.6 Applicable Law. This Financing Agreement shall be governed by and construed in accordance with the laws of the State of Oregon. Any action regarding this Financing Agreement or the transactions contemplated hereby shall be brought in the circuit court of Clackamas County, Oregon.

Section 7.7 Headings. The headings, titles and table of contents in this Financing Agreement are provided for convenience and shall not affect the meaning, construction or effect of this Financing Agreement. All references herein to Sections, and other subdivisions which do not specify the document in which the subdivision is located shall be construed as references to this Financing Agreement.

[Signatures follow next page]

IN WITNESS WHEREOF, the Escrow Agent has executed this Financing Agreement in its corporate name by its duly authorized officer and the City has caused this Financing Agreement to be executed in its name by its duly authorized officer, all as of the date first above written.

U.S. BANK NATIONAL ASSOCIATION, as Escrow Agent

By: ________________________________
Corazon Gruenberg
Vice President

CITY OF WEST LINN, OREGON, as City

By: ________________________________
Richard W. Seals
Chief Financial Officer

EXHIBIT A

FINANCING PAYMENT SCHEDULE

Full Faith and Credit Project and Refunding Obligations
Series 2015

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
6/1/2016			$ 74,009.37	$ 74,009.37	
12/1/2016			80,737.50	80,737.50	$ 154,746.87
6/1/2017	$ 210,000.00	3.00%	80,737.50	290,737.50	
12/1/2017			77,587.50	77,587.50	368,325.00
6/1/2018	215,000.00	3.00	77,587.50	292,587.50	
12/1/2018			74,362.50	74,362.50	366,950.00
6/1/2019	410,000.00	3.00	74,362.50	484,362.50	
12/1/2019			68,212.50	68,212.50	552,575.00
6/1/2020	425,000.00	3.00	68,212.50	493,212.50	
12/1/2020			61,837.50	61,837.50	555,050.00
6/1/2021	445,000.00	6.00	61,837.50	506,837.50	
12/1/2021			55,162.50	55,162.50	562,000.00
6/1/2022	310,000.00	2.00	55,162.50	365,162.50	
12/1/2022			52,062.50	52,062.50	417,225.00
6/1/2023	320,000.00	3.00	52,062.50	372,062.50	
12/1/2023			47,262.50	47,262.50	419,325.00
6/1/2024	330,000.00	4.00	47,262.50	377,262.50	
12/1/2024			40,662.50	40,662.50	417,925.00
6/1/2025	345,000.00	4.00	40,662.50	385,662.50	
12/1/2025			33,762.50	33,762.50	419,425.00
6/1/2026	360,000.00	4.00	33,762.50	393,762.50	
12/1/2026			26,562.50	26,562.50	420,325.00
6/1/2027	370,000.00	2.50	26,562.50	396,562.50	
12/1/2027			21,937.50	21,937.50	418,500.00
6/1/2028	375,000.00	2.50	21,937.50	396,937.50	
12/1/2028			17,250.00	17,250.00	414,187.50
6/1/2029	390,000.00	3.00	17,250.00	407,250.00	
12/1/2029			11,400.00	11,400.00	418,650.00
6/1/2030	120,000.00	3.00	11,400.00	131,400.00	
12/1/2030			9,600.00	9,600.00	141,000.00
6/1/2031	120,000.00	3.00	9,600.00	129,600.00	
12/1/2031			7,800.00	7,800.00	137,400.00
6/1/2032	125,000.00	3.00	7,800.00	132,800.00	
12/1/2032			5,925.00	5,925.00	138,725.00
6/1/2033	130,000.00	3.00	5,925.00	135,925.00	
12/1/2033			3,975.00	3,975.00	139,900.00
6/1/2034	130,000.00	3.00	3,975.00	133,975.00	
12/1/2034			2,025.00	2,025.00	136,000.00
6/1/2035	135,000.00	3.00	2,025.00	137,025.00	137,025.00
	$5,265,000.00		$1,47,259.37	$6,735,259.37	$6,735,259.37

EXHIBIT B

PREPAYMENT PROVISIONS

Optional Prepayment. The Obligations maturing in years 2017 through 2025 inclusive, are not subject to optional prepayment prior to maturity. The Obligations maturing on June 1, 2026 and on any date thereafter are subject to prepayment at the option of the City (in such manner as may be determined by the City and by lot within a maturity) prior to their stated maturity date at any time on or after December 1, 2025, as a whole or in part, in authorized denominations at a price of par, plus accrued interest, if any, to the date fixed for prepayment.

Mandatory Prepayment. If not previously prepaid under the provisions for optional prepayment, the Obligations maturing on June 1, 2030, 2033, and 2035 are subject to mandatory prepayment on June 1 of the following years in the following principal amounts, at a price of par plus accrued interest to the date fixed for prepayment.

2030 Term Obligation		**2033 Term Obligation**		**2035 Term Obligation**	
Year	Amount	Year	Amount	Year	Amount
2029	$390,000	2031	$120,000	2034	$130,000
2030[1]	120,000	2032	125,000	2035[1]	135,000
		2033[1]	130,000		
Total	$510,000	Total	$375,000	Total	$265,000

[1] Final maturity.

Notice of Prepayment (Book-Entry). So long as the Obligations are in book-entry only form and unless DTC consents to a shorter period, the Escrow Agent shall notify DTC of an early prepayment not less than 20 days nor more than 60 days prior to the date fixed for prepayment, and shall provide such information as required by the Blanket Issuer Letter of Representations submitted to DTC in connection with the issuance of the Obligations. The City shall give notice of prepayment to the Escrow Agent not less than 25 days before the prepayment date.

Notice of Prepayment (No Book-Entry). During any period in which the Obligations are not in book-entry only form, unless waived by any Owner of the Obligations to be redeemed, official notice of any prepayment of Obligations shall 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, not less than 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 obligation register or at such other address as is furnished in writing by such Owner to the Escrow Agent. The City shall give notice of prepayment to the Escrow Agent not less than 35 days before the prepayment date.

Conditional Notice of Prepayment. Any notice of optional prepayment given for the Obligations may state that, if at the time of mailing of such notice there shall not have been deposited with the Escrow Agent moneys sufficient to prepay all of the Obligations selected for prepayment, or upon the satisfaction of any other condition, the optional prepayment is conditional upon receipt by the Escrow Agent of moneys or Defeasance Obligations necessary to effect prepayment of such Obligations, or upon the satisfaction of any other condition, and that such notice may be rescinded at any time before payment of such prepayment price if any such condition so specified is not satisfied or if any such other event occurs, and such notice shall be of no effect. Notice of such rescission or of the failure of any such condition shall be given by the Escrow Agent to affected owners of the Obligations as promptly as practicable.

EXECUTION VERSION

ESCROW AGREEMENT

between

U.S. BANK NATIONAL ASSOCIATION
as Escrow Agent

and the

CITY OF WEST LINN, OREGON
as City

Relating to

City of West Linn
Clackamas County, Oregon
$5,265,000
Full Faith and Credit Project and Refunding Obligations
Series 2015

Dated as of December 1, 2015

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ESCROW AGREEMENT

THIS ESCROW AGREEMENT is dated as of December 1, 2015, and is entered into by and between **U.S. BANK NATIONAL ASSOCIATION**, a national banking association (the "Escrow Agent"), and the **CITY OF WEST LINN, OREGON**, (the "City"). The parties hereby agree as follows:

ARTICLE I
DEFINITIONS; RECITALS; AND TRANSFER OF RIGHTS

Section 1.1 Definitions. Unless the context clearly requires otherwise, capitalized terms not defined in this Section 1.1 shall have the meanings defined for such terms in the Financing Agreement. Capitalized terms used in this Escrow Agreement which are defined in this Section 1.1 shall have the following meanings, unless the context clearly requires otherwise:

"**Additional Charges**" means the amounts specified as such pursuant to Section 3.2 of the Financing Agreement.

"**Beneficial Owner**" means the Beneficial Owner of the Obligations as described in Section 2.3(c) below.

"**Business Day**" means any day other than a Saturday, Sunday or a day on which the Escrow Agent is authorized by law to remain closed.

"**City**" means the City of West Linn, Oregon, or its successors.

"**City's Authorized Representative**" means the City Manager, Chief Financial Officer or the person designated in writing by the City Manager or Chief Financial Officer to act under this Escrow Agreement or the Financing Agreement.

"**Closing Date**" means the day on which the Obligations are delivered to the Underwriter in exchange for payment.

"**Code**" means the Internal Revenue Code of 1986, as amended, including regulations, rulings and judicial decisions promulgated thereunder.

"**Costs of Issuance Account**" means the Costs of Issuance Account created pursuant to Section 3.3 herein to pay costs of issuance of the Obligations.

"**Defeasance Obligations**" means: (1) Cash (insured at all times by the Federal Deposit Insurance Corporation); (2) U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series ("SLGS"); (3) Direct obligations of the Treasury which have been stripped by the Treasury itself, CATS and TGRS and similar securities; (4) Resolution Funding Corp. (REFCORP) (only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable); (5) Pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by Standard & Poor's Rating Group; provided, however, if the pre-refunded bonds are only rated by Standard & Poor's, then the pre-refunded bonds must have been refunded with cash, direct U.S. or U.S. guaranteed obligations, or "AAA" rated pre-refunded municipals; (6) Obligations issued by the following agencies which are backed by the full faith and credit of the United States: (a) U.S. Export-Import Bank (Eximbank), direct obligations or fully guaranteed certificates of beneficial ownership; (b) Farmers Home Administration (FmHA), certificates of beneficial ownership; (c) Federal Financing Bank; (d) General Services Administration participation certificates; (e) U.S. Maritime Administration, guaranteed Title XI financing; and (f) U.S. Department of Housing and Urban Development (HUD) project notes, local authority bonds, new communities debentures – U.S. Government guaranteed debentures and U.S. Public Housing Notes and Bonds – U.S. government guaranteed public housing notes and bonds.

"**EMMA**" means the MSRB's Electronic Municipal Market Access system.

"**Escrow Agent**" means the entity serving as escrow agent under this Escrow Agreement, which as of the date of this Escrow Agreement, is U.S. Bank National Association.

"**Escrow Agreement**" means this Escrow Agreement, as it may be amended and supplemented.

"**Event of Default**" has the meaning defined for that term in Section 9.1 of this Escrow Agreement.

"**Financing Agreement**" means the Financing Agreement for the Project, of even date herewith, and signed by the Escrow Agent and the City, as it may be amended and supplemented.

"**Financing Amount**" means the sum of the principal components of the Financing Payments for the Series 2015 Obligations, as set forth in Exhibit A of the Financing Agreement.

"**Financing Payments**" mean the installment payments of principal and interest which the City is required to make under the Financing Agreement to repay the Financing Amount. "Financing Payments" includes both the scheduled payments shown in Exhibit A to the Financing Agreement and any permitted prepayments of those scheduled payments shown in Exhibit B to the Financing Agreement.

"**Fiscal Year**" means each year beginning on July 1, and ending on the following June 30.

"**Majority Owners**" means the Majority Owners as described in Section 9.2 below.

"**MSRB**" means the Municipal Securities Rulemaking Board.

"**Obligation Register**" means the records kept for the registration of Obligations by the Escrow Agent pursuant to Section 2.9 below.

“**Obligations**” means the Full Faith and Credit Project and Refunding Obligations, Series 2015 authorized by Section 2.1 below evidencing undivided proportionate interests in the Financing Payments.

“**Outstanding**” means, when used as of any particular time with respect to Obligations, all Obligations theretofore executed by the Escrow Agent and registered and delivered by the Escrow Agent under this Escrow Agreement except:

(a) Obligations previously canceled by the Escrow Agent or surrendered to the Escrow Agent for cancellation;

(b) Obligations for the payment or prepayment of the Financing Payments evidenced thereby of which funds or Defeasance Obligations in the necessary amount have previously been deposited with the Escrow Agent (whether upon or prior to the payment or prepayment date of such Obligations); and

(c) Obligations in lieu of or in exchange for which other Obligations have previously been executed and delivered by the Escrow Agent pursuant to Section 2.7 below.

“**Owner**” means the person in whose name an Outstanding Obligation is registered.

“**Payment Account**” means the Payment Account established pursuant to Section 3.1 hereof to pay principal and interest on the Obligations.

“**Payment Date**” means each June 1 and December 1, as provided in Exhibit A to the Financing Agreement, or the date on which any Financing Payment will be prepaid in accordance with this Escrow Agreement and the Financing Agreement.

“**Principal Office**” means the Corporate Trust office of the Escrow Agent located in Portland, Oregon, or, solely for purposes of the presentation of the Obligations for transfer, payment or exchange, the corporate trust operations or agency office designated by the Escrow Agent.

“**Project**” means the cost of financing or refinancing:

(a) the costs of design, acquisition, construction, improvement and equipping of, and additions, replacements, expansions and/or improvements of capital projects related to the Bolton Reservoir, and the acquisition of all real and personal property necessary, useful or convenient thereto;

(b) the refunding of all of the City’s Limited Water System Revenue Bonds, Series 2000 and a portion of the City’s Full Faith and Credit Obligations, Series 2009B; and

(c) related financing and issuance costs.

"**Project Account**" means the Project Account created pursuant to Section 3.2 hereof to pay costs of the Project.

"**Qualified Investments**" means the investments in which the City may invest surplus funds under the laws of the State of Oregon.

"**Record Date**" means the fifteenth day of a month immediately preceding a month in which a Payment Date occurs, whether or not such date is a Business Day.

"**Registered Owner**" means the Registered Owner as described in Section 2.12 below.

"**Registrar**" means the Escrow Agent, serving as Escrow Agent and Paying Agent hereunder.

"**Rule**" means Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. § 240.15c2-12).

"**SEC**" means the Securities and Exchange Commission.

"**Series 2015 Obligations**" means the $5,265,000 Full Faith and Credit Project and Refunding Obligations, Series 2015, dated December 16, 2015.

"**Special Counsel**" means Orrick, Herrington & Sutcliffe LLP, or other nationally recognized special counsel appointed by the City.

"**Purchaser**" means Piper Jaffray & Co..

Section 1.2 Recitals.

(a) City's Recitals.

(i) The City is authorized by Oregon Revised Statute ("ORS") 271.390 to enter into financing agreements to finance or refinance any real or personal property that its City Council determines is needed.

(ii) The City Council has determined in Resolution No. 2015-17 adopted on November 9, 2015 (the "Resolution"), that the Project is needed, and the Escrow Agent and the City have entered into the Financing Agreement in which the Escrow Agent has agreed to provide to the City an amount equal to the Financing Amount, but solely from the sale of the Obligations as provided in the Financing Agreement and this Escrow Agreement, and the City has agreed to borrow the Financing Amount from the Escrow Agent to finance the Project.

(iii) The City enters into this Escrow Agreement to provide for the execution and delivery of the Obligations that will be paid from Financing Payments the City makes under the Financing Agreement.

(b) The Escrow Agent recites that it has placed its rights under the Financing Agreement, including the right to receive Financing Payments, for the benefit of the Owners of the Obligations, that it accepts its obligations under this Escrow Agreement and the Financing Agreement and has agreed to execute and deliver the Obligations evidencing undivided proportionate interests in the Financing Payments. Such Obligations shall not be deemed a debt or liability of the Escrow Agent.

(c) Rights Under Financing Agreement Held for Benefit of Owners. The City and the Escrow Agent hereby agree that the following rights shall be held exclusively for the undivided proportionate benefit of the Owners as provided in this Escrow Agreement:

(i) all rights of the Escrow Agent under the Financing Agreement (except for the Escrow Agent's right to payment from Additional Charges); and,

(ii) all rights of the Escrow Agent and the City to amounts in the Payment Account.

ARTICLE II
THE SERIES 2015 FULL FAITH AND CREDIT PROJECT AND REFUNDING OBLIGATIONS

Section 2.1 Authorization, Delivery and Terms of Obligations.

(a) The Obligations shall be dated, shall evidence principal components of the Financing Payments coming due on the dates and shall evidence interest components of the Financing Payments that shall be computed at the rates, as shown in Exhibit A to the Financing Agreement. Interest shall be calculated on the basis of a 360-day year comprised of twelve 30-day months.

(b) The Escrow Agent is hereby authorized and directed to register, execute, authenticate and deliver the Obligations in substantially the form shown in Exhibit A hereto, to DTC on behalf of the Underwriter or hold the Obligations in the Fast Automated Securities Transfer (FAST) for credit to the account of the Underwriter. The Obligations shall be numbered serially and shall be signed by manual or facsimile signature of an authorized officer of the Escrow Agent. The Escrow Agent agrees to apply the Financing Payments as provided in this Escrow Agreement.

Section 2.2 Payment of Obligations.

(a) Each Obligation represents an undivided ownership interest in and a right to receive:

(i) a proportionate share of the principal component of the Financing Payments due on the payment date of that Obligation, plus

(ii) a proportionate share of the interest components of the Financing Payments that are allocable to that principal component.

(b) The City shall pay the Financing Payments to the Escrow Agent in immediately available funds as provided in the Financing Agreement.

(c) Interest represented by the Obligations shall be payable by the Escrow Agent to the Owners by check or draft mailed to the Owners at their addresses as they appear on the Obligation Register on the Record Date; provided, that interest represented by Obligations of any Owner representing principal of $1,000,000 or more shall be payable, upon the written request of such Owner in form and substance satisfactory to the Escrow Agent, by wire transfer of immediately available funds to an account within the United States designated by such Owner on or before the Record Date. Principal represented by the Obligations shall be payable upon due presentment and surrender of such obligations at the Principal Office of the Registrar. Notwithstanding the foregoing provisions, for so long as the Obligations are registered in the name of The Depository Trust Company (the "Depository") or its nominee, principal and interest represented by the Obligations shall be payable in accordance with the blanket letter of representations the City has filed with the Depository.

Section 2.3 Book-Entry Only System.

(a) The Obligations shall be initially executed and delivered as a book-entry only security issue with no Obligation certificates being made available to the Owners in accordance with the blanket letter of representations the City has filed with the Depository. While the Obligations are in book-entry form, the Obligations shall be subject to the rules and procedures of the Depository.

(b) If the Depository determines not to continue to act as securities depository for the Obligations, or the City determines that the Depository shall no longer so act, then the City will discontinue the book-entry only system with the Depository. If the City fails to designate another qualified securities depository to replace the Depository or elects to discontinue use of a book-entry only system, the Obligations shall no longer be a book-entry only issue but shall be registered in the registration books maintained by the Escrow Agent in the name of the Owner as appearing on the Obligation Register and thereafter in the name or names of the Owners of the Obligations transferring or exchanging Obligations in accordance with the provisions of this Section 2.3. The Escrow Agent shall authenticate and deliver printed Obligations to such Owners at the City's expense. If the City designates another securities depository to replace the Depository, all reference to the Depository herein shall be deemed to apply to such successor depository.

(c) While the Obligations are in book-entry form, the City and the Escrow Agent shall have no responsibility or obligation to any participant or correspondent of the depository or to any owner of a beneficial interest in the obligations (a "Beneficial Owner") for:

(i) the accuracy of the records of the Depository, its nominee or any participant, correspondent or Beneficial Owner with respect to any ownership interest in the Obligations;

(ii) the delivery to any participant, correspondent, Beneficial Owner or any other person, other than an Owner as shown in the registration books maintained by the Escrow Agent, of any notice with respect to the Obligations, including any notice of prepayment;

(iii) the selection by the Depository of the beneficial interest in Obligations to be prepaid if the City prepays the Obligations in part; or

(iv) the payment to any participant, correspondent, or any other person other than the Owner of the Obligations as shown in the registration books maintained by the Escrow Agent, of any amount with respect to principal, premium, if any, or interest with respect to the Obligations.

(d) Notwithstanding the book-entry only system, the City may treat and consider the person in whose name each Obligation is registered in the registration books maintained by the Escrow Agent as the absolute owner of such Obligation for the purpose of payment of principal, premium, if any, and interest with respect to such Obligation, or for the purpose of giving notices of prepayment and other matters with respect to such Obligation, or for the purpose of registering transfers with respect to such Obligation, or for all other purposes whatsoever. The City shall pay or cause to be paid all principal, premium, if any, and interest with respect to the Obligations only to or upon the order of the Owners, as shown in the registration books maintained by the Escrow Agent and all such payments shall be valid and effective to fully satisfy and discharge the City's obligation with respect to payment thereof to the extent of the sum or sums so paid.

Section 2.4 Form of Obligations. The Obligations shall be executed and delivered in fully registered form in denominations of $5,000 or any integral multiple thereof within a single payment date. The Series 2015 Obligations and the form of assignment shall be substantially in the form set forth in Exhibit A hereto and shall be numbered beginning with No. R-1.

Section 2.5 Execution. The Obligations shall be executed by and in the name of the Escrow Agent by the manual or facsimile signature of an authorized officer of the Escrow Agent and shall be authenticated by manual signature of an authorized officer of the Escrow Agent. Only Obligations that are substantially in the form set forth in Exhibit A hereto and that have been manually authenticated by the Escrow Agent shall be valid for any purpose or entitled to the benefits of this Escrow Agreement.

Section 2.6 Registration of Transfer and Exchange. The provisions of this Section 2.6 apply only if the Obligations cease to be a book-entry only issue. The registration of any Obligation may, in accordance with its terms, be transferred upon the Obligation Register by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Obligation for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Escrow Agent and duly executed by the Owner or his or her authorized attorney. Obligations may be exchanged at the office of the Escrow Agent for Obligations evidencing a like aggregate principal amount or other authorized denominations of the same payment date. The Escrow Agent may require the Obligation Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange. Whenever any Obligation or Obligations shall be surrendered for registration of transfer or exchange, the Escrow Agent shall execute and deliver a new Obligation or Obligations of the same payment date, for like aggregate principal amount; provided that the Escrow Agent shall not be required to register transfers or make exchanges of:

(a) Obligations for a period of fifteen (15) days next preceding any selection of the Obligations to be prepaid;

(b) any Obligations chosen for prepayment; or

(c) Obligations for a period of fifteen (15) days prior to any Payment Date.

Section 2.7 Mutilated, Lost, Destroyed or Stolen Obligations.

(a) If any Obligation becomes mutilated, the Escrow Agent, at the expense of the Owner of such Obligation, shall execute and deliver a new Obligation of like tenor and payment date but bearing a different number in exchange and substitution for the Obligation so mutilated, but only upon surrender to the Escrow Agent of the Obligation so mutilated. Every mutilated Obligation so surrendered to the Escrow Agent shall be canceled by it.

(b) If any Obligation is lost, destroyed or stolen, evidence of such loss, destruction or theft shall be submitted to the Escrow Agent and, if such evidence is satisfactory to the Escrow Agent and, if an indemnity satisfactory to the Escrow Agent shall be given, the Escrow Agent, at the expense of the Owner of the Obligation in question, shall execute and deliver a new Obligation of like tenor and payment date and numbered as the Escrow Agent shall determine in lieu of and in substitution for the Obligation so lost, destroyed or stolen.

(c) The Escrow Agent may require payment of an appropriate fee for each new Obligation delivered under this Section 2.7 and of the expenses that may be incurred by the Escrow Agent in carrying out the duties under this Section 2.7.

Section 2.8 Execution of Documents. The Escrow Agent may accept any evidence of execution of documents by Owners which the Escrow Agent reasonably deems sufficient. Any request or consent of the Owner of any Obligation shall bind every future Owner of the same Obligation.

Section 2.9 Obligation Register. The Escrow Agent will maintain the Obligation Register and shall record the registration and transfer of all Obligations in the Obligation Register. The Obligation Register shall be open to inspection by the City during regular business hours upon reasonable notice.

Section 2.10 Prepayment.

(a) Terms of Prepayment. The Obligations shall be subject to optional and mandatory prepayment as provided in Exhibit B of the Financing Agreement.

(b) Selection of Obligations for Optional Prepayment. If less than all of the Financing Payments shall be prepaid, the City shall notify the Escrow Agent of the maturities and the amounts of the principal components selected for prepayment. The City shall provide such notice to the Escrow Agent in writing of the Obligations so selected for prepayment. If the Obligations are in book-entry form at the time of prepayment, and less than all of the Financing Payments are being prepaid, the Escrow Agent, at the request of the City, shall direct DTC to instruct the DTC participants to select such Obligations for prepayment by lot within a maturity. Neither the City nor the Escrow Agent shall have responsibility to insure that DTC or its participants properly select such Obligations for prepayment.

(c) Notice of Prepayment (No Depository).

(i) The provisions of this Section 2.10(c) shall apply only if the Obligations cease to be a book-entry-only issue. If the principal component of Financing Payments is to be prepaid, the City shall give notice of such prepayment to the Escrow Agent not less than thirty-five (35) days before the prepayment date pursuant to Section 3.3(b) of the Financing Agreement and, not later than the date of prepayment, shall deposit with the Escrow Agent the amount required to effect the prepayment. The Escrow Agent shall give to the Obligation Owners notice of prepayment ("Notice of Prepayment") of the Obligations at the expense of the City. Each Notice of Prepayment shall state (a) the prepayment date, (b) the place or places of prepayment (including the name and address of any prepayment agent), (c) if only a portion of the Obligations are being prepaid, the distinctive number of the Obligations to be prepaid, (d) the Obligations or designated portions thereof (in the case of prepayment of the Obligations in part but not in whole), (e) the prepayment price, (f) the CUSIP numbers (if any) assigned to the Obligations to be prepaid and (g) the dated date of the Obligations, the interest rate and stated payment date with respect to each Obligation to be prepaid in whole or in part. Each such Notice of Prepayment shall also state that on said date there shall become due and payable on each of said Obligations the principal amount with respect thereto (or a portion thereof in the case of an Obligation to be prepaid in part only), together with interest accrued with respect thereto to the prepayment date, and that from and after such prepayment the interest thereon shall cease to accrue, and shall require that such Obligations be then surrendered.

(ii) The Escrow Agent shall take the following actions with respect to such Notice of Prepayment.

(1) At least thirty (30) days before the prepayment date, such Notice of Prepayment shall be given either by (a) regular mail, postage prepaid, (b) confirmed facsimile transmission or (c) overnight delivery service, to the following securities depository:

The Depository Trust Company
570 Washington Blvd.
Jersey City, NJ 07310
Facsimile transmission: (212) 855-7320

(2) At least thirty (30) days before the prepayment date, such Notice of Prepayment shall be given either by (a) regular mail, postage prepaid, (b) overnight delivery service, or (c) in electronic format as prescribed by the MSRB, to the MSRB, or any electronic municipal access system established by the MSRB for purposes of the Rule.

(iii) Notice of Prepayment shall be given by mailing, first class, postage prepaid, not more than sixty (60) days nor less than twenty (20) days prior to said prepayment date, copies thereof to the City and the Owners of the Obligations whose Obligations or a portion thereof are to be prepaid.

(iv) Any defect in notices given under Sections (i), (ii), or (iii) above shall not affect the validity of the proceedings for the prepayment of the Obligations or portions thereof.

(d) <u>Notice of Prepayment (Depository)</u>. If the principal component of Financing Payments is to be prepaid, the City shall give notice of such prepayment to the Escrow Agent at the addresses in Section 11.3, not less than twenty-five (25) days before the prepayment date pursuant to Section 3.3(b) of the Financing Agreement and, not later than the business day prior to prepayment, shall deposit with the Escrow Agent the amount required to effect the prepayment. The Escrow Agent shall notify the Depository at the address above of any prepayment not less than twenty (20) days prior to the prepayment and shall provide such information in connection therewith as required by the blanket letter of representations the City has filed with the Depository Trust Company.

(e) <u>Notice of Prepayment Required by Continuing Disclosure Certificate</u>. In addition to the other notices of prepayment required by this Escrow Agreement, the Escrow Agent shall give to the MSRB or such other central repository established by the MSRB, including EMMA, any notices of prepayment which are required to be provided by the City in the Continuing Disclosure Certificate for the Obligations.

(f) <u>Partial Prepayment of Obligations</u>. Upon surrender of any Obligation that is not in book entry form and is prepaid in part only, the Escrow Agent shall execute and deliver to the Owner thereof, at the expense of that Owner, a new Obligation or Obligations of authorized denominations equal in aggregate principal amount to the portion of the surrendered Obligation which is not prepaid and with the same stated interest rate and the same payment date. Such partial prepayment shall be valid upon payment of the amount thereby required to be paid to such Owner, and the City and the Escrow Agent shall be released and discharged from all liability to the extent of such payment.

(g) Effect of Prepayment. If notice of prepayment has been given as provided in this Section 2.10, and the moneys for the prepayment (including the interest to the applicable date of prepayment) have been set aside in the Payment Account, the Obligations shall become due and payable on the date of prepayment upon presentation and surrender thereof at the office or offices specified in said notice, and interest with respect to the Obligations shall cease to accrue after the date fixed for prepayment. All moneys held by or on behalf of the Escrow Agent for the prepayment of Obligations shall be held in escrow for the account of the Owners of the Obligations so to be prepaid. All Obligations paid at their payment date or prepaid prior to their payment date pursuant to the provisions of this Section 2.10, if any, shall be canceled upon surrender thereof.

(h) Conditional Notice of Prepayment. Any notice of optional prepayment to the Escrow Agent or to the Obligation Owners may state that the optional prepayment is conditional upon receipt by the Escrow Agent of moneys sufficient to pay the prepayment price of such Obligations or upon the satisfaction of any other condition, and/or that such notice may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such prepayment price if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission or of the failure of any such condition shall be given by the Escrow Agent to the affected Obligation Owners as promptly as practicable upon the failure of such condition or the occurrence of such other event. Any notice of such rescission or of the failure of any such condition or occurrence of such other event shall not constitute an event of default under the Financing Agreement or this Escrow Agreement.

Section 2.11 Reserved.

Section 2.12 Provisions for Printed Obligations. If the City discontinues use of the book-entry only system or termination thereof occurs without designation of a new qualified securities depository, then the provisions of this Section 2.12 shall apply to the Obligations. Upon receipt of a printed Obligation, the Beneficial Owner shall become the Registered Owner. The principal with respect to such Obligations shall be payable upon presentation at the office of the Escrow Agent.

ARTICLE III
ACCOUNTS

Section 3.1 Payment Account. The Escrow Agent shall establish and maintain a special fund designated as the "Full Faith and Credit Project and Refunding Obligations, Series 2015 Payment Account," which is defined in this Escrow Agreement as the "Payment Account." The Escrow Agent shall keep the Payment Account separate and apart from all other funds and moneys held by it and shall administer and maintain the Payment Account as provided in this Escrow Agreement:

(a) To secure the payment of Financing Payments, on the Business Day preceding each Payment Date, the City shall transfer the deposits described in Section 3.2(b)(i) of the Financing Agreement to the Escrow Agent. The Escrow Agent shall credit these deposits in the Payment Account.

(b) On each Payment Date the Escrow Agent shall withdraw from the Payment Account and transfer to Owners an amount equal to the principal and interest components of the Financing Payment due and payable on such Payment Date, but solely from moneys on deposit in the Payment Account.

(c) If on any Payment Date, the amount of the Financing Payment then due and payable exceeds the amounts deposited with the Escrow Agent and available therefor, the Escrow Agent shall pay to the Owners the moneys on hand, and the Escrow Agent shall apply such money first to the payment of the interest component, which shall be distributed by the Escrow Agent pro rata among the Owners if necessary, and second, to the payment of the principal component, which shall be distributed by the Escrow Agent pro rata among the Owners if necessary.

(d) Any amounts in the Payment Account in excess of the amount necessary to pay the principal and interest components of the Financing Payments and any earnings thereon shall be remitted to the City or, retained in the Payment Account and applied as a credit to the next deposit. The Escrow Agent shall provide the City, not less than thirty (30) days before each date a deposit is required under Section 3.2(b) of the Financing Agreement, an invoice which sets forth the amount of the next deposit.

(e) Any surplus remaining in the Payment Account after payment of all Financing Payments and all Obligations Outstanding and payment of any applicable fees and expenses of the Escrow Agent, or provision for such prepayment or payment of all Financing Payments having been made to the satisfaction of the Escrow Agent in accordance with Section 11.1 below hereof, shall be remitted to the City.

Section 3.2 Project Account. The City shall establish and maintain an account designated as the "Full Faith and Credit Project and Refunding Obligations, Series 2015 Project Account," which is defined in this Escrow Agreement as the "Project Account." The City shall keep the Project Account separate and apart from all other funds and moneys held by it and shall administer and maintain the Project Account as provided in this Escrow Agreement:

(a) To pay costs of the Project, the City is authorized to make payments from the Project Account.

(b) Any amounts remaining in the Project Account after completion of the Project may be deposited in the Payment Account or such amounts remaining may be used by the City for uses related to the Project.

Section 3.3 Costs of Issuance Account. The City shall establish an account designated as the "Full Faith and Credit Obligations, Series 2015 Costs of Issuance Account" for payment of costs of execution and delivery of the Obligations, which is defined in this Escrow Agreement as the "Costs of Issuance Account." The City shall keep the Costs of Issuance Account separate and apart from all other funds and moneys held by it and shall administer and maintain the Costs of Issuance Account as provided in this Escrow Agreement:

(a) The City is authorized to make payments from the Costs of Issuance Account only for paying the costs of legal, accounting, organization, marketing or other special services and other fees and expenses, incurred or to be incurred by or on behalf of the City in connection with the issuance of the Obligations. The City acknowledges that the moneys in the Costs of Issuance Account available for payment of the foregoing costs may not be sufficient to pay such costs in full, and agrees therein to pay that portion of such costs in excess of the amount in the Costs of Issuance Account from any moneys legally available for such purpose.

(b) Any amounts remaining in the Costs of Issuance Account after payment of the costs of issuance for the Project may be deposited in the Payment Account or such amounts remaining may be used by the City for uses related to the Project.

Section 3.4 Additional Charges. If the Escrow Agent receives Additional Charges pursuant to the Financing Agreement, such Additional Charges shall be applied by the Escrow Agent solely to the payment of any costs in respect of which such Additional Charges was received and shall not be commingled in any way with any other funds received by the Escrow Agent pursuant to the Financing Agreement or this Escrow Agreement, except as provided above.

Section 3.5 Creation of Subaccounts. The Escrow Agent is authorized to establish subaccounts within any fund or account created pursuant to this Escrow Agreement for the purpose of complying with this Escrow Agreement, the Financing Agreement or the Tax Certificate, or at the written direction of an Authorized Representative of the City.

Section 3.6 Deposits at Closing. The proceeds of the Obligations in the amount of $5,265,000.00 par amount plus original issue premium of $384,216.05 and less underwriter's discount of $30,060.00 shall be transferred directly to the City for deposit into the following accounts:

Project Account	$2,078,177.57
Escrow Account for City's Full Faith and Credit Obligations, Series 2009B	2,804,218.63
Debt Service Fund for City's Limited Water System Revenue Bonds, Series 2000	663,647.85
Costs of Issuance Account	73,112.00
Total Deposits at Closing	**$5,619,156.05**

ARTICLE IV
MONEYS IN FUNDS; INVESTMENT

Section 4.1 Moneys and Investments Held Under Escrow Agreement. The City shall hold all moneys under this Escrow Agreement and shall invest and reinvest such moneys in Qualified Investments. Notwithstanding the foregoing, the Escrow Agent shall hold all moneys transferred by the City to the Escrow Agent for deposit to the Payment Account as provided in Section 3.1 of this Escrow Agreement and shall, at the written direction of the City, invest and reinvest such moneys in Qualified Investments only until such time as the moneys are required for the payment of the Financing Payments. Such moneys and any other income or interest earned thereon shall be applied 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.

In the absence of written direction from the City, the Escrow Agent will invest funds in a U.S. Bank money market interest bearing savings account per Exhibit B. In no event shall the Escrow Agent be liable for the selection of investments or for investment losses incurred thereon. The Escrow Agent may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this Escrow Agreement. The City acknowledges that regulations of the Comptroller of the Currency grant the City the right to receive brokerage confirmations of the security transactions as they occur, at no additional cost. To the extent permitted by law, the City specifically waives compliance with 12 C.F.R. 12 and hereby notifies the Escrow Agent that no brokerage confirmations need be sent relating to the security transactions as they occur. The Escrow Agent may rely on the investment directions of the City as to both the suitability and legality of the directed investments.

Section 4.2 Deposit and Investment of Moneys in Accounts. The City may commingle any of the funds held by it pursuant to this Escrow Agreement in a separate fund or funds for investment purposes; provided, however, that all funds or accounts held by the City hereunder shall be accounted for separately notwithstanding such commingling by the City.

ARTICLE V
THE ESCROW AGENT

Section 5.1 Compensation of the Escrow Agent. The City shall from time to time pay to the Escrow Agent reasonable compensation for its services and will pay or reimburse the Escrow Agent upon its request for all reasonable expenses, disbursements and advances made by the Escrow Agent in accordance with the provisions of this Escrow Agreement (including the reasonable fees, expenses and disbursements of its counsel), except any such expense, disbursement or advance as may arise from its gross negligence or bad faith. Fees for the Escrow Agent's services shall be those specified in the contract between the City and the Escrow Agent.

Section 5.2 Removal of Escrow Agent.

(a) The Escrow Agent may be removed and a successor Escrow Agent appointed:

(i) by the City at any time if, in the good faith opinion of the City, expressed in writing and delivered to the Escrow Agent and the successor Escrow Agent, it would not be materially adverse to the interests of the Owners of the Obligations that the Escrow Agent be removed and a successor Escrow Agent appointed;

(ii) for any breach of obligations of the Escrow Agent set forth herein; or

(iii) at any time by written demand thereof filed with the Escrow Agent and the successor Escrow Agent by the Owners of a majority in aggregate principal amount evidenced by all Obligations Outstanding. Such removal shall become effective upon acceptance of appointment by the successor Escrow Agent.

(b) Any successor Escrow Agent appointed pursuant to the provisions of this section shall:

(i) be a trust company or bank in good standing, duly authorized to exercise trust powers and subject to examination by federal or state authority;

(ii) have substantial prior experience as a Escrow Agent for the benefit of the owners of municipal debt securities; and

(iii) be a bank or trust company having (either singly or together with its parent holding company) a combined capital (exclusive of borrowed capital) and surplus of at least Seventy-Five Million Dollars ($75,000,000) and subject to supervision or examination by federal or state authority.

Section 5.3 Resignation of Escrow Agent.

(a) The Escrow Agent or any successor may at any time resign by giving written notice to the City and by giving notice by first class mail to the Owners as of the date such notice is mailed of its intention to resign and of the proposed date of resignation, which shall be a date not less than thirty (30) days after the mailing of such notice, unless an earlier resignation date and the appointment of a successor Escrow Agent shall have been or are approved by the Owners of a majority in aggregate principal amount evidenced by all of the Obligations Outstanding.

(b) Upon receiving such notice of resignation, the City shall promptly appoint a successor Escrow Agent by an instrument in writing; provided, however, that if the City fails to appoint a successor Escrow Agent within thirty (30) days following receipt of such written notice of resignation, the Owners of a majority in aggregate principal amount evidenced by all Obligations Outstanding may appoint a successor Escrow Agent and if the Owners fail to appoint a successor Escrow Agent, within thirty (30) days following the expiration of such initial 30-day period, the resigning Escrow Agent may petition the appropriate court having jurisdiction to appoint a successor Escrow Agent.

(c) Notwithstanding any other provision of this Escrow Agreement, no removal, resignation or termination of the Escrow Agent shall take effect until a successor shall be appointed.

Section 5.4 Merger or Consolidation. A merger or consolidation of the Escrow Agent with another entity shall not be treated as the appointment of a successor, and the entity into which the Escrow Agent is merged or consolidated shall become the successor Escrow Agent without any notice or filing, but only if: the merged or consolidated entity notifies the City that it has assumed the obligations of the Escrow Agent under this Escrow Agreement and the Financing Agreement, and the merged or consolidated entity meets the requirements of Section 5.2(b) above.

Section 5.5 Acceptance of Appointment by Successor Escrow Agent.

(a) Any successor Escrow Agent appointed as provided in Section 5.3 or Section 5.4 above shall execute, acknowledge and deliver to the City and to its predecessor Escrow Agent an instrument accepting its appointment, and the appointment shall take effect on execution of that acceptance. Upon request of any successor Escrow Agent, the City and the prior Escrow Agent shall execute any documents the successor Escrow Agent may reasonably require to confirm its rights and powers under this Escrow Agreement and the Financing Agreement.

(b) Upon acceptance of appointment by a successor Escrow Agent as provided in this Section 5.5, the successor Escrow Agent shall mail, first class, postage prepaid, notice of its appointment to the Owners.

Section 5.6 Duties and Responsibilities of the Escrow Agent Prior to and During Default.

(a) The Escrow Agent undertakes, prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default which may have occurred, to perform such duties and only such duties as are specifically set forth in this Escrow Agreement. In case any Event of Default has occurred (which has not been cured or waived) the Escrow Agent shall exercise such of the rights and powers vested in it by this Escrow Agreement and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(b) No provision of this Escrow Agreement shall be construed to relieve the Escrow Agent from liability for its own negligent action, its negligent failure to act or its own willful misconduct, except that:

(i) Prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default which may have occurred, the duties and obligations of the Escrow Agent shall be determined solely by the express provisions of this Escrow Agreement, and the Escrow Agent shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Escrow Agreement, and no covenants or obligations shall be implied into this Escrow Agreement adverse to the Escrow Agent;

(ii) The Escrow Agent shall not be liable for any error of judgment made in good faith by a responsible officer of the Escrow Agent, unless it shall be proved that the Escrow Agent was negligent in ascertaining the pertinent facts;

(iii) The Escrow Agent shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of a majority in aggregate principal amount evidenced by the Obligations at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Escrow Agent, or exercising any duties or power conferred upon the Escrow Agent, under this Escrow Agreement; and

(iv) No provision contained in this Escrow Agreement shall require the Escrow Agent to expend or risk its own funds or otherwise incur liability in the performance of any of its duties or the exercise of any of its rights or powers, if there is reasonable ground for the Escrow Agent's believing that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Section 5.7 Protection and Rights of the Escrow Agent.

(a) The Escrow Agent shall be protected and shall incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, request, consent, waiver, certificate, statement, affidavit, voucher, bond, requisition or other paper or document which it shall in good faith believe to be genuine and to have been passed or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of this Escrow Agreement, and the Escrow Agent shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Escrow Agent shall not be bound to recognize any person as an Owner of any Obligation or to take any action at his request unless such Obligation shall be deposited with the Escrow Agent or satisfactory evidence of the ownership of such Obligation shall be furnished to the Escrow Agent. The Escrow Agent may consult with counsel, who may be counsel to the City, with regard to legal questions and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith in accordance therewith.

(b) Whenever in the administration of its duties under this Escrow Agreement, the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) shall be deemed to be conclusively proved and established by the certificate of the Escrow Agent's representative or the City's Representative and such certificate shall be full warranty to the Escrow Agent for any action taken or suffered under the provisions of this Escrow Agreement upon the faith thereof, but in its discretion the Escrow Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

(c) The Escrow Agent may become the Owner of Obligations with the same rights it would have if it were not the Escrow Agent; may acquire and dispose of other certificates or evidences of indebtedness of the City with the same rights it would have if it were not the Escrow Agent; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners, whether or not such committee shall represent the Owners of the majority in aggregate principal amount evidenced by the Obligations then Outstanding.

(d) The recitals, statements and representations by the City contained in this Escrow Agreement or in the Obligations shall be taken and construed as made by and on the part of the City, as the case may be, and not by the Escrow Agent, and the Escrow Agent does not assume, and shall not have, any responsibility or obligation for the correctness of any thereof.

(e) The Escrow Agent may execute any of the duties or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers, and shall be entitled to advice of counsel concerning all matters of its duty hereunder, and the Escrow Agent shall not be answerable for the default or misconduct of any such attorney, agent, or receiver selected by it with reasonable care.

(f) The Escrow Agent shall not be accountable for the use or application by the City of any of the Obligations or the proceeds thereof or for the use or application of any money paid over by the Escrow Agent in accordance with the provisions of this Escrow Agreement or for the use and application of money received by any paying agent.

(g) The permissive right of the Escrow Agent to do things enumerated in this Escrow Agreement shall not be construed as a duty and the Escrow Agent shall not be answerable for other than its gross negligence or willful default. The Escrow Agent shall not be required to give any bond or surety in respect of the execution of the escrow and powers or otherwise in respect of the premises.

(h) The Escrow Agent shall not be required to take notice or be deemed to have notice of any default or Event of Default hereunder (except failure by the City to cause to be made any of the payments to the Escrow Agent required to be made by Section 9.1(a) hereof) unless the Escrow Agent shall be specifically notified in writing of such default or Event of Default by the City or by the Owners of at least 25% in aggregate principal amount of all Obligations then outstanding and all notices or other instruments required by this Escrow Agreement to be delivered to the Escrow Agent must, in order to be effective, be delivered at the designated corporate trust office of the Escrow Agent, and in the absence of such notice so delivered the Escrow Agent may conclusively assume there is no default except as aforesaid.

(i) Before taking any action under this Escrow Agreement relating to an event of default or in connection with its duties under this Escrow Agreement other than making payments of principal and interest on the Obligations as they become due or causing an acceleration of the Obligations whenever required by the Escrow Agreement, the Escrow Agent may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, including, but not limited to, any liability arising directly or indirectly under any federal, state or local statute, rule, law or ordinance related to the protection of the environment or hazardous substances and except liability which is adjudicated to have resulted from gross negligence or willful default in connection with any action so taken.

(j) In acting or omitting to act pursuant to the Financing Agreement, the Escrow Agent shall be entitled to all of the rights, immunities and indemnities accorded to it under this Escrow Agreement, including, but not limited to, this Article V.

(k) The Escrow Agent agrees to accept and act upon instructions or directions pursuant to this Escrow Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Escrow Agent shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the City elects to give the Escrow Agent e-mail or facsimile instructions (or instructions by a similar electronic method) and the Escrow Agent in its discretion elects to act upon such instructions, the Escrow Agent's understanding of such instructions shall be deemed controlling. The Escrow Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Agent's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The City agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Escrow Agent, including without limitation the risk of the Escrow Agent acting on unauthorized instructions, and the risk of interception and misuse by third parties.

(l) When the Escrow Agent incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

(m) The Escrow Agent shall have no responsibility or liability with respect to any information, statements or recitals in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Obligations.

Section 5.8 Indemnification. To the extent permitted by law, the City covenants and agrees to indemnify and save the Escrow Agent and its officers, directors, agents and employees harmless against any loss, expense, cost, claim, suit, judgment or liability which it or they may incur arising out of or in the exercise or performance of its duties and powers hereunder, including the costs and expenses (including, without limitation, legal fees and expenses) of defending against any claim or liability, or enforcing any of the rights or remedies granted to it under the terms of this Escrow Agreement, excluding any losses or expenses which are due to the Escrow Agent's breach of the Escrow Agent's duties, gross negligence or willful misconduct. The obligations of the City under this Section 5.8 shall survive the resignation or removal of the Escrow Agent under this Escrow Agreement and the payment of the Obligations and discharge under this Escrow Agreement. The damages claimed against the City shall not exceed the damages which may be allowed under the Oregon Tort Claims Act, ORS 30.260, *et seq.*, unless the provisions and limitations of such act are preempted by federal law, including, but not limited to the federal securities laws.

ARTICLE VI
CONCERNING THE OBLIGATION OWNERS

Section 6.1 Evidence of Action Taken by Owners. Whenever in this Escrow Agreement it is provided that the Owners of a specified percentage in aggregate principal amount evidenced by the Outstanding Obligations may take any action (including the making of any demand or request, the giving of any notice, consent or waiver or the taking of any other action), the fact that at the time of taking any such action the Owners of such specified percentage have joined therein may be evidenced:

(a) by any instrument or any number of instruments of similar tenor executed by Owners in person or by agent or proxy appointed in writing, or

(b) by the record of the Owners voting in favor thereof at any meeting of Owners, or

(c) by a combination of such instrument or instruments and any such record of such a meeting of Owners.

Section 6.2 Action Taken by Owners Irrevocable. Any consent to the taking of any action by any Owner of an Outstanding Obligation shall be irrevocable and shall be conclusive and binding upon such Owner and upon all future Owners of such Obligation and of any Obligation executed and delivered in exchange or substitution therefor, irrespective of whether or not any notation and regard thereto is made upon such Obligation. Any action taken by the Owners of the percentage in aggregate principal amount evidenced by the Outstanding Obligations specified in this Escrow Agreement in connection with such action shall be conclusive and binding upon the City, the Escrow Agent and the Owners of all the Obligations.

Section 6.3 Certain Obligations Disregarded. In determining whether the Owners of the requisite aggregate principal amount evidenced by the Obligations have concurred in any direction or consent under this Escrow Agreement, Obligations which are owned by the Escrow Agent or the City or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with the Escrow Agent or the City shall be disregarded and treated as though they were not Outstanding for the purpose of any such determination; provided that for the purposes of determining whether the Escrow Agent shall be protected in relying on any such direction or consent only Obligations which the Escrow Agent knows are so owned shall be so disregarded. Obligations so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this section, if the pledgee shall establish to the satisfaction of the Escrow Agent the pledgee's right to vote such Obligations and that the pledgee is not a person directly or indirectly controlling or controlled by or under direct or indirect common control with the Escrow Agent or the City. In case of a dispute as to such right, any decision by the Escrow Agent taken upon the advice of counsel shall be full protection to the Escrow Agent.

ARTICLE VII
MODIFICATION OF ESCROW AGREEMENT AND FINANCING AGREEMENT

Section 7.1 Limitations. This Escrow Agreement may be modified or amended only in accordance with this Article VII. Any amendment or supplement to this Escrow Agreement shall be sent to the rating agencies that have assigned a rating to the Obligations.

Section 7.2 Supplemental Escrow Agreement Without Consent of Owners. The City and the Escrow Agent may at any time enter into supplemental Escrow Agreements without the consent of or notice to the Owners, for the following purposes:

(a) To cure any formal defect, omission, inconsistency or ambiguity in this Escrow Agreement; provided that such action shall not, in the reasonable judgment of the City, materially and adversely affect the interests of the Owners;

(b) To grant to or confer or impose upon the Escrow Agent for the benefit of the Owners any additional rights, remedies, or powers or to amend this Escrow Agreement in any other way for the benefit of the Owners; provided that no such amendment may have, in the reasonable judgment of the City, a material and adverse effect on any Owner which has not consented to the Supplemental Escrow Agreement; or

(c) To modify, alter, amend or supplement this Escrow Agreement in any other respect which is not materially adverse to the Owners and which does not involve a change described in Sections 7.3(a)(i), 7.3(a)(ii), 7.3(a)(iii), or 7.3(a)(iv) below and which, in the judgment of the Escrow Agent, is not to the prejudice of the Escrow Agent.

Before the Escrow Agent and the City shall enter into any Supplemental Escrow Agreement pursuant to this Section, the City shall deliver to the Escrow Agent an opinion of Special Counsel stating that the supplemental Escrow Agreement is authorized or permitted by this Escrow Agreement, complies with its terms, will, upon the execution and delivery thereof, be valid and binding upon the City in accordance with its terms, and will not adversely affect the exclusion from gross income for federal income tax purposes of interest payable on the Obligations.

Section 7.3 Supplemental Escrow Agreement with Consent of the Owners.

(a) Any amendment to this Escrow Agreement which is not described in Section 7.2 above requires the consent of the City, the Escrow Agent and the Owners of not less than sixty percent (60%) in aggregate principal amount evidenced by the Obligations then Outstanding. However, the consent of all affected Owners of all the Obligations then Outstanding is required for:

(i) a change in the terms of the payment or prepayment of any portion of the Financing Payments, or

(ii) the creation of a claim or lien upon, or a pledge of the Financing Payments ranking prior to or (except as expressly permitted by this Escrow Agreement) on a parity with the claim, lien or pledge created by this Escrow Agreement, or

(iii) the creation of a preference or priority of any Obligation or Obligations over any other Obligation or Obligations, or

(iv) a reduction in the aggregate principal amount evidenced by the Obligations the consent of the Owners of which is required for any supplemental Escrow Agreement or which is required, under Section 7.6 below, for any modification, alteration, amendment or supplement to the Financing Agreement.

(b) If at any time the City shall request the Escrow Agent to enter into any supplemental Escrow Agreement for any of the purposes of this Section 7.3 which require Owners' consent, the Escrow Agent shall cause notice of the proposed supplemental Escrow Agreement to be given by first class mail, postage prepaid, to all affected Owners at their addresses as they appear in the Obligation Register. Such notice shall briefly set forth the nature of the proposed supplemental Escrow Agreement and shall state that a copy thereof is on file at the office of the Escrow Agent for inspection by all Owners. Within two years after the date of the first mailing, the Escrow Agent and the City may enter into such supplemental Escrow Agreement in substantially the form described in such notice, but only if there shall have first been delivered to the Escrow Agent (i) the required consents, in writing, of Owners of Obligations then Outstanding, and (ii) an opinion of Special Counsel stating that such supplemental Escrow Agreement is authorized or permitted by this Escrow Agreement, complies with its terms, will, upon the execution and delivery thereof, be valid and binding upon the Escrow Agent and the City in accordance with its terms and will not adversely affect the exclusion from gross income for federal income tax purposes of interest with respect to the Obligations.

(c) If the Owners of not less than the percentage of Obligations then Outstanding required by this Section 7.3 shall have consented to and approved the execution and delivery thereof as herein provided, no Owner shall have any right to object to the execution and delivery of such supplemental Escrow Agreement, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution and delivery thereof, or to enjoin or restrain the Escrow Agent or the City from executing and delivering the same or from taking any action pursuant to the provisions thereof.

Section 7.4 Effect of Supplemental Escrow Agreement. Upon the execution and delivery of any supplemental Escrow Agreement pursuant to the provisions of this Section 7.4, this Escrow Agreement shall be, and be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under this Escrow Agreement of the Escrow Agent, the City and all Owners of Obligations then Outstanding shall thereafter be determined, exercised and enforced under this Escrow Agreement subject in all respects to such modifications and amendments.

Section 7.5 Amendments to Financing Agreement Not Requiring Consent of Owners.

(a) The City, with the consent of the Escrow Agent but without the consent of or notice to the Owners, may amend, change or modify the Financing Agreement as may be required:

(i) By the provisions of the Financing Agreement and this Escrow Agreement, or

(ii) To cure any ambiguity, formal defect or omission in the Financing Agreement, or

(iii) To make any other change to the Financing Agreement which, in the reasonable judgment of the City, does not materially and adversely affect the Owners.

(b) Before the City shall enter into, and the Escrow Agent shall consent to, any amendment, change or modification pursuant to this Section 7.5 or Section 7.6 below, there shall have been delivered to the Escrow Agent and the City an opinion of Special Counsel stating that such amendment, change or modification is authorized or permitted by this Escrow Agreement and the Financing Agreement, complies with their terms, will, upon the execution and delivery thereof, be valid and binding upon Escrow Agent and the City in accordance with its terms and will not adversely affect the exclusion from gross income for federal income tax purposes of interest with respect to the Obligations.

Section 7.6 Amendments to Financing Agreement Requiring Consent of the Owners.

(a) Any amendment to the Financing Agreement which is not described in Section 7.5 above requires the consent of the City, the Escrow Agent and the Owners of not less than sixty percent (60%) in aggregate principal amount evidenced by the Obligations Outstanding given as provided in this Section 7.6. However, the consent of the Owners of all affected Obligations then Outstanding is required for any amendment, change or modification of the Financing Agreement that would permit the termination or cancellation of the Financing Agreement or a reduction in or postponement of the payments under the said agreement or any change in the provisions relating to the payments thereunder.

(b) If at any time the City shall request the consent of the Escrow Agent to an amendment to the Financing Agreement which is not described in Section 7.5 above, the Escrow Agent shall cause notice to be given of such proposed amendment, change of modification in the same manner as provided by Section 7.3 above with respect to supplemental Escrow Agreements. Such notice shall briefly set forth the nature of such proposed amendment, change or modification, and shall state that copies of the instrument embodying the same are on file at the Principal Office of the Escrow Agent for inspection by all Owners at any time during reasonable business hours and upon reasonable prior notice. The City may enter into, and the Escrow Agent may consent to, any such proposed amendment, change or modification subject to the same conditions and with the same effect as provided in Section 7.3 above hereof with respect to supplemental Escrow Agreements, provided the City has obtained the opinion of Special Counsel which is described in Section 7.5 above.

ARTICLE VIII
COVENANTS; NOTICES

Section 8.1 Compliance With and Enforcement of Financing Agreement.

(a) The City covenants and agrees with the Owners of the Obligations to perform all obligations and duties imposed on it under the Financing Agreement and to enforce such agreement against the Escrow Agent in accordance with its terms.

(b) The Escrow Agent covenants and agrees with the Owners of the Obligations to perform all obligations and duties imposed on it under the Financing Agreement and to enforce such Agreement against the City in accordance with its terms, subject to the rights of the City therein as provided in this Escrow Agreement and the Financing Agreement.

Section 8.2 Notice in Event of Late Financing Payment. If the Escrow Agent does not receive any Financing Payment deposit within one Business Day after the date on which it is due in accordance with the Financing Agreement, the Escrow Agent shall give prompt written notice of such fact to the City.

Section 8.3 Notice of Default. If an Event of Default occurs, the Escrow Agent shall give written notice of such default to the Owners of the Obligations then Outstanding. Such notice shall specify that an Event of Default has occurred, and shall contain a brief description of the Event of Default. Any failure to give this notice shall not affect any rights of Owners. This shall be mailed by first class mail, postage prepaid, to each Owner within thirty (30) days of the Escrow Agent's actual knowledge of default. However, except for an Event of Default described in Section 9.1(a) below, the Escrow Agent may withhold such notice if and so long as the Escrow Agent in good faith determines that the withholding of such notice is in the interests of the Owners of Obligations.

Section 8.4 Tax Covenants. The City shall comply with the instructions and requirements of the Tax Certificate or Tax Certificates relating to the Obligations. This covenant shall survive payment in full or defeasance of the Obligations.

Section 8.5 Prosecution and Defense of Suits. The City shall promptly take such action as may be necessary to cure any defect in the title to the Project or any part thereof, or the perfection of security interests in the Project, whether now existing or hereafter developing, and shall prosecute and defend all such suits, actions and all other proceedings as may be appropriate for such purpose.

Section 8.6 Further Assurances. The Escrow Agent and the City will make, execute and deliver any and all such further resolutions, instruments and assurances as the Escrow Agent may deem reasonably necessary or proper to carry out the intention or to facilitate the performance of this Escrow Agreement, and for the better assuring and confirming to the Owners of the Obligations the rights and benefits provided herein.

ARTICLE IX
EVENTS OF DEFAULT

Section 9.1 Events of Default. The occurrence of one or more of the following shall constitute Events of Default:

(a) The City shall fail to pay any Financing Payment when due; or

(b) The City shall fail to observe and perform any other covenant, condition or agreement on its part to be observed or performed for a period of sixty (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 shall 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

(c) An "event of default" described in Section 6.1(a) of the Financing Agreement occurs and is continuing.

Section 9.2 Remedies on Default. Upon the occurrence and continuance of any Event of Default, the Owners of not less than a majority in aggregate principal amount evidenced by the Obligations then Outstanding (the "Majority Owners") shall have the right to direct the enforcement of all rights and remedies as described in Article IX herein. Upon such direction, the Escrow Agent may proceed, and upon written request of the Majority Owners and upon being indemnified to its satisfaction, shall proceed to take whatever action at law or in equity may appear necessary or desirable to enforce the Financing Agreement or to protect any of the rights vested in the Escrow Agent or the Owners of Obligations by this Escrow Agreement or by the Obligations, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Escrow Agreement or in aid of the exercise of any power granted in this Escrow Agreement or for the enforcement of any other legal or equitable right vested in the Escrow Agent by this Escrow Agreement or by law. However, the Financing Amount and the Financing Payments shall not be subject to acceleration.

The Escrow Agent may exercise such one or more of the rights and powers conferred by this Article IX as shall be deemed most expedient and in the interests of the Owners. Nothing herein shall be deemed to authorize the Escrow Agent to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Obligations or the rights of any Owner thereof, or to authorize the Escrow Agent to vote in respect of the claim of any Owner in any such proceeding without the approval of the Owners so affected.

Section 9.3 No Remedy Exclusive. No remedy herein conferred upon or reserved is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Escrow Agreement to the Escrow Agent, or given under the Financing Agreement and assigned hereunder to the Escrow Agent, or now or hereafter existing at law or in equity. No delay or omission of the Escrow Agent to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. To entitle the Escrow Agent to exercise any remedy reserved to it, it shall not be necessary to give any notice other than such notice as may be required in this Section 9.3 or by law.

Section 9.4 Agreement to Pay Attorneys' Fees and Expenses. If any party to this Escrow Agreement should default under any of the provisions hereof and any non-defaulting party or parties should employ attorneys or incur other expenses for the collection of moneys on the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay, to the extent permitted by law, to such non-defaulting party or parties the reasonable fees of such attorneys and such other expenses incurred by such non-defaulting party or parties.

Section 9.5 No Additional Waiver Implied by One Waiver. If any agreement contained in this Escrow Agreement should be breached by a party and thereafter waived by another party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 9.6 Application of Moneys Upon Default. If at any time after an Event of Default has occurred the moneys in the Payment Account shall not be sufficient to pay the Financing Payments as the same become due and payable, such moneys together with any moneys available or thereafter becoming available for such purpose, whether through the exercise of the remedies provided for herein or otherwise, shall be applied by the Escrow Agent as follows:

(a) 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;

(b) Second: To the payment to the persons entitled thereto of the interest components of Financing Payments as they become due in the order of the payment date of such Financing Payments, and, if the amount available shall not be sufficient to pay in full any particular interest component of a Financing Payment, then to the payment ratably, according to the amounts due on such interest portion, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Obligations;

(c) Third: To the payment of the persons entitled thereto of the principal components of Financing Payments as they become due in the order of the payment date of such Financing Payments, and, if the amount available shall not be sufficient to pay in full any particular principal component of a Financing Payment, then to the payment ratably, according to the amounts due on such principal portion, to the persons entitled thereto, without discrimination or preference; and

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

Section 9.7 Action by Owners. If the Escrow Agent fails to take any action to eliminate an occurrence of an Event of Default, the Owners of more than fifty percent (50%) in aggregate principal amount evidenced by the Obligations then Outstanding may institute any suit, action, mandamus or other proceeding in equity or at law for the protection or enforcement of any right under the Financing Agreement or this Escrow Agreement, but only if the Escrow Agent shall have been given written notice of such default (unless such default shall consist of a failure to make a Financing Payment when due) and the continuance thereof and if such percentage of Owners have first made written request of the Escrow Agent to institute such action or proceedings in its own name as Escrow Agent hereunder and shall have afforded the Escrow Agent sixty (60) days either to proceed to exercise the powers granted therein or granted under law or to institute such action, suit or proceeding in its name and unless also, the Escrow Agent shall have been offered reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Escrow Agent shall have refused or neglected to comply with such request within a reasonable time.

ARTICLE X
LIMITATION OF LIABILITY

Section 10.1 Limited Liability of City. Except for the payment of Financing Payments and Additional Charges when due in accordance with the Financing Agreement, and the performance of the other covenants and agreements of the City contained in the Financing Agreement and this Escrow Agreement, the City shall have no obligation or liability to any of the other parties or to the Owners of the Obligations with respect to this Escrow Agreement or the terms, execution, delivery or transfer of the Obligations, or the distribution of Financing Payments to the Owners by the Escrow Agent.

Section 10.2 No Liability of City for Escrow Agent Performance. The City shall not have any obligation or liability to any of the other parties or to the Owners of the Obligations with respect to the performance by the Escrow Agent of any duty imposed upon it under this Escrow Agreement.

Section 10.3 No Liability of Escrow Agent for Financing Payments by City. The Escrow Agent shall not have any obligation or liability to the Owners of the Obligations with respect to the payment of the Financing Payments by the City when due, or with respect to the performance by the City of any other covenant made by it in the Financing Agreement.

Section 10.4 Opinion of Counsel; Experts.

(a) Before being required to take any action, the Escrow Agent may require an opinion of independent counsel acceptable to the Escrow Agent, which opinion shall be made available to the other parties hereto upon request, which counsel may be counsel to any of the parties hereto, or a verified certificate of any party hereto, or both, concerning the proposed action. If it does so in good faith, the Escrow Agent shall be absolutely protected in relying thereon.

(b) If an Event of Default occurs or a dispute arises under this Escrow Agreement or the Financing Agreement, the Escrow Agent may employ as its agents attorneys at law, certified public accountants and recognized authorities in their fields (who are not employees of the Escrow Agent), as it may deem necessary to carry out any of its obligations hereunder. The City shall reimburse the Escrow Agent for its reasonable expenses in so doing. The Escrow Agent shall not be responsible for any misconduct or negligence of any such agent appointed with due care by the Escrow Agent.

(c) The Escrow Agent may consult with counsel and the written advice of such counsel or any opinion of counsel shall be full and complete authorizations and protection in respect to any action taken or not taken by the Escrow Agent hereunder in good faith and in reliance thereon.

Section 10.5 Limitation of Rights to Parties and Owners. Nothing in this Escrow Agreement or in the Obligations expressed or implied is intended or shall be construed to give any person other than the City, the Escrow Agent and the Owners of the Obligations, any legal or equitable right, remedy or claims under or in respect of this Escrow Agreement; all covenants, conditions and provisions are and shall be for the sole and exclusive benefit of the City, the Escrow Agent and the Owners.

ARTICLE XI
MISCELLANEOUS

Section 11.1 Defeasance.

(a) All or any portion of the Outstanding Obligations may be paid and discharged in any one or more of the following ways:

(i) By paying or causing to be paid the Financing Payments attributable to such Obligations as and when the same become due and payable;

(ii) By irrevocably depositing with the Escrow Agent or an independent escrow agent, in escrowed funds, before the payment dates, money which, together with the amounts then on deposit in the Payment Account, is fully sufficient to pay all Financing Payments attributable to such Obligations; or

(iii) By irrevocably depositing with the Escrow Agent or an independent escrow agent Defeasance Obligations in such amount which will, together with the interest to accrue thereon, be sufficient to pay all Financing Payments evidenced by such Obligations, as and when the same become due and payable, as evidenced by a verification report, and providing the Escrow Agent with an opinion of Special Counsel that such deposits will not cause the interest component of Financing Payments to be includable in gross income under federal income tax laws.

(b) All obligations of the Escrow Agent and the City under this Escrow Agreement with respect to such Obligations which are paid or deemed paid hereunder shall cease and terminate, except for the obligation of the City to pay the Additional Charges specified in Section 3.2 of the Financing Agreement and to pay Financing Payments from the amount so deposited, and of the Escrow Agent to apply amounts on deposit to the payment of the Financing Payments.

(c) The Escrow Agent shall, so long as any Obligations remain Outstanding, keep complete and accurate records of all moneys received and disbursed under this Escrow Agreement, which shall be available for inspection by the City and any Owner, or the agent of any of them, at any time during reasonable business hours upon reasonable prior notice. Upon written notice, the Escrow Agent shall promptly make such records available to the City, any Owner, or their respective auditors and other representatives, and shall cooperate with them in auditing and reproducing the records.

Section 11.2 Unclaimed Moneys. Anything contained herein to the contrary notwithstanding, any moneys held by the Escrow Agent for the payment and discharge of the interest, premium, if any, or principal represented by any of the Obligations that remain unclaimed for two years after the date when the payments represented by such Obligations have become payable, if such moneys were held by the Escrow Agent at such date, or for two years after the date of deposit of such moneys if deposited with the Escrow Agent after the date when the interest, premium, if any, and principal represented by such Obligations have become payable, shall at the Written Request of the City be repaid by the Escrow Agent (without liability for interest) to the City as its absolute property, and the Escrow Agent shall thereupon be released and discharged with respect thereto and the Owners shall look only to the City for the payment of the interest and principal represented by such Obligations; provided, however, that before being required to make any such payment to the City, the Escrow Agent may, at the expense and direction of the City, cause to be published once a week for two successive weeks in the newspaper of record for the City a notice that such moneys remain unclaimed and that after a date named in such notice, which date shall not be less than 30 days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the City.

Section 11.3 Notices.

(a) Except as otherwise provided in Section 11.3(b) below, all written notices to be given under this Escrow Agreement to any party to this Escrow Agreement shall be given by first-class mail, postage prepaid and facsimile to the following addresses (unless the addressee has previously notified the other party in writing of a change in address):

To the Escrow Agent at:	U.S. Bank National Association Attn: Global Corporate Trust Services 555 SW Oak Street PD-OR-P7TD Portland, OR 97204 Facsimile: (503)-464-4122 Email: corazon.gruenberg@usbank.com
To the City at:	City of West Linn, Oregon 22500 Salamo Road West Linn, OR 97068 Attn: Chief Financial Officer Facsimile: (503) 650-9041 Email: rseals@westlinnoregon.gov

To Special Counsel at: Douglas E. Goe, Esq.
Orrick, Herrington & Sutcliffe LLP
1120 N.W. Couch Street, Suite 200
Portland, OR 97209
Facsimile: (503) 943-4801
Email: dgoe@orrick.com

(b) Facsimile Instructions. The Escrow Agent agrees to accept and act upon facsimile transmission of written instructions and/or directions pursuant to this Section 11.3 provided, however, that: (a) subsequent to such facsimile transmission of written instructions and/or directions the Escrow Agent shall forthwith receive the originally executed instructions and/or directions; (b) such originally executed instructions and/or directions shall be signed by a person as may be designated and authorized to sign for the party signing such instructions and/or directions; and (c) the Escrow Agent shall have received a current incumbency certificate containing the specimen signature of such designated person.

Section 11.4 Governing Law. This Escrow Agreement shall be construed and governed in accordance with the laws of the State of Oregon. Any action regarding this Escrow Agreement or the transactions contemplated hereby shall be brought in the circuit court of Clackamas County, Oregon.

Section 11.5 Partial Invalidity. Any provision of this Escrow Agreement found to be prohibited by law shall be ineffective only to the extent of such prohibition, and shall not invalidate any remainder of this Escrow Agreement.

Section 11.6 Binding Effect; Successors. This Escrow Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. Whenever in this Escrow Agreement any party hereto is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all covenants and agreements contained in this Escrow Agreement by or on behalf of any party hereto shall bind and inure to the benefit of the successors and assigns thereof whether so expressed or not.

Section 11.7 Execution in Counterparts. This Escrow Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same agreement.

Section 11.8 Destruction of Canceled Obligations. Whenever in this Escrow Agreement provision is made for the surrender to or cancellation by the Escrow Agent of any Obligations, the Escrow Agent shall destroy such Obligations.

Section 11.9 Headings. The headings, titles and table of contents in this Escrow Agreement are provided for convenience and shall not affect the meaning, construction or effect of this Escrow Agreement. All references herein to “Sections,” and other subdivisions which do not specify the document in which the subdivision is located shall be construed as references to this Escrow Agreement.

The Escrow Agent has executed this Escrow Agreement in its corporate name by its duly authorized officer and the City has caused this Escrow Agreement to be executed in its name by its duly authorized officer, all as of the date first above written.

U.S. BANK NATIONAL ASSOCIATION, as Escrow Agent

By: ______________________________
Corazon Gruenberg
Vice President

CITY OF WEST LINN, OREGON

By: ______________________________
Richard Seals
Chief Financial Officer

EXHIBIT A

(Form of Series 2015 Obligation)

No. R-1 $__________

FULL FAITH AND CREDIT
PROJECT AND REFUNDING OBLIGATION
SERIES 2015

Evidencing an Undivided Proportionate Interest of the Owner
Hereof in Certain Financing Payments to be Made
Under a Financing Agreement between the

City of West Linn, Oregon
and
U.S. Bank National Association
as Escrow Agent

Dated Date	Principal Component Interest Rate Per Annum	Principal Component Payment Date	CUSIP Number
December __, 2015	[_____]%	June 1, [____]	____________

REGISTERED OWNER: ---------------------- CEDE & CO. ---

PRINCIPAL AMOUNT: ----- _________________ DOLLARS -------------------------------------

This Obligation is executed and delivered by U.S. Bank National Association, pursuant to an Escrow Agreement, dated as of December 1, 2015, between U.S. Bank National Association, as escrow agent (the "Escrow Agent"), and the City of West Linn, Oregon (the "City"). The Escrow Agent and the City have entered into that certain Financing Agreement, dated as of December 1, 2015 (the "Financing Agreement"), pursuant to which the City is legally required to make financing payments (the "Financing Payments"). The City has assigned to Escrow Agent all of its right, title and interest in the Financing Payments for the benefit of the Owners of the Obligations under the Escrow Agreement.

This Obligation is entitled proportionately to receipt of the principal component of Financing Payments in the amount set forth as Principal Amount above due on the Principal Component Payment Date set forth above and is entitled proportionately to receipt of an amount of the interest component of Financing Payments on each Payment Date attributable to the interest accruing on said principal component at the Principal Component Interest Rate set forth above.

ADDITIONAL PROVISIONS OF THIS OBLIGATION APPEAR ON THE REVERSE SIDE HEREOF AND ON SUBSEQUENT PAGES; THESE PROVISIONS HAVE THE SAME EFFECT AS IF THEY WERE PRINTED HEREIN.

U.S. Bank National Association, in Portland, Oregon, as the Escrow Agent and Registrar (the "Registrar"), shall pay to the Registered Owner specified above, or registered assigns, the Principal Amount specified above on the above Principal Component Payment Date together with interest thereon from the dated date indicated above at the Principal Component Interest Rate per annum indicated above, but solely from amounts received from the City pursuant to the Financing Agreement and the Escrow Agreement. Interest is payable semiannually on June 1 and December 1 of each year until payment, commencing on June 1, 2016 (the "Payment Date") to the Owners of record as of the Record Date. Principal components of, and interest components of the Financing Payments on this Obligation shall be received by Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), or its registered assigns in same-day funds on each Payment Date. Such payments shall be made payable to the order of "Cede & Co." All terms used in this Obligation and not otherwise defined herein shall have the respective meanings assigned thereto in the Financing Agreement and the Escrow Agreement. The Obligations are payable from the Payment Account as provided in the Escrow Agreement.

This Obligation is one of a series of Full Faith and Credit Project and Refunding Obligations, Series 2015 (the "Obligations"), being executed and delivered evidencing the aggregate principal amount $5,265,000. The City is authorized to enter into the Financing Agreement and the Escrow Agreement by Resolution No. 2015-17 adopted by the City Council of the City on November 9, 2015 (the "Resolution").

This Obligation is subject to prepayment in the manner specified in the Financing Agreement and the Escrow Agreement.

The Financing Payments under the Financing Agreement shall be payable from the City's general non-restricted revenues and other funds that are lawfully available for that purpose, including, the proceeds of the Financing Agreement and revenues from an ad valorem tax authorized to be levied under the City's permanent rate limit under sections 11 and 11b, Article XI of the Oregon Constitution, and revenues derived from other taxes, if any, levied by the City in accordance with and subject to limitations and restrictions imposed under applicable law or contract, that are not dedicated, restricted or obligated by law or contract to an inconsistent expenditure or use. The City pledges its full faith and credit and taxing powers to the repayment of the Financing Payments as contemplated by Oregon Revised Statutes 271.390. THE REGISTERED OWNERS OF THE OBLIGATIONS DO NOT HAVE A LIEN OR SECURITY INTEREST ON THE PROJECT FINANCED WITH THE PROCEEDS OF THE FINANCING AGREEMENT.

The Obligations are initially executed and delivered as a Book-Entry System issue with no Obligation certificates provided to the Owners. Records of Obligation ownership will be maintained by the Escrow Agent and DTC and its participants.

Should the book-entry-only security system be discontinued, the Obligations shall be issued in the form of fully registered Obligations without coupons in the denominations of $5,000 or any integral multiple thereof. Such Obligations may be exchanged for Obligations of the same aggregate principal amount, but different authorized denominations, as provided in the Resolution.

Any transfer of this Obligation must be registered, as provided in the Resolution, upon the Obligation Register kept for that purpose at the Principal Office of the Registrar. Upon registration, a new registered Obligation or Obligations, of the same series and maturity and in the same aggregate principal amount shall be issued to the transferee as provided in the Resolution. The City and the Registrar may treat the person in whose name this Obligation is registered as its absolute owner for all purposes, as provided in the Resolution.

The Obligation owner may exchange or transfer this Obligation only by surrendering it, together with a written instrument of transfer which is satisfactory to the Registrar and duly executed by the registered owner or his duly authorized attorney, at the principal corporate trust office of the Registrar in the manner and subject to the conditions set forth in the Resolution.

Unless this Obligation is presented by an authorized representative of DTC to the City or its agent for registration, transfer, exchange or payment, and any Obligation issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the Registered Owner hereof, Cede & Co., has an interest herein.

THE ESCROW AGENT HAS NO OBLIGATION OR LIABILITY TO THE OWNERS OF OBLIGATIONS FOR THE PAYMENT OF THE INTEREST OR PRINCIPAL PORTIONS PERTAINING TO THE OBLIGATION; THE ESCROW AGENT'S ONLY OBLIGATIONS ARE TO ADMINISTER, FOR THE BENEFIT OF THE CITY AND THE OWNERS OF OBLIGATIONS, THE PAYMENT ACCOUNT ESTABLISHED IN THE ESCROW AGREEMENT AND ONLY SUCH DUTIES AS SET FORTH IN THE ESCROW AGREEMENT.

This Obligation shall remain in the Registrar's custody subject to the provisions of the Fast Automated Securities Transfer (FAST) agreement currently in effect between U.S. Bank National Association, as Registrar and The Depository Trust Company, New York, New York.

IT IS HEREBY CERTIFIED, RECITED, AND DECLARED that all conditions, acts, and things required to exist, to happen, and to be performed precedent to and in the execution and delivery of this Obligation have existed, have happened, and have been performed in due time, form and manner.

IN WITNESS WHEREOF, the Escrow Agent has caused this Obligation to be executed by the manual or facsimile signature of an authorized officer as of the date set forth above.

U.S. BANK NATIONAL ASSOCIATION, as Escrow Agent

By: ___________________________________
Authorized Officer

THIS OBLIGATION SHALL NOT BE VALID UNLESS PROPERLY AUTHENTICATED BY THE REGISTRAR IN THE SPACE INDICATED BELOW.

Date of Authentication: December ___, 2015.

CERTIFICATE OF AUTHENTICATION

This is one of the $5,265,000 Full Faith and Credit Project and Refunding Obligations, Series 2015, which represents an interest in the Financing Payments due under the Financing Agreement described herein, and is properly registered and authenticated pursuant to the Escrow Agreement.

U.S. Bank National Association, as Registrar

By:___________________________________
Authorized Officer

This Obligation shall remain in the Registrar's custody subject to the provisions of the Fast Automated Securities Transfer (FAST) agreement currently in effect between U.S. Bank National Association, as Registrar and The Depository Trust Company, New York, New York.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto __________

____.

(Please insert social security or other identifying number of assignee)

this Obligation and does hereby irrevocably constitute and appoint __________________________ as attorney to transfer this Obligation on the books kept for registration thereof with the full power of substitution in the premises.

Dated:__________________ ________________________________

____

NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears upon the face of this Obligation in every particular, without alteration or enlargement or any change whatever.

NOTICE: The signatures to this Assignment must be guaranteed by a financial institution that is a member of the Securities Transfer Agents Medallion Program ("STAMP"), the Stock Exchange Medallion Program ("SEMP") or the New York Stock Exchange, Inc. Medallion Securities Program ("MSP").

Signature Guaranteed

____

(Bank, Trust Company or Brokerage Firm)

____

Authorized Officer

The following abbreviations, when used in the inscription on the face of this Obligation, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM -- tenants in common
TEN ENT -- as tenants by the entireties
JT TEN -- as joint tenants with right of survivorship and not as tenants in common
OREGON CUSTODIANS use the following
______________ CUST UL OREG _____________ MIN as custodian for
(as custodian for) (name of minor)
OR UNIF TRANS MIN ACT
(under the Oregon Uniform Transfer to Minors Act)

Additional abbreviations may also be used though not in the list above.

EXHIBIT B

U.S. BANK NATIONAL ASSOCIATION
MONEY MARKET ACCOUNT AUTHORIZATION FORM
DESCRIPTION AND TERMS

The U.S. Bank Money Market account is a U.S. Bank National Association ("U.S. Bank") interest-bearing money market deposit account designed to meet the needs of U.S. Bank's Corporate Trust Services Escrow Group and other Corporate Trust customers of U.S. Bank. Selection of this investment includes authorization to place funds on deposit and invest with U.S. Bank.

U.S. Bank uses the daily balance method to calculate interest on this account (actual/365 or 366). This method applies a daily periodic rate to the principal balance in the account each day. Interest is accrued daily and credited monthly to the account. Interest rates are determined at U.S. Bank's discretion, and may be tiered by customer deposit amount.

The owner of the account is U.S. Bank as Agent for its trust customers. U.S. Bank's trust department performs all account deposits and withdrawals. Deposit accounts are FDIC Insured per depositor, as determined under FDIC Regulations, up to applicable FDIC limits.

U.S. BANK, WHEN ACTING AS AN INDENTURE TRUSTEE OR IN A SIMILAR CAPACITY, IS NOT REQUIRED TO REGISTER AS A MUNICIPAL ADVISOR WITH THE SECURITIES AND EXCHANGE COMMISSION FOR PURPOSES OF COMPLYING WITH THE DODD-FRANK WALL STREET REFORM & CONSUMER PROTECTION ACT. INVESTMENT ADVICE, IF NEEDED, SHOULD BE OBTAINED FROM YOUR FINANCIAL ADVISOR.

AUTOMATIC AUTHORIZATION

In the absence of specific written direction to the contrary, U.S. Bank is hereby directed to invest and reinvest proceeds and other available moneys in the U.S. Bank Money Market Account. The U.S. Bank Money Market Account is a permitted investment under the operative documents and this authorization is the permanent direction for investment of the moneys until notified in writing of alternate instructions.

APPENDIX E

Audited Financial Statements - 2015

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

City of
West
Linn
OREGON

CITY OF WEST LINN, OREGON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2015

prepared by

Finance Department
City of West Linn, Oregon

available online at
http://westlinnoregon.gov

THIS REPORT WAS PRINTED ON RECYCLED PAPER

This report was printed on recycled paper

CITY OF WEST LINN, OREGON

Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2015

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CITY OF WEST LINN, OREGON

Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2015

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CITY OF WEST LINN, OREGON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

SECTION I

INTRODUCTORY SECTION

CITY HALL 22500 Salamo Rd. West Linn Oregon 97068 telephone: (503) 657 0331 fax: (503) 650 9041

City of West Linn

November 19, 2015

Mayor, City Councilors, Audit Committee and
Citizens of the City of West Linn, Oregon

The Comprehensive Annual Financial Report (CAFR) of the City of West Linn, Oregon (the City) for the fiscal year ended June 30, 2015 is hereby submitted.

This report presents the financial position of the City as of June 30, 2015 and the results of its operations for the fiscal year then ended. The financial statements and supporting schedules have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and meet the requirements of the standards prescribed by the Oregon Secretary of State Audits Division. We believe the data, as presented, is accurate in all material respects and presented in a manner designed to fairly set forth the financial position and results of operations of the various funds of the City.

The accuracy of the City's financial statements and the completeness and fairness of their presentation is the responsibility of City management. The City maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded against loss or unauthorized use and that financial records can be relied upon to produce financial statements in accordance with GAAP. The concept of reasonable assurance recognizes that the cost of maintaining the system of internal accounting controls should not exceed benefits likely to be derived.

Talbot, Korvola & Warwick LLP, Certified Public Accountants, have issued an unmodified or "clean" opinion on the City's financial statements for the fiscal year ended June 30, 2015. The independent auditor's report is located at page 12 in the Financial Section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A is located at page 15 immediately following the independent auditor's report.

Profile of the Government

West Linn is a community where citizens, civic organizations, businesses and city government work together to ensure that the community retains its hometown identity, high quality of life and its natural beauty. The City incorporated in 1913 and today serves a population of 25,540. It is close to the region's business core and urban amenities, with Portland approximately twenty miles to the north. At the same time, the City provides a small-town atmosphere and distinct neighborhoods that range from the Historic Willamette District with its pioneer-era dwellings, to the contemporary architecture of newer homes. The City is approximately twenty miles from Portland International Airport.

The City is a full-service municipality that operates under a council/manager form of government. The elected City Council consists of the Mayor and four Councilors who act as the board of directors. The Council sets policies for city government, enacts ordinances and hires, directs and evaluates the City Manager. In turn, the City Manager is the City's chief executive officer, responsible for overall management and administration.

Municipal services are provided by City employees under the direction of the City Manager. The City operates its own police department, municipal court, water, sewer and surface water utilities, street operations, planning, engineering, fleet management, library and extensive year-round park and recreation programs.

Tualatin Valley Fire and Rescue District provides fire and emergency services to the community. The City lies within Clackamas County, which is headed by a board of commissioners and based in neighboring Oregon City. The City is also part of Metro, the tri-county urban services district based in Portland.

Local Economy

The City's economy is linked with that of the entire Portland Metropolitan area, but is more insulated from economic downturns because of the high education and skill level of its population. Per capita income is one of the highest of any city in the state of Oregon.

West Linn is primarily a residential community with a low ratio of heavy industry and retail-based commercial activity. The largest non-manufacturing employers are West Linn Wilsonville School District and Safeway Inc. The largest manufacturing employer is the West Linn Paper Company.

Long-term Financial Planning

Long-term financial planning is performed on an ongoing basis. The controlling document is the City's five year financial forecasting plan which includes reserves by fund that fall within the policy guidelines set by Council and reviewed by the Citizens' Budget Committee during the budget process. Reserve policy guidelines are measured as a percentage of annual operating expenses and generally range between 15 and 20 percent depending on the fund.

Along with the adoption of the 2014-2015 biennial budget, certain utility rate fee increases were approved by City Council with the support of the Citizens' Budget Committee and the Utility Advisory Board. Effective January 1, 2014, a five percent rate increase for water, sewer, and surface water management fees was approved. Effective July 1, 2014, a five percent rate increase was approved for the parks and residential street fees. Effective January 1, 2015, a five percent rate increase was approved for water, sewer, and surface water management.

In regards to the City's long-term debt obligations, the City had $11.8 million outstanding in three general obligation bond issues, $4.8 million outstanding in two full faith and credit obligations, and $0.8 million outstanding in a water revenue bond issue, for a total of $17.4 million in long-term debt outstanding as of June 30, 2015.

City's Credit Ratings

In May 2010, Moody's Investors Service upgraded the City's credit rating on its outstanding general obligation debt to Aa2 as part of their global recalibration effort. Later, in August 2010, Moody's reaffirmed this higher Aa2 credit rating stating "these rating assignments primarily reflect the City's improved managerial oversight and stronger financial position."

In August 2010, Standard & Poor's also upgraded the City's credit rating on its outstanding general obligation debt to their AA level noting the "City's use of a five-year financial forecast to build budgets and its quarterly reports on budgeted numbers compared to actual performance to the City Council."

Police Station Completed September 2014

In November 2011, voters approved Ballot Measure 3-377 authorizing the issuance of up to \$8.5 million in general obligation bonds to allow for the acquisition, construction and furnishing of a new police station to be located on 8th Avenue. It was estimated at the time that this measure would increase the property tax rates by \$0.16 cents per thousand of assessed value and the tax impact on an average West Linn home with an assessed value of \$285,000 was estimated at \$46 per year.

In January 2012, the City marketed and subsequently sold \$8.5 million in general obligation bonds. The Official Statement outlined the demographics and financial condition of the City. With bond interest rates at historic lows, it was an excellent time to sell municipal bonds and resulted in the City receiving an overall true interest cost rate over twenty years of 2.25 percent. Commencing with the November 2012 property tax bills, the bonded debt tax rate increased by \$0.14 cents per thousand of assessed value to cover the debt service payments.

History of City's Low Permanent Property Tax Rate

Two serial levies were in place for the City of West Linn in fiscal years 1994-95, 1995-96 and 1996-97. Both of these serial levies expired before the Measure 50 permanent property tax rates were established. Hence, neither of these two serial levies rolled into the permanent rate for the City of West Linn. In March 1997, West Linn voters approved two local option levies which replaced the two serial levies; however, this election was too late for the permanent rate calculation which occurred in late 1996. Today, the permanent property tax rate for the City of West Linn is at \$2.12 per thousand of assessed value, the lowest property tax rate for cities in the surrounding area.

Major Initiatives

The City has continued to establish and work toward clearly defined goals and objectives. During the budget review process, goals and objectives are developed and prioritized by the City Council and staff. The process is a continuing cycle of setting goals and objectives, reviewing short- and long-term goals, evaluating results, and reassessing the goals and their priority.

In preparing the budget for the 2014-2015 biennium, the City Council adopted various goals that were then incorporated into budgeted operations. The City Council updated their previous goal list and established guidelines for achievement in the following major areas: enhancing pedestrian safety and bike/pedestrian opportunities, decide upon an aquatic center, create a master plan for the Blue Heron property, utility infrastructure, economic development, and plan for a successful Centennial celebration.

The Citizens' Budget Committee continued with biennial budgeting and approved the City's third biennial budget allowing better alignment of the City's budget with the State's and an increased focus on a longer term. With this financial report for the fiscal year ended June 30, 2015, the actual results reflect the second year of the biennium. Additionally, the City's Audit Committee, consisting of Councilors Brenda Perry and Jenni Tan, partnering with Nathan Reagan who is a West Linn resident and certified public accountant, continue their focus on audit oversight and improving all finance processes.

New Accounting Statement Implemented

With this audit report, the City implemented Government Accounting Standards Board, GASB Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27*. Summarized briefly, this statement requires government agencies to now record its relative share of pension related amounts in its statement of net position and statement of activities. Previously, these pension related amounts were only disclosed in the notes to the financial statements. Accordingly, you will now see new line items in the financial statements with terminology to include net pension asset, net pension liability, deferred inflows of resources, deferred outflows of resources, and pension expense.

These audited amounts were provided to the City by the actuaries of the Oregon Public Employees Retirement System (OPERS) and are now reflected in the City's statement of net position and statement of activities for fiscal year ended June 30, 2015. This new guidance also requires the restatement of the prior year net position. The notes to the basic financial statements and management's discussion and analysis contain further information about the effects of implementing this statement.

Awards

Comprehensive Annual Financial Reporting Award. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. This was the seventh consecutive year that the City has achieved this prestigious award. In order to be awarded a *Certificate of Achievement,* a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Popular Annual Financial Reporting Award. The GFOA has given an *Award for Outstanding Achievement in Popular Annual Financial Reporting* to the City for its Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2014. The *Award for Outstanding Achievement in Popular Annual Financial Reporting* is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an *Award for Outstanding Achievement in Popular Annual Financial Reporting*, a government unit must publish a PAFR, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

An *Award for Outstanding Achievement in Popular Annual Financial Reporting* is valid for a period of one year only. The City has received a Popular Award for the last seven consecutive years. We believe that our current PAFR continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to the GFOA.

Distinguished Budget Presentation Award. The GFOA presented a *Distinguished Budget Presentation Award* to the City for its biennial budget for the biennium beginning July 1, 2013. In order to receive this award, a government unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communication device.

This award is valid for a period of two years only. We believe that our current budget continues to conform to program requirements, and have submitted it to GFOA to determine its eligibility for another award.

Acknowledgements

The preparation of this Comprehensive Annual Financial Report was a combined effort of the dedicated Finance staff. We wish to express our appreciation to everyone who contributed to the preparation of this report. Credit is also given to the Mayor, the Councilors and the Audit Committee for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,

Richard W. Seals, CPA CMA CFM CFE CGMA
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of West Linn, Oregon

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2014

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

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

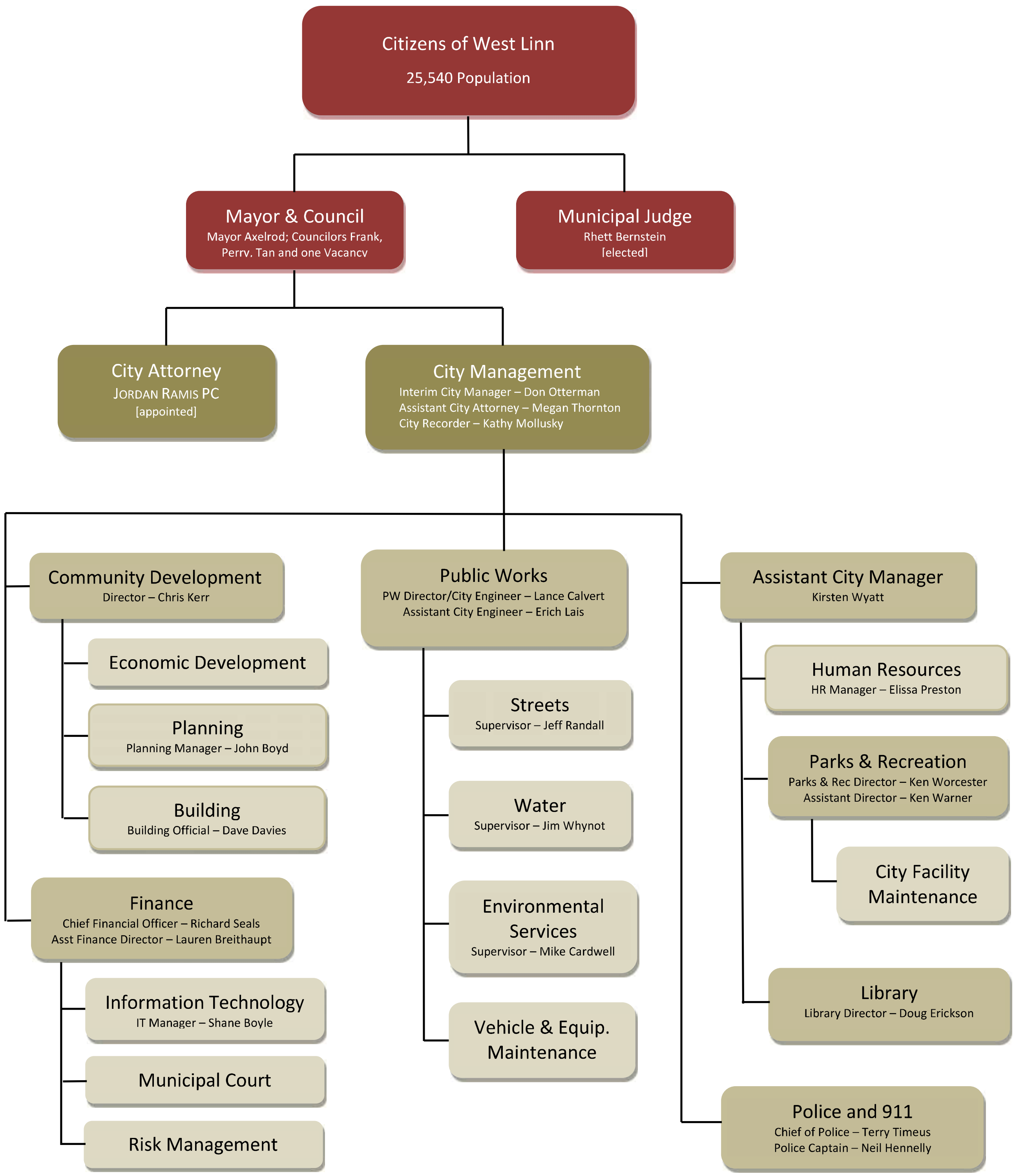
President

Executive Director

Elected Officials	Term Expires
Russ Axelrod, Mayor	December 31, 2016
Thomas Frank, Council President	December 31, 2016
Brenda Perry, Councilor	December 31, 2018
Jenni Tan, Councilor	December 31, 2016
Vacant Council position	December 31, 2018
Rhett Bernstein, Municipal Court Judge	December 31, 2018

Appointed Officials	Position
Donald Otterman	Interim City Manager
JORDAN RAMIS PC	Legal Counsel/City Attorney
Management Team:	
John Boyd, AICP CFM	Planning Manager
Shane Boyle	Information Tech. Manager
Lauren Breithaupt, CPA CGMA	Assistant Finance Director
Lance Calvert, PE	Public Works Director
Doug Erickson	Library Director
Chris Kerr	Community Development Dir.
Kathy Mollusky, CMC	City Recorder
Elissa Preston	Human Resources Manager
Richard Seals, CPA CMA CFM CFE	Chief Financial Officer
Megan Thornton	Assistant City Attorney
Terry Timeus	Chief of Police
Ken Worcester	Parks and Recreation Director
Kirsten Wyatt	Assistant City Manager

City of West Linn, Oregon
Organizational Chart



Resolution 06-33 adopted in July 2006 established an Audit Committee to ensure that audits are completed annually in accordance with Oregon state law, provide oversight of the independent auditors, assist in the review and selection of audit firms, and ensure transparent communication back to the Council and citizens of West Linn.

Resolution 09-11 adopted in June 2009 added one citizen member to the Audit Committee for a four-year term with an interest and experience in City government financial operations, preferably a Certified Public Accountant residing within City limits.

Audit Committee Members	Term Expires
Council Members:	
Brenda Perry, Councilor	December 31, 2015
Jenni Tan, Councilor	December 31, 2015
Citizen Member:	
Nathan Reagan, CPA	December 31, 2017

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CITY OF WEST LINN, OREGON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

SECTION II

FINANCIAL SECTION

Talbot, Korvola
& Warwick, LLP
Certified Public Accountants
& Consultants

ACHIEVE MORE

4800 Meadows Road, Suite 200
Lake Oswego, Oregon 97035-4293

P 503.274.2849
F 503.274.2853

www.tkw.com

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Councilors
City of West Linn, Oregon
West Linn, Oregon

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Linn, Oregon (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the South Fork Water Board, a joint venture equity investment, which reflects the City's investment constituting three percent of total assets at June 30, 2015, and one percent of total revenues for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the South Fork Water Board, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Honorable Mayor and City Councilors
City of West Linn, Oregon
West Linn, Oregon

OPINIONS

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

EMPHASIS OF MATTERS

As discussed in Note 1 to the financial statements, the City adopted the accounting requirements of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, which resulted in the restatement of previously reported amounts for the year ended June 30, 2014. Our opinions are not modified with respect to this matter.

As discussed in Note 2 to the financial statements, changes in benefit terms of the Oregon Public Employees Retirement System resulting from the April 30, 2015 Oregon Supreme Court decision are not reflected in the December 31, 2012 actuarial valuation used to measure pension amounts as of and for the fiscal year ended June 30, 2015.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Required Supplementary Information, such as Management's Discussion and Analysis, Schedule of Funding Progress, Schedule of the City's Proportionate Share of the Net Pension (Asset/Liability), Schedule of City Pension Plan Contributions, and Notes to the Required Supplementary Information, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Accounting principles generally accepted in the United States require that the budgetary comparison information for the General Fund, Public Safety Fund, Parks and Recreation Fund, Library Fund, and Street Fund as listed in the Table of Contents as Required Supplementary Information, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The required budgetary comparison information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including

INDEPENDENT AUDITOR'S REPORT (Continued)

Honorable Mayor and City Councilors
City of West Linn, Oregon
West Linn, Oregon

OTHER MATTERS (Continued)

Required Supplementary Information (Continued)

comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the required budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as whole.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Supplementary Information and Other Financial Schedules, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Supplementary Information and Other Financial Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the Supplementary Information and Other Financial Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The Introductory and Statistical Sections as listed in the Table of Contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

OTHER REPORTING REQUIRED BY OREGON MINIMUM STANDARDS

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated November 19, 2015, on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

TALBOT, KORVOLA & WARWICK, LLP

By Angelique Whitlow
Angelique Whitlow, Partner

Lake Oswego, Oregon
November 19, 2015

Management's Discussion and Analysis

For the fiscal year ended June 30, 2015

Management's Discussion and Analysis (MD&A) is presented to facilitate financial analysis and provide an overview of the financial activities of the City of West Linn (the City) for the fiscal year ended June 30, 2015. Information in the MD&A is based on currently known facts, decisions and conditions. Please read it in conjunction with the basic financial statements and the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

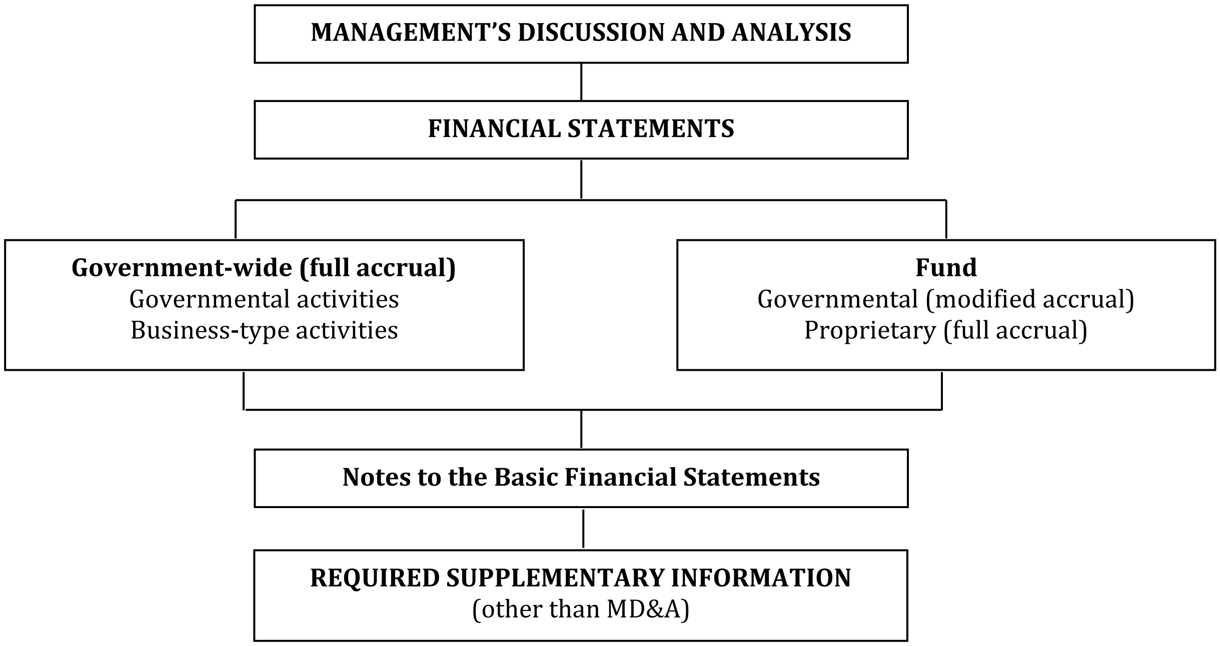
- The City's assets and deferred outflows of resources totaled $307.8 million at June 30, 2015, consisting of $271.8 million in capital assets, $10.9 million in unrestricted cash and investments, $9.5 million in restricted cash and investments, and $15.6 million in investment in joint venture, other assets and deferred outflows of resources. Total assets and deferred outflows of resources increased by $4.0 million from the previous fiscal year.
- The City's liabilities and deferred inflows of resources totaled $28.1 million at June 30, 2015 consisting of $17.8 million in long-term liabilities and $4.7 million in accounts payable and other liabilities, and $5.6 million in deferred inflows related to pensions.
- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by $279.7 million at the close of fiscal year 2014-15. Unrestricted net position totaled $16.2 million with the remainder of the City's net position invested in capital assets ($254.1 million) and restricted for endowment, capital projects and debt service ($9.4 million).
- For its governmental activities, the City generated $12.7 million in charges for services and received $4.5 million in operating and capital grants and contributions. Direct expenses, including interest on long-term debt for governmental activities were $23.0 million for the year, resulting in a net direct expense of $5.8 million. $10.1 million of general revenues received and $1.5 million of transfers out resulted in a change in net position of $2.8 million.
- For its business-type activities, the City generated $8.1 million in charges for services and capital grants and contributions to fund direct expenses of $6.0 million.
- Fund balance in the City's governmental funds was $11.4 million at June 30, 2015, a decrease of $4.2 million from June 30, 2014.

OVERVIEW OF THE FINANCIAL STATEMENTS

In addition to this discussion and analysis, the financial section of this annual report contains the *basic financial statements, required supplementary information,* and *other supplementary information,* including the *combining statements and schedules* of the nonmajor funds.

The basic financial statements also include *notes* that explain the information in the financial statements and provide additional details. The following chart illustrates how the various sections of this annual report are arranged relative to one another.

Chart 1 - Required Elements of the Comprehensive Annual Financial Report



The City adopted Government Accounting Standard Board (GASB) 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27* during fiscal year 2015. GASB Statement 68 established accounting and financial reporting standards for employers, including reporting of the net pension asset or liability on the statement of net position, and deferred inflows and outflows associated with investment, economic and demographic gains and losses associated with pension plans. GASB Statement 68 also provides guidance related to the calculation of pension expense(income). Fiscal year 2014 information reported in Tables 1 and 2 herein have been restated to conform to the new reporting and accounting standards.

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The *Statement of Net Position* includes *all* of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the *Statement of Activities* regardless of when cash is received or paid.

The two government-wide statements report the City's *net position* and how they have changed. Net position—the net difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources—is one way to measure the City's *financial health* or *position*.

- Over time, increases or decreases in the City's net position are indicators of whether its *financial health* is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as changes in the City's property tax base and the condition of the City's roads.

The government-wide financial statements of the City are divided into two categories:

- Governmental activities—Most of the City's basic services are included here, such as police, parks and recreation, library, public works, and general administration. Property taxes, charges for services, and operating and capital grants and contributions fund most of these activities.
- Business-type activities—The City charges fees to customers to help cover the costs of certain services it provides. The City's water and environmental services, including sanitary sewer and surface water management systems, are included here.

Statement of Net Position

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $279.7 million at June 30, 2015.

By far, the largest portion of the City's net position (91 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment, and infrastructure), less any related debt outstanding used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves either cannot or are not expected to be used or liquidated to repay these liabilities.

Table 1 – Net Position as of June 30th *(in millions)*

	Governmental Activities		Business-type Activities		Total	
	2015	2014 (restated)	2015	2014 (restated)	2015	2014 (restated)
Current and other assets	$ 16.2	$ 18.3	$ 18.9	$ 19.5	$ 35.1	$ 37.8
Capital assets	237.6	235.2	34.2	30.0	271.8	265.2
Total assets	253.8	253.5	53.1	49.5	306.9	303.0
Deferred ouflows of resources	0.8	0.7	0.1	0.1	0.9	0.8
Long-term liabilities	16.9	23.9	0.9	1.6	17.8	25.5
Other liabilities	3.7	4.1	1.0	6.1	4.7	10.2
Total liabilities	20.6	28.0	1.9	7.7	22.5	35.7
Deferred inflows of resources	5.0	-	0.6	-	5.6	-
Net position:						
Net investment in capital assets	220.7	218.3	33.4	29.1	254.1	247.4
Restricted for:						
Library endownment	0.2	0.2	-	-	0.2	0.2
Debt service	0.2	0.2	0.1	0.2	0.3	0.4
Building operations	-	0.1	-	-	-	0.1
Capital projects	4.9	6.8	4.0	-	8.9	6.8
Unrestricted	3.0	0.6	13.2	12.6	16.2	13.2
Total net position	$ 229.0	$ 226.2	$ 50.7	$ 41.9	$ 279.7	$ 268.1

A portion of the City's net position ($9.4 million or about three percent) represents resources that are subject to external restrictions on how they may be used. The balance of *unrestricted net position* ($16.2 million or about six percent) may be used to meet the City's ongoing obligations to citizens and creditors.

As of June 30, 2015, the City had positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

Total net position increased by $11.6 million during the fiscal year. The implementation of GASB Statement 68 accounts for $9.0 million of this increase, as the City recorded net pension liability of $6.2 million at June 30, 2014 and net pension asset of $2.8 million at June 30, 2015; the remainder represents the degree to which ongoing revenues have exceeded increases in ongoing expenses.

Statement of Activities

As with the *Statement of Net Position*, the City reports governmental activities on a consolidated basis. A summary of the *Statement of Activities* follows:

Table 2 – Changes in Net Position *(in millions)*

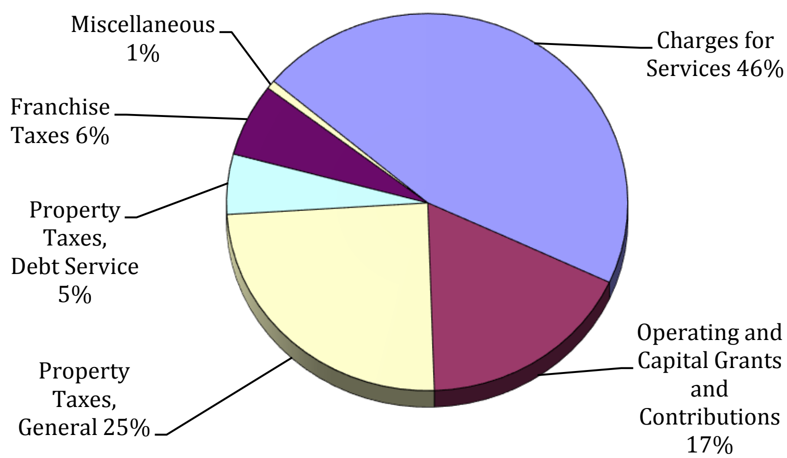
	Governmental Activities		Business-type Activities		Total	
	FY 2015	FY 2014 (restated)	FY 2015	FY 2014 (restated)	FY 2015	FY 2014 (restated)
Revenues						
Program revenues						
Charges for services	$ 12.7	$ 12.5	$ 7.6	$ 6.9	$ 20.3	$ 19.4
Operating grants and contributions	4.0	3.8	-	-	4.0	3.8
Capital grants and contributions	0.5	0.4	0.5	0.6	1.0	1.0
General revenues						
Property taxes	8.1	7.9	-	-	8.1	7.9
Franchise taxes	1.7	1.7	-	-	1.7	1.7
Grants and contributions not restricted to specific programs	0.3	0.3	-	-	0.3	0.3
Intergovernmental	-	-	5.0	-	5.0	-
Miscellaneous	-	-	0.2	-	0.2	-
Total revenues	27.3	26.6	13.3	7.5	40.6	34.1
Expenses						
Governmental activities						
General government	6.8	7.2	-	-	6.8	7.2
Culture and recreation	5.8	6.0	-	-	5.8	6.0
Public safety	6.2	7.1	-	-	6.2	7.1
Highways and streets	3.7	3.7	-	-	3.7	3.7
Interest on long-term debt	0.5	0.5	-	-	0.5	0.5
Business-type activities						
Water	-	-	3.2	3.3	3.2	3.3
Environmental services	-	-	2.8	2.9	2.8	2.9
Total expenses	23.0	24.5	6.0	6.2	29.0	30.7
Change in net position before transfers	4.3	2.1	7.3	1.3	11.6	3.4
Transfers	(1.5)	(0.2)	1.5	0.2	-	-
Change in net position	2.8	1.9	8.8	1.5	11.6	3.4
Net position - beginning	226.2	229.2	41.9	41.2	268.1	270.4
Restatement	-	(4.9)	-	(0.8)	-	(5.7)
Net position - beginning (restated)	226.2	224.3	41.9	40.4	268.1	264.7
Net position - ending	$ 229.0	$ 226.2	$ 50.7	$ 41.9	$ 279.7	$ 268.1

Governmental Activities

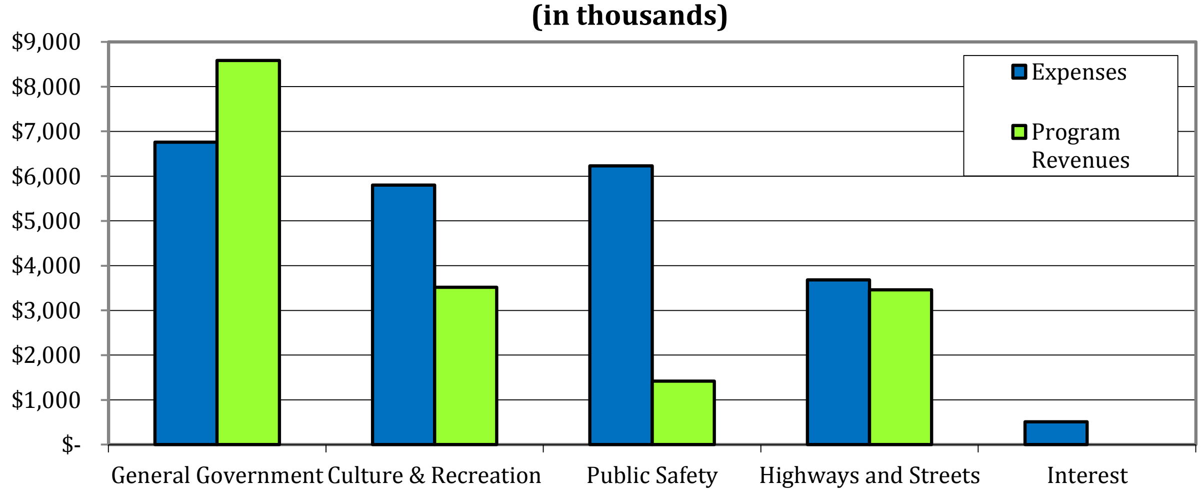
Governmental activities increased the City's net position by $2.8 million in fiscal year 2014-15, as compared to $1.9 million in the prior fiscal year. Revenue increased by $0.7 million and expenses, including transfers, decreased by $0.2 million. Key elements of this change, as illustrated in Table 2 above, include a reduction in public safety and general government expenses, largely as a result of the implementation of GASB Statement 68, and an increase in transfers to business type activities.

The revenues charted in the following pie chart include all program and general revenues for governmental activities such as property taxes, franchise taxes, charges for services, operating and capital grants and contributions, and miscellaneous revenues. Property taxes continue to be the major source of revenue for the City's governmental activities, once interfund service payments are factored out of charges for services.

Revenues by Source - Governmental Activities



Expenses and Program Revenues - Governmental Activities (in thousands)

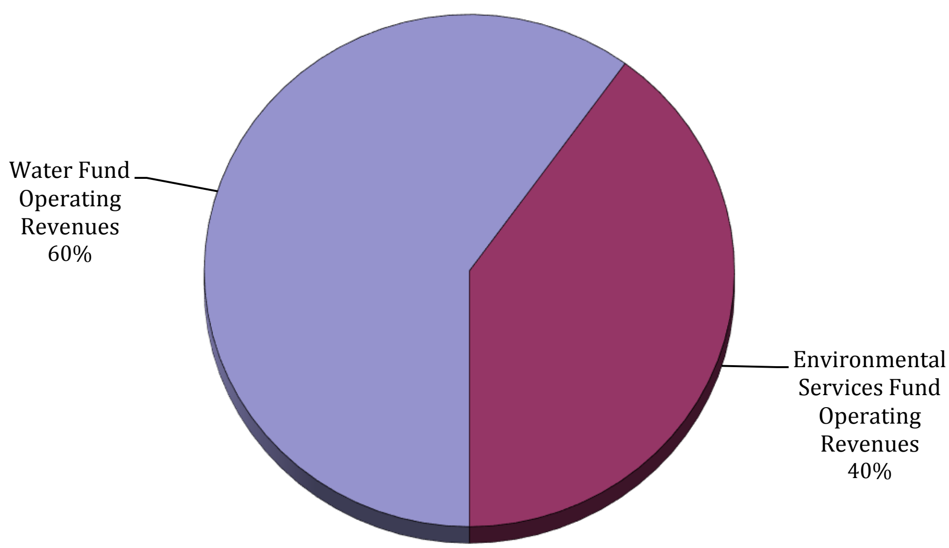


Business-type Activities

Water fund revenues represent approximately 60 percent of all utility revenues for the City. The City continues to contribute capital investment to the water system while maintaining a consistent level of service.

Environmental services fund revenues represent approximately 40 percent of all utility revenues for the City. The fund provides sewer collection services and surface water management services. Overall, the fund continues to realize improved operating results. Both sewer and surface water management operations realized positive margins.

Utility Revenues - Business-type Activities



FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

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

As of June 30, 2015, the City's governmental funds reported a combined ending fund balance of $11.4 million, a decrease of $4.2 million when compared to the prior year. Unassigned fund balance combined with committed fund balance as of June 30, 2015, was $5.9 million and is available for spending at the City's discretion.

General Fund

The general fund is the chief operating fund of the City. At June 30, 2015, total fund balance was $1.5 million, reflecting a decrease of $0.6 million from the prior year. Within the general fund ending balance, $1.4 million is considered unassigned. The City's general fund continues to be funded with charges for services from other funds, including the three special revenue funds receiving property tax revenues: public safety, parks and recreation, and library. General fund revenues increased slightly to $7.0 million from the prior year. Expenditures in the general fund increased by $1.4 million from $6.2 million in the prior year to $7.6 million in the current year. Key components of this increase include expenditures related to the successful implementation of the City's new accounting software package, professional services related to economic development initiatives, the filling of budgeted vacant positions, and an increase in transfers to other funds.

Public Safety Fund

This special revenue fund accounts for police, 911 dispatch, and overall safety activities within city limits. Revenues increased to $6.7 million from $6.1 million in the prior year attributed to a increase in property taxes. Expenditures in the public safety fund decreased to $8.2 million as spending for the new police station capital construction project were finalized during the year. Funding for the new police station came from $8.5 million in general obligation bonds issued in January 2012.

Parks and Recreation Fund

This special revenue fund is used to account for funding parks and recreation programs throughout the City. Overall revenues increased to $3.7 million in the current year. Overall expenditures increased to $3.6 million resulting in an overall fund balance increase of $0.1 million. Debt service payments continued for the full faith and credit obligations issued in 2009 for the Parker Road property.

Library Fund

This special revenue fund is used to account for funding the City's library operations. Overall revenues decreased to $2.2 million from $2.4 million in the prior year. Overall expenditures decreased slightly to $2.2 million. Overall fund balance remained the same at $0.7 million.

Street Fund

This special revenue fund accounts for the operation and maintenance of the City's street and sidewalk systems, including medians. Revenue increased to $3.2 million attributable to increases in the street maintenance fee. Overall street expenditures increased to $3.8 million from $2.8 million in the 2013-14 fiscal year as the City continued with planned capital improvements. The street fund had an overall decrease in fund balance of $0.6 million for the fiscal year ended June 30, 2015.

Systems Development Charges Fund

This capital projects fund accounts for systems development charges and improvements including those for the street, water, surface water, sewer, park, and bike/pedestrian systems. Revenues decreased from $1.3 million in the 2013-14 fiscal year to $0.6 million in the 2014-15 fiscal year due to less new development in the City. Expenditures in the systems development charges fund increased to $2.6 million from $0.5 million in the 2013-14 fiscal year. Major projects included street improvements and the Bland pump station project.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original and final appropriated budget of the general fund for the 2014-2015 biennium budget period amounted to $15.3 million including $0.7 million for contingencies. Total expenditures for the biennium were $13.8 million. Major components of this $1.5 million favorable variance include $0.7 million for contingency, $0.14 million for economic development, $0.24 million for public works support, and $0.19 for vehicle maintenance which represent unspent items such as contingency funds not being spent and several vacancies due to personnel turn over.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2015, the City had invested $271.8 million in capital assets, net of depreciation as reflected in the following table. This represents a net increase (additions, deductions and depreciation) of $6.6 million in fiscal year 2014-15. Governmental capital assets totaled $237.6 million while business-type capital assets totaled $34.2 million.

Table 3
Capital Assets as of June 30th
(net of depreciation, in millions)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land and easements	$ 192.1	$ 192.1	$ 0.5	$ 0.5	$ 192.6	$ 192.6
Buildings and improvements	22.6	16.2	0.6	0.6	23.2	16.8
Vehicles and equipment	1.7	1.1	0.9	1.0	2.6	2.1
Infrastructure	21.0	19.9	29.5	27.5	50.5	47.4
Construction in progress	0.2	5.9	2.7	0.4	2.9	6.3
Capital assets, net	$ 237.6	$ 235.2	$ 34.2	$ 30.0	$ 271.8	$ 265.2

The following table reconciles the change in capital assets for the fiscal year. Expenditures for construction projects in progress at fiscal year-end are included in additions. Reductions are for capital asset dispositions and transfers of construction projects in progress that were completed during the fiscal year. Additions include capital contributions from outside developers with the revenue from these contributions reflected in program revenues on the *Statement of Activities*.

Table 4
Change in Capital Assets
(in millions)

	Governmental Activities		Business-type Activities		Total	
	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014
Beginning balance	$ 235.2	$ 231.5	$ 30.0	$ 29.3	$ 265.2	$ 260.8
Additions	5.8	6.9	5.6	2.0	11.4	8.9
Reductions and adjustments	(0.1)	(0.1)	-	-	(0.1)	(0.1)
Depreciation	(3.3)	(3.1)	(1.4)	(1.3)	(4.7)	(4.4)
Ending balance	$ 237.6	$ 235.2	$ 34.2	$ 30.0	$ 271.8	$ 265.2

Assets utilized in governmental activities increased by a net $2.4 million. This change includes increases in land, building, machinery and equipment, and sidewalk improvements, offset by depreciation. Capital asset additions include completion of various projects throughout the community. Additional detail on the City's capital assets can be found in the capital assets note on page 43 of this report.

Debt Outstanding

As of the end of the fiscal year, the City had $17.4 million in long-term bonded debt obligations outstanding – a decrease of eight percent from the prior year – as shown in Table 5. Additional detail on the City's long-term debt obligations can be found in the long-term debt obligations note on page 45 of this report.

Table 5
Outstanding Long-term Debt Obligations as of June 30th
(in millions)

	2015	2014
Governmental Activities:		
General obligation bonds	$ 11.8	$ 12.8
Full faith and credit obligations	4.8	5.2
Sub-total	16.6	18.0
Business-type Activities:		
Water revenue bonds	0.8	0.9
Total	$ 17.4	$ 18.9

During fiscal year 2011-12, $8.5 million of general obligation bonds were issued for a new police station. With this bond issue which closed in January 2012, both Standard and Poor's and Moody's reaffirmed the City's bond ratings of AA and Aa2 respectively.

Under Oregon Revised Statutes, general obligation debt issues are limited to three percent of the real market value of all taxable property within the City's boundaries. The $11.8 million in general obligation debt applicable to this limit is well below the City's $116.6 million maximum limitation.

Economic Factors

The City of West Linn is predominantly residential in nature, with commercial property representing less than five percent of the City's taxable assessed value. Therefore, the City receives a significant share of its revenue directly from local residents in the form of property taxes and charges for services.

The State of Oregon does not have a sales tax, making property taxes a primary funding source for general government, public safety, and culture and recreation services provided by the City. The underlying taxable assessed values continue to be below real market values, and are currently about 84 percent; therefore, real market values would have to decrease by approximately 16 percent before the City's property tax revenues would be negatively impacted.

The largest resource used for governmental activities, at 46 percent, consisted of charges for service, including permits, licenses, recreation charges, and system development charges. Property tax revenue, the next largest revenue sources, provided 30 percent of the resources used for governmental activities. A special tax levy of approximately $1.8 million that provided public safety funding expired as of June 30, 2007. To maintain service levels and reduce the reliance on a local option levy requiring a vote every five years, the City implemented fees for parks and street maintenance to offset the foregone property tax revenue. Property taxes for general operations increased slightly over the last year and investment earnings were down due to the decline in interest rates.

The business-type activities are funded with utility fees and charges. After several years in which the City decided to defer utility rate increases, effective July 1, 2005, July 1, 2006 and subsequently on January 1, of every year since, the City increased utility rates by five percent each. The rate increases are restricted by a Charter provision limiting annual utility rate increases to no more than five percent without a vote of the citizens. The rate increases are consistent with financial proformas prepared with the issuance of revenue bonds in 1999 and were necessary to maintain a revenue coverage ratio above the rate promised to the bond holders in the revenue bond covenants. Similar rate increases are anticipated over the next several years to generate sufficient revenue to fund operations and provide adequate funds for anticipated capital replacement projects.

Requests for Information

This City's financial statements are designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability of the resources it receives and expends. If you have questions about this report, or need additional financial information, contact the Chief Financial Officer at City of West Linn, 22500 Salamo Road, West Linn, Oregon 97068 or e-mail *rseals@westlinnoregon.gov.*

BASIC FINANCIAL STATEMENTS

Statement of Net Position

Statement of Activities

Fund Financial Statements

Notes to Basic Financial Statements

CITY OF WEST LINN, OREGON

STATEMENT OF NET POSITION

JUNE 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and investments	$ 6,459,580	$ 4,437,625	$ 10,897,205
Restricted cash and investments	5,383,632	4,153,500	9,537,132
Property taxes receivable	509,545	-	509,545
Accounts receivable, net of allowance	1,193,972	1,444,440	2,638,412
Prepaid expenses	188,685	-	188,685
Net pension asset	2,491,622	302,929	2,794,551
Capital assets not being depreciated:			
Land and easements	192,113,825	482,625	192,596,450
Construction in progress	212,954	2,695,110	2,908,064
Capital assets net of accumulated depreciation:			
Buildings and improvements	22,683,807	567,883	23,251,690
Vehicles and equipment	1,633,476	895,880	2,529,356
Infrastructure	20,955,915	29,547,267	50,503,182
Investment in joint venture	-	8,624,064	8,624,064
TOTAL ASSETS	253,827,013	53,151,323	306,978,336
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows of resources - pension	796,003	96,777	892,780
LIABILITIES:			
Accounts payable	854,508	851,649	1,706,157
Accrued salaries and payroll taxes payable	512,964	45,672	558,636
Accrued interest payable	69,463	11,481	80,944
Deposits and other liabilities	357,531	-	357,531
Noncurrent liabilities:			
Due within one year	1,893,495	153,220	2,046,715
Due in more than one year	16,935,915	849,366	17,785,281
TOTAL LIABILITIES	20,623,876	1,911,388	22,535,264
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows of resources - pension	5,020,313	610,366	5,630,679
NET POSITION:			
Net investment in capital assets	220,683,361	33,418,765	254,102,126
Restricted for:			
Library endowment, nonexpendable	157,300	-	157,300
Debt service	204,191	154,500	358,691
Capital projects	4,906,237	3,999,000	8,905,237
Unrestricted	3,027,738	13,154,081	16,181,819
TOTAL NET POSITION	$ 228,978,827	$ 50,726,346	$ 279,705,173

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

CITY OF WEST LINN, OREGON

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
FUNCTION / PROGRAM	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES:							
General government	$ 6,775,368	$ 8,217,251	$ 565,236	$ -	$ 2,007,119	$ -	$ 2,007,119
Culture and recreation	5,804,078	2,055,719	1,458,962	-	(2,289,397)	-	(2,289,397)
Public safety	6,250,995	897,223	522,157	-	(4,831,615)	-	(4,831,615)
Highways and streets	3,680,846	1,522,168	1,472,249	467,350	(219,079)	-	(219,079)
Interest on long-term debt	507,678	-	-	-	(507,678)	-	(507,678)
TOTAL GOVERNMENTAL ACTIVITIES	23,018,965	12,692,361	4,018,604	467,350	(5,840,650)	-	(5,840,650)
BUSINESS-TYPE ACTIVITIES:							
Water	3,231,032	4,705,436	-	111,418	-	1,585,822	1,585,822
Environmental services	2,821,902	2,953,043	-	357,380	-	488,521	488,521
TOTAL BUSINESS-TYPE ACTIVITIES	6,052,934	7,658,479	-	468,798	-	2,074,343	2,074,343
TOTAL ACTIVITIES	$ 29,071,899	$ 20,350,840	$ 4,018,604	$ 936,148	(5,840,650)	2,074,343	(3,766,307)
GENERAL REVENUES:							
Property taxes, levied for general purposes					6,725,159	-	6,725,159
Property taxes, levied for debt service					1,397,468	-	1,397,468
Franchise taxes					1,721,760	-	1,721,760
Grants and contributions not restricted to specific programs					296,534	-	296,534
Intergovernmental					-	5,000,000	5,000,000
Unrestricted investment earnings					15,270	-	15,270
Gain on disposition of capital assets					-	236,120	236,120
TRANSFERS					(1,537,831)	1,537,831	-
TOTAL GENERAL REVENUES AND TRANSFERS					8,618,360	6,773,951	15,392,311
CHANGE IN NET POSITION					2,777,710	8,848,294	11,626,004
NET POSITION - beginning					231,063,244	42,731,307	273,794,551
RESTATEMENT (see note)					(4,862,127)	(853,255)	(5,715,382)
NET POSITION - beginning, restated					226,201,117	41,878,052	268,079,169
NET POSITION - ending					$ 228,978,827	$ 50,726,346	$ 279,705,173

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

CITY OF WEST LINN, OREGON

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2015

	General Fund	Public Safety Fund	Parks and Recreation Fund	Library Fund	Street Fund	Systems Development Charges Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS:								
Cash and investments	$ 1,895,670	$ 989,198	$ 955,886	$ 601,024	$ 1,752,753	$ -	$ 265,049	$ 6,459,580
Restricted cash and investments	-	-	-	157,300	-	4,940,081	286,251	5,383,632
Property taxes receivable	-	293,303	77,185	56,602	-	-	82,455	509,545
Accounts receivable	370,410	84,946	198,426	-	372,634	-	107,556	1,133,972
Prepaid expenditures	188,685	-	-	-	-	-	-	188,685
TOTAL ASSETS	$ 2,454,765	$ 1,367,447	$ 1,231,497	$ 814,926	$ 2,125,387	$ 4,940,081	$ 741,311	$ 13,675,414
LIABILITIES:								
Accounts payable	$ 283,426	$ 6,886	$ 123,725	$ 15,996	$ 77,509	$ 125,131	$ 161,835	$ 794,508
Accrued salaries and payroll taxes	162,604	173,396	71,935	50,857	20,181	-	33,991	512,964
Deposits and other liabilities	272,436	-	-	-	83,595	-	1,500	357,531
TOTAL LIABILITIES	718,466	180,282	195,660	66,853	181,285	125,131	197,326	1,665,003
DEFERRED INFLOWS OF RESOURCES:								
Unavailable revenue - court fines	194,732	-	-	-	-	-	-	194,732
Unavailable revenue - property taxes	-	250,592	65,945	48,360	-	-	70,448	435,345
TOTAL DEFERRED INFLOWS	194,732	250,592	65,945	48,360	-	-	70,448	630,077
FUND BALANCES:								
Non-spendable	188,685	-	-	157,300	-	-	-	345,985
Restricted	-	-	-	-	-	4,814,950	295,478	5,110,428
Committed	-	936,573	969,892	542,413	1,944,102	-	352,584	4,745,564
Unassigned	1,352,882	-	-	-	-	-	(174,525)	1,178,357
TOTAL FUND BALANCES	1,541,567	936,573	969,892	699,713	1,944,102	4,814,950	473,537	11,380,334
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 2,454,765	$ 1,367,447	$ 1,231,497	$ 814,926	$ 2,125,387	$ 4,940,081	$ 741,311	

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds.		237,599,977
Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:		
Net pension asset	$ 2,491,622	
Deferred outflows of resources - pension	796,003	3,287,625
Liabilities and deferred inflows of resources, including accrued liabilities and bonds payable are not due and payable in the current period and, therefore, are not reported in funds:		
Unavailable revenue - court fines	194,732	
Unavailable revenue - property taxes	435,345	
Accrued compensated absences	(871,724)	
Accrued interest	(69,463)	
Capital lease	(13,110)	
Long-term bonded debt obligations	(16,605,000)	
Bond premium	(298,506)	
Deferred inflows of resources - pension	(5,020,313)	
Net other postemployment benefit obligations	(1,041,070)	(23,289,109)
Net position of governmental activities		$ 228,978,827

CITY OF WEST LINN, OREGON

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund	Public Safety Fund	Parks and Recreation Fund	Library Fund	Street Fund	Systems Development Charges Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES:								
Property taxes	$ -	$ 4,436,218	$ 1,587,245	$ 697,418	$ -	$ -	$ 1,395,113	$ 8,115,994
Intergovernmental	119,375	462,157	-	1,458,962	1,472,249	-	445,861	3,958,604
Franchise taxes	-	1,403,583	-	-	121,659	-	196,518	1,721,760
Fines and forfeitures	384,087	38,047	-	60,666	-	-	-	482,800
Licenses and permits	236,340	21,870	-	-	-	-	567,883	826,093
Charges for services	6,229,000	365,000	1,995,053	-	1,522,168	-	429,899	10,541,120
Systems development charges	-	-	-	-	-	647,616	-	647,616
Investment earnings	14,477	-	-	-	-	793	-	15,270
Miscellaneous	67,954	8,644	84,402	17,979	112,042	-	5,513	296,534
TOTAL REVENUES	7,051,233	6,735,519	3,666,700	2,235,025	3,228,118	648,409	3,040,787	26,605,791
EXPENDITURES:								
Current:								
General government	6,789,885	-	-	-	-	150,255	845,306	7,785,446
Cultural and recreation	-	-	3,232,350	2,206,399	-	-	-	5,438,749
Public safety	-	6,466,963	-	-	-	-	717,786	7,184,749
Highways and streets	-	-	-	-	1,695,348	-	-	1,695,348
Debt service:								
Principal	304,000	-	21,000	-	85,000	-	1,030,000	1,440,000
Interest	105,925	-	16,823	-	66,000	-	324,463	513,211
Capital outlay	393,017	1,684,028	305,762	15,181	1,945,490	2,411,535	25,108	6,780,121
TOTAL EXPENDITURES	7,592,827	8,150,991	3,575,935	2,221,580	3,791,838	2,561,790	2,942,663	30,837,624
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(541,594)	(1,415,472)	90,765	13,445	(563,720)	(1,913,381)	98,124	(4,231,833)
OTHER FINANCING SOURCES:								
Proceeds from sale of capital assets	-	-	14,500	-	-	-	-	14,500
NET CHANGE IN FUND BALANCES	(541,594)	(1,415,472)	105,265	13,445	(563,720)	(1,913,381)	98,124	(4,217,333)
FUND BALANCES - beginning	2,083,161	2,352,045	864,627	686,268	2,507,822	6,728,331	375,413	15,597,667
FUND BALANCES - ending	$ 1,541,567	$ 936,573	$ 969,892	$ 699,713	$ 1,944,102	$ 4,814,950	$ 473,537	$ 11,380,334

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

CITY OF WEST LINN, OREGON

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Amounts reported for governmental activities in the Statement of Activities are different because:		
Net change in fund balances - total governmental funds (page 29)		$ (4,217,333)
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense.		
Capital outlay	$ 6,780,121	
Depreciation expense	(3,260,523)	3,519,598
The net effect of transactions involving capital assets (i.e., sales, trade-ins, donations, and transfers) is to decrease net position.		(1,151,353)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		261,365
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of bond premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Principal repayments on capital lease	16,835	
Principal repayments on long-term bonded debt	1,440,000	1,456,835
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Accrued compensated absences payable	(106,342)	
Accrued interest payable	5,533	
Net other postemployment benefit obligations	(107,866)	
Net pension asset	3,129,439	
Accrued contract payable	(60,000)	
Amortization of bond premium	47,834	2,908,598
Change in net position of governmental activities (page 27)		$ 2,777,710

CITY OF WEST LINN, OREGON

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2015

	Business-type Activities - Enterprise Funds		
	Water Fund	Environmental Services Fund	Total
ASSETS:			
Current assets:			
Cash and investments	$ 1,673,056	$ 2,764,569	$ 4,437,625
Restricted cash and investments	4,153,500	-	4,153,500
Accounts receivable, net of allowance for doubtful accounts	700,351	744,089	1,444,440
Total current assets	6,526,907	3,508,658	10,035,565
Noncurrent assets:			
Net pension asset	190,868	112,061	302,929
Capital assets not being depreciated	2,074,530	1,103,205	3,177,735
Capital assets, net of accumulated depreciation	12,385,779	18,625,251	31,011,030
Investment in joint venture	8,624,064	-	8,624,064
Total noncurrent assets	23,275,241	19,840,517	43,115,758
TOTAL ASSETS	29,802,148	23,349,175	53,151,323
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows of resources - pension	60,977	35,800	96,777
LIABILITIES:			
Current liabilities:			
Accounts payable	398,307	453,342	851,649
Accrued salaries and payroll taxes payable	20,208	25,464	45,672
Accrued compensated absences payable	27,214	16,006	43,220
Accrued interest payable	11,481	-	11,481
Bonds payable - due within one year	110,000	-	110,000
Total current liabilities	567,210	494,812	1,062,022
Noncurrent liabilities:			
Bonds payable	660,000	-	660,000
Accrued compensated absences payable	39,539	23,255	62,794
Net other postemployment benefit obligations	79,750	46,822	126,572
Total noncurrent liabilities	779,289	70,077	849,366
TOTAL LIABILITIES	1,346,499	564,889	1,911,388
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows of resources - pension	384,575	225,791	610,366
NET POSITION:			
Net investment in capital assets	13,690,309	19,728,456	33,418,765
Restricted for debt service	154,500	-	154,500
Restricted for capital projects	3,999,000	-	3,999,000
Unrestricted	10,288,242	2,865,839	13,154,081
TOTAL NET POSITION	$ 28,132,051	$ 22,594,295	$ 50,726,346

CITY OF WEST LINN, OREGON

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Business-type Activities - Enterprise Funds		
	Water Fund	Environmental Services Fund	Total
OPERATING REVENUES:			
Charges for services	$ 4,065,177	$ 2,842,413	$ 6,907,590
Systems development charges	18,907	35,633	54,540
Other operating revenues	81,053	74,997	156,050
TOTAL OPERATING REVENUES	4,165,137	2,953,043	7,118,180
OPERATING EXPENSES:			
Salaries and wages	352,861	503,720	856,581
Materials and supplies	2,335,976	1,387,850	3,723,826
Depreciation	494,761	930,332	1,425,093
TOTAL OPERATING EXPENSES	3,183,598	2,821,902	6,005,500
OPERATING INCOME	981,539	131,141	1,112,680
NONOPERATING INCOME (EXPENSE):			
Intergovernmental	5,000,000	-	5,000,000
Net gain on investment in joint venture	540,299	-	540,299
Gain on disposal of capital assets	236,120	-	236,120
Interest expense	(47,434)	-	(47,434)
TOTAL NONOPERATING INCOME (EXPENSE)	5,728,985	-	5,728,985
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	6,710,524	131,141	6,841,665
CAPITAL CONTRIBUTIONS	111,418	357,380	468,798
TRANSFERS IN	1,537,831	-	1,537,831
CHANGE IN NET POSITION	8,359,773	488,521	8,848,294
NET POSITION - beginning	20,406,856	22,324,451	42,731,307
RESTATEMENT (see note)	(634,578)	(218,677)	(853,255)
NET POSITION - beginning, restated	19,772,278	22,105,774	41,878,052
NET POSITION - ending	$ 28,132,051	$ 22,594,295	$ 50,726,346

CITY OF WEST LINN, OREGON

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Business-type Activities - Enterprise Funds		
	Water Fund	Environmental Services Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users of services	$ 4,374,922	$ 2,990,965	$ 7,365,887
Payments to suppliers for goods and services	(2,141,136)	(1,600,795)	(3,741,931)
Payments to employees for services	(546,975)	(658,243)	(1,205,218)
NET CASH FROM OPERATING ACTIVITIES	1,686,811	731,927	2,418,738
CASH FLOWS FROM (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal paid on capital debt	(105,000)	-	(105,000)
Interest paid on capital debt	(48,944)	-	(48,944)
Proceeds from the sale of capital assets	236,120	-	236,120
Acquisition and construction of capital assets	(2,265,151)	(1,330,899)	(3,596,050)
NET CASH FROM (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(2,182,975)	(1,330,899)	(3,513,874)
NET INCREASE IN CASH AND INVESTMENTS	(496,164)	(598,972)	(1,095,136)
CASH AND INVESTMENTS - beginning	6,322,720	3,363,541	9,686,261
CASH AND INVESTMENTS - ending (including $4,153,500 for the water fund reported in a restricted account)	$ 5,826,556	$ 2,764,569	$ 8,591,125
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:			
Operating income	$ 981,539	$ 131,141	$ 1,112,680
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation expense	494,761	930,332	1,425,093
Pension expense (income)	(239,726)	(140,748)	(380,474)
Increase in accounts receivable	209,785	37,922	247,707
Increase (decrease) in accounts payable	194,841	(212,946)	(18,105)
Increase (decrease) in accrued salaries and payroll taxes payable	(793)	946	153
Increase (decrease) in accrued compensated absences payable	8,008	(7,781)	227
Increase (decrease) in net other postemployment benefit obligations	38,396	(6,939)	31,457
NET CASH FROM OPERATING ACTIVITIES	$ 1,686,811	$ 731,927	$ 2,418,738
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Capital assets contributed by developers	$ 111,418	$ 357,380	$ 468,798
Capital assets transferred from governmental funds	1,537,831	-	1,537,831

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

1. Summary of Significant Accounting Policies

The financial statements of the City of West Linn, Oregon (the City) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). GAAP statements require the application of all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Reporting Entity

The City is a municipal corporation, incorporated in 1913. It operates under its own charter with a Council/City Manager form of government. The Councilors, composed of the Mayor and four council members, comprise the legislative branch of the government. Individual departments are under the direction of the City Manager who is appointed by the Council.

The City provides a full range of municipal services to the community, which includes police protection and municipal court services, traffic control and improvement, street maintenance and improvement, water, sewer and surface water management services, planning and zoning regulation, building inspection and regulation, parks and recreation services, and community library services.

Basis of Presentation – Government-wide Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Government-wide financial statements display information about the City as a whole. The effect of interfund activity has been removed from these statements except for interfund services provided and used and reimbursements between funds which if eliminated would distort the direct costs and program revenues reported for the various functions. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

The *Statement of Net Position* presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the net difference reported as net position.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not attributable to a specific program are reported as general revenues.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include charges between the City's business-type activities/enterprise funds, as well as some special revenue funds, and the general fund. The City allocates charges as reimbursement for services provided by the general fund in support of those functions based on levels of service provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. These charges are included in direct program expenses.

Basis of Presentation – Fund Financial Statements

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, or fiduciary. Currently, the City has only governmental and proprietary type funds. Major individual governmental funds and major individual enterprise funds are reported in the fund financial statements and in separate columns in the financial section of the basic financial statements. Nonmajor funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the combining and individual fund statements and schedules, located in the other supplementary information section.

The City reports the following major governmental funds:

- *General Fund*
  Accounts for the City's legislative activities and administration, human resources, finance, information technology, municipal court, facilities, public works support services, vehicle and equipment maintenance, and related debt service. The primary revenue sources are reimbursement charges for services to other funds, fines and forfeitures, licenses and permits, and intergovernmental revenues.

- *Public Safety Fund*
  Accounts for the activities of the City's police department. The primary revenues are an allocation of the City's property tax levy, franchise taxes, and intergovernmental revenue committed to that purpose.

- *Parks and Recreation Fund*
  Accounts for the operation and maintenance of the City's park and recreation programs. The primary sources of revenue include an allocation of the City's property tax levy and charges for services.

- *Library Fund*
  Accounts for the operation of the City's library facility. The primary revenue sources include the County's library district levy, an allocation of the City's property tax levy, intergovernmental revenues, and fines and forfeitures.

- *Street Fund*
  Accounts for the operation and maintenance of the City's street and sidewalk systems including medians. The primary sources of revenue are intergovernmental revenues and charges for services committed to construction and maintenance of these systems.

- *Systems Development Charges Fund*
  Accounts for the receipt and expenditures of systems development charges (SDCs) restricted to streets, surface water, water, sewer, parks, and bike/pedestrian.

Additionally, the City reports non-major funds within the governmental fund types:

- *Special Revenue Funds*
  These funds account for the receipt and expenditures of restricted and committed revenue sources.

- *Debt Service Fund*
  This fund accounts for the accumulation of resources for the payment of general obligation bond principal and interest.

- *Capital Projects Fund*
  This fund accounts for bond proceeds used for the acquisition of land and improvements.

The City reports each of its two proprietary funds as major funds:

- *Water Fund*
  This fund accounts for the operation and maintenance of water service and distribution facilities.

- *Environmental Services Fund*
  This fund accounts for the operation and maintenance of the sewer and surface water collection and treatment systems.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded. The government-wide financial statements are presented on a full accrual basis of accounting with an economic resource measurement focus, as are the proprietary fund financial statements. An economic resource focus concentrates on an entity or fund's net position. All transactions and events that affect the total economic resources (net position) during the period are reported. An economic resources measurements focus is inextricably connected with full accrual accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash inflows and outflows.

Governmental fund financial statements are presented on a modified accrual basis of accounting with a current financial resource measurement focus. The measurement focus concentrates on the fund's resources available for spending currently or in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Similar to the connection between an economic resource measurement focus and full accrual basis of accounting, a current financial resource measurement focus is inseparable from a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become *measurable* and *available*). *Measurable* means the amount of the transaction can be determined and revenues are considered *available* when they are collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues considered susceptible to accrual are property taxes, state, county and local shared revenues, franchise taxes, intergovernmental revenues, and investment income.

An unavailable revenue deferred inflow arises on the balance sheets of the governmental funds when potential revenue does not meet both the *measurable* and *available* criteria for recognition in the current period. This unavailable revenue consists primarily of uncollected property taxes not deemed available to finance operations of the current period. In the government-wide statement of activities, with a full accrual basis of accounting, revenue must be recognized as soon as it is earned regardless of its availability. Thus, the deferred inflow created on the balance sheets of the governmental funds for unavailable revenue, is eliminated.

Similar to the way its revenues are recorded, governmental funds only record those expenditures that affect current financial resources. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. In the government-wide financial statements, however, with a full accrual basis of accounting, all expenses affecting the economic resource status of the government are recognized.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation. This reconciliation is part of the basic financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of sales and services, administrative overhead, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues, expenses and capital contributions.

Assets, Liabilities, Deferred Outflows and Deferred Inflows of Resources, and Net Position

Cash and Investments

Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments consist of funds held in the Oregon State Treasurer's Local Government Investment Pool (LGIP). The individual funds' portion of the LGIP's fair value is presented as "Cash and Investments" in the basic financial statements. Investments in the LGIP are stated at share value, which approximates fair value, and is the value at which the shares can be withdrawn.

The LGIP is administered by the Oregon State Treasury. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the State who by law is made the custodian of, or has control of, any public funds. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP.

The City's investment policy, adopted by the City Council, essentially mirrors the requirements of the Oregon Revised Statutes. Currently, the City's investment portfolio includes primarily investments in the LGIP.

Receivables and Revenues

Property taxes are levied on and become a lien against property on July 1 of the year in which they are due. Collection dates are November 15, February 15, and May 15 following the lien date. Discounts are allowed if the amount due is paid by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

In the fund financial statements, property tax receivables that are collected within 60 days after the end of fiscal year are considered *measurable* and *available*, and therefore, are recognized as revenue. The property taxes receivable portion beyond 60 days is recorded as deferred inflows of resources. Assessments are recognized as receivables at the time property owners are assessed on property improvements. These receivables are entirely offset by deferred inflows of resources, as assessment revenue is recognized upon collection.

In the government-wide financial statements, property tax receivables and billings for parks and street fees are recognized as revenue when earned net of an allowance for uncollectible amounts.

In the proprietary funds, receivables include services provided but not billed. The enterprise funds' receivables include billings for residential and commercial customers utilizing the City's water, sewer, and storm water services and are reported net of an allowance for uncollectible amounts, which is determined based upon an estimated percentage of the receivable balance.

Prepaid Expenses

In both government-wide and fund financial statements, certain payments to vendors reflect costs applicable to future City accounting periods and are recorded as prepaid expenses. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Purchased or constructed capital assets acquired prior to June 30, 2008 are recorded at estimated historical cost with subsequent additions at cost. Donated capital assets are recorded at their estimated fair value at the time of donation. Infrastructure (bridges, roads, and drainage systems) acquired during the year have been recorded at cost or fair value if donated by developers. The City defines capital assets as assets with an initial cost of more than $10,000 and an estimated useful life of more than one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' useful lives are not capitalized.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

	Useful Lives (in years)
Buildings and structures	25 – 50
Improvements other than buildings	10 – 20
Machinery and equipment	5 – 30
Vehicles	5 – 10
Infrastructure	20 – 50

Investment in Joint Venture

Investment in joint venture with other governments is reported at cost plus or minus the City's share of operating income or loss utilizing the equity method of accounting for investments.

Accrued Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability reported for unpaid accumulated sick leave since the City, by policy, does not pay out sick leave banks when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental and proprietary funds only if they have matured, for example, as a result of termination or retirement.

Pension Obligations

In accordance with GASB Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27,* the City's net pension (asset)/liability, deferred inflows and outflows related to pensions, and pension expense have been determined on the basis reported by Oregon Public Employees Retirement System (OPERS).

Other Postemployment Benefit Obligations

In accordance with GASB Statement 45, *Accounting and Financial Reporting by Employers for the Postemployment Benefits Other Than Pensions* (OPEB), the City's net OPEB obligation is recognized as a long-term liability in the government-wide financial statements, the amount of which is actuarially determined. The annual required contribution is recognized on an accrual basis in accordance with actuarial standards.

Long-term Debt Obligations

In the government-wide financial statements, and in the proprietary fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, and proprietary fund type statement of net position. When significant, bond premiums, discounts, and amounts deferred on refunding are deferred and amortized over the applicable bond term. Issuance costs are reported as period costs in the year of issue. In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs, as period costs in the year of issue. The face amount of debt issued and any related premium is reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has only one type of deferred outflow that qualifies for reporting in this category. This relates to the City's pension plan and consists of employer contributions to OPERS after the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has two type of deferred inflows, one of which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the deferred inflow, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and court fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the statement of net position, a deferred inflow of resources related to the City's pension plan is recognized. This consists of differences between projected and actual investment earnings and changes in employer proportion and differences between employer contributions and the City's proportionate share of contributions.

Fund Balance

The City reports fund balance in the governmental funds within categories according to the relative constraints placed on these balances. These fund balance categories are:

- *Non-spendable* – Includes items that are not in a spendable form because they are either legally or contractually required to be maintained intact.
- *Restricted* – Includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.
- *Committed* – Includes items committed by resolution of the City Council. Commitments may be modified or rescinded by similar resolution.
- *Assigned* – Includes items assigned by specific uses, authorized by the City Manager and/or Finance Director/Chief Financial Officer.
- *Unassigned* – This is the residual classification used for those balances not assigned to another category in the General Fund. Deficit fund balance in other governmental funds are also presented as unassigned.

GASB Statement 54 requires the highest legal authority to approve authorized commitments of fund balance and to approve who can authorize making assignments of fund balance. These requirements, to include designating the City Manager and/or Finance Director/Chief Financial Officer to make assignments of fund balance, were approved by the City Council on June 14, 2010, utilizing the highest relevant means appropriate for such action with Resolution No. 2010-23.

Net Position Flow Assumptions

The City may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which resources are considered to have been applied. It is the City's policy to deplete restricted net position first before unrestricted net position is depleted.

Fund Balance Flow Assumptions

The City may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which resources are considered to have been applied. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. When components of restricted fund balance can be used for the same purpose, committed fund balance is depleted second, followed by assigned fund balance. Unassigned fund balance is applied last.

Library Endowment

In 1981 the Wallace B. Caufield Trust endowed funds to the City where the principal is to be legally preserved and the interest can be used only to purchase books for the library. This Trust called for an initial distribution followed by the splitting of the proceeds from the sale of a building with the City of Oregon City. The final distribution of this Trust occurred in 1982 after the Trust completed the sale of the building. As the amount of this endowment is immaterial to the financial statements as a whole, a separate permanent fund is not utilized. The City properly accounts for the legally restricted principal in the net position section of the *Statement of Net Position* and restricted cash and non-spendable fund balance on the library fund's *Balance Sheet*.

Use of Estimates

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

2. Detailed Notes on All Funds

Deposits and Investments

The City maintains a common cash and investment pool for all City funds. The types of investments in which the City may invest are restricted by State of Oregon statutes and a Council adopted investment policy. Authorized investments consist of U.S. Treasury obligations including treasury notes, bonds and strips; Federal instrumentality securities from specific Federal Agencies; commercial paper rated at least A-1 or an equivalent rating; corporate bonds rated at least Aa or an equivalent rating; bankers acceptances rated at least Aa or an equivalent rating; Oregon State Treasurer's Local Government Investment Pool limited by state statute; certificates of deposits; repurchase agreements and obligations of the states of Oregon, California, Idaho and Washington rated AA or better.

As of June 30, 2015, the City's cash and investments were comprised of the following:

Cash on hand	$ 1,375
Deposits with financial institutions	10,203,027
Oregon State Treasurer's Local Government Investment Pool	10,229,935
Total cash and investments	$ 20,434,337

	Governmental Activities	Business-type Activities	Total
Cash and investments	$ 6,459,580	$ 4,437,625	$ 10,897,205
Restricted cash and investments	5,383,632	4,153,500	9,537,132
Total cash and investments	$ 11,843,212	$ 8,591,125	$ 20,434,337

Deposits. Deposits with financial institutions are comprised of bank demand deposits. To provide additional security required and authorized by Oregon Revised Statutes, Chapter 295, deposits above insurance limits are covered by collateral held in a multiple financial institution collateral pool administered by the State of Oregon. At the fiscal year end, bank balances of $10,394,708 were covered by federal depository insurance (FDIC) or by collateral held by one or more of the State's authorized collateral pool managers. Cash on hand balances representing petty cash accounts are uninsured and uncollateralized.

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair value by limiting the individual maturities in its investment portfolio to eighteen months or less.

Credit risk. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the City's policy to limit its use of these investment types to the top two ratings issued by NRSROs, where applicable. The Oregon State Treasurer's Local Government Investment Pool (LGIP) is not rated by NRSROs.

Concentration of credit risk. The City's investment policy, as it relates to investing outside of the LGIP, does not allow for an investment in any one issuer that is in excess of five percent of the City's total investments (ORS 294.035).

Custodial credit risk. Custodial risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. As of June 30, 2015, all City deposits are insured and are therefore not subject to custodial credit risk.

The City participates in an external investment pool, the LGIP. The LGIP is not registered with the U.S. Securities and Exchange Commission as an investment company. The State's investment policies are governed by the Oregon Revised Statutes (ORS) and the Oregon Investment Council (Council). The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury.

These investments are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which establishes diversification percentages and specifies investment types and maturities. The portion of the external investment pool belonging to local government participants is reported in an Investment Trust Fund in the State's Comprehensive Annual Financial Report. A copy of the State's Comprehensive Annual Financial Report may be obtained online at www.ost.state.or.us or by mail at the Oregon State Treasury, 350 Winter St. NE, Salem, Oregon 97310-0840.

Receivables

As of June 30, 2015, accounts receivable are reflected in the basic financial statements net of an allowance for uncollectible accounts. The allowance for uncollectible accounts pertains to utility billing collections for parks, streets, water, sewer and surface water management fees.

Accounts, contracts and grants	$ 2,756,412
Allowance for uncollectible accounts	(118,000)
Total accounts receivable	$ 2,638,412
Accounts receivable - governmental activities	$ 1,193,972
Accounts receivable - business-type activities	1,444,440
Total accounts receivable	$ 2,638,412

Investment in Joint Venture

South Fork Water Board (SFWB) operates a water distribution system jointly with the City of West Linn and the City of Oregon City, each party owning 50 percent. Revenues earned by SFWB are expended for the continued operation and maintenance of facilities within the municipal boundaries of these two cities. Upon dissolution of the SFWB, the net position will be shared 50 percent to each city. The SFWB is governed by a six-member board composed of three appointees from the City of West Linn and three from the City of Oregon City. The City's net investment and its share of the operating results of the SFWB are reported in the City's water fund. Net position of the City's water fund increased $540,299 from a net gain in fiscal year 2014-15. Complete financial statements for the SFWB can be obtained from the City of Oregon City Finance Department, 625 Center Street, Oregon City, Oregon 97045. The City's $8.6 million investment in South Fork Water Board is accounted for using the equity method.

Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Beginning balance as of June 30, 2014	Additions	Reductions and adjustments	Ending balance as of June 30, 2015
Governmental activities:				
Capital assets not being depreciated:				
Land and easements	$ 192,113,825	$ -	$ -	$ 192,113,825
Construction in progress	5,867,079	2,462,383	(8,116,508)	212,954
Total capital assets not being depreciated	197,980,904	2,462,383	(8,116,508)	192,326,779
Capital assets being depreciated:				
Buildings and improvements	28,837,137	308,677	7,132,768	36,278,582
Vehicles and equipment	2,562,832	779,668	(280,041)	3,062,459
Infrastructure	60,779,002	2,158,909	966,161	63,904,072
Total capital assets being depreciated	92,178,971	3,247,254	7,818,888	103,245,113
Less accumulated depreciation for:				
Buildings and improvements	(12,615,850)	(978,925)	-	(13,594,775)
Vehicles and equipment	(1,442,187)	(203,547)	216,751	(1,428,983)
Infrastructure	(40,870,106)	(2,078,051)	-	(42,948,157)
Total accumulated depreciation	(54,928,143)	(3,260,523)	216,751	(57,971,915)
Total capital assets being depreciated, net	37,250,828	(13,269)	8,035,639	45,273,198
Total capital assets, net	$ 235,231,732	$ 2,449,114	$ (80,869)	$ 237,599,977

Business-type activities:	Beginning balance as of June 30, 2014	Additions	Reductions and adjustments	Ending balance as of June 30, 2015
Capital assets not being depreciated:				
Land	$ 482,625	$ -	$ -	$ 482,625
Construction in progress	396,741	4,966,866	(2,668,497)	2,695,110
Total capital assets not being depreciated	879,366	4,966,866	(2,668,497)	3,177,735
Capital assets being depreciated:				
Buildings and improvements	1,605,673	-	-	1,605,673
Vehicles and equipment	1,827,200	62,711	-	1,889,911
Infrastructure	61,151,867	573,102	2,668,497	64,393,466
Total capital assets being depreciated	64,584,740	635,813	2,668,497	67,889,050
Less accumulated depreciation for:				
Buildings and improvements	(1,005,676)	(32,114)	-	(1,037,790)
Vehicles and equipment	(850,055)	(143,976)	-	(994,031)
Infrastructure	(33,597,196)	(1,249,003)	-	(34,846,199)
Total accumulated depreciation	(35,452,927)	(1,425,093)	-	(36,878,020)
Total capital assets being depreciated, net	29,131,813	(789,280)	2,668,497	31,011,030
Total capital assets, net	$ 30,011,179	$ 4,177,586	$ -	$ 34,188,765

Depreciation expense for governmental activities in the amount of $3,260,523 and for business-type activities the amount of $1,425,093 was charged to functions/programs as follows:

	Governmental Activities	Business-type Activities	Total
General government	$ 68,811	$ -	$ 68,811
Culture and recreation	893,234	-	893,234
Public safety	177,911	-	177,911
Highways and streets	2,120,567	-	2,120,567
Water	-	494,761	494,761
Environmental services	-	930,332	930,332
Depreciation expense	$ 3,260,523	$ 1,425,093	$ 4,685,616

Interfund Transfers

Transfers between funds provide support for various City programs in accordance with budgetary authorizations and are utilized to cover administrative services, provide for additional funding for reserve purposes, contribute towards the cost of capital projects, and to provide for other operational resources. For the fiscal year ended June 30, 2015, all City cash transfers are properly classified as charges for services for financial reporting purposes. Transfers of capital assets are also made between funds to ensure full utilization of useable assets and are classified as transfers for financial statement purposes.

Capital Lease

In fiscal year 2012-13, the City entered into a lease agreement as lessee for financing the acquisition of park maintenance equipment valued at $50,176. The equipment has a ten-year estimated useful life. For this fiscal year, $5,018 was included in depreciation expense. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015, were as follows:

Fiscal year ending June 30	Governmental Activities
2016	$ 13,346
Total minimum lease payments	13,346
Less: amount representing interest	(236)
Present value of minimum lease payments	$ 13,110

Long-term Debt Obligations

In the following sections, long-term debt information is presented separately with respect to governmental and business-type activities. The following table presents current year changes in those obligations and the current portions due for each issue. For the governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund. The revenue bonds are being repaid by pledged enterprise fund water revenues. For the fiscal year ended June 30, 2015, the City was in compliance with the covenants associated with these revenue bonds.

	Beginning balance as of June 30, 2014	Additions	Reductions	Ending balance as of June 30, 2015	Due within one year
Governmental activities:					
General Obligation bonds					
Series 2009-A Park Refundings, interest at 3.0-4.0%, original issue of $4,915,000, due 2019	$ 2,530,000	$ -	$ (535,000)	$ 1,995,000	$ 555,000
Series 2010-A Library Refundings, interest at 2.0-3.0%, original issue of $3,900,000, due 2021	2,195,000	-	(250,000)	1,945,000	275,000
Series 2012 Police Station, interest at 1.0-2.75%, original issue of $8,500,000, due 2032	8,145,000	-	(245,000)	7,900,000	275,000
Full Faith and Credit obligations					
Series 2009-B Streets/Parks, interest at 3.0-4.35%, original issue of $4,035,000, due 2029	3,315,000	-	(170,000)	3,145,000	175,000
Series 2010-B City Hall Refunding, interest at 3.0-4.0%, original issue of $4,300,000, due 2021	1,860,000	-	(240,000)	1,620,000	245,000
Plus: Bond issuance premium	346,340	-	(47,834)	298,506	-
Long-term bonded debt obligations	18,391,340	-	(1,487,834)	16,903,506	1,525,000
Capital lease for park maintenance equipment	29,945	-	(16,835)	13,110	13,110
Compensated absences	765,382	422,433	(316,091)	871,724	355,385
Net other postemployment benefit obligations	933,204	107,866	-	1,041,070	-
Total governmental activities	20,119,871	530,299	(1,820,760)	18,829,410	1,893,495
Business-type activities:					
Revenue bonds					
Series 2000 Water Revenue, interest at 5.75-6.0%, original issue of $1,800,000, due 2021	875,000	-	(105,000)	770,000	110,000
Compensated absences	105,787	39,294	(39,067)	106,014	43,220
Net other postemployment benefit obligations	95,115	31,457	-	126,572	-
Total business-type activities	1,075,902	70,751	(144,067)	1,002,586	153,220
Total long-term debt obligations					
General Obligation bonds	12,870,000	-	(1,030,000)	11,840,000	1,105,000
Full Faith and Credit obligations	5,175,000	-	(410,000)	4,765,000	420,000
Revenue bonds	875,000	-	(105,000)	770,000	110,000
Plus: Bond issuance premium	346,340	-	(47,834)	298,506	-
Long-term bonded debt obligations	19,266,340	-	(1,592,834)	17,673,506	1,635,000
Capital lease for park maintenance equipment	29,945	-	(16,835)	13,110	13,110
Compensated absences	871,169	461,727	(355,158)	977,738	398,605
Net other postemployment benefit obligations	1,028,319	139,323	-	1,167,642	-
Total long-term debt obligations	$ 21,195,773	$ 601,050	$ (1,964,827)	$ 19,831,996	$ 2,046,715

Future Principal and Interest. Future maturities of bond principal and interest at June 30, 2015, are as follows:

	Governmental Activities		Business-type Activities		Total	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2016	$ 1,525,000	$ 477,837	$ 110,000	$ 42,763	$ 1,635,000	$ 520,600
2017	1,590,000	434,335	115,000	36,150	1,705,000	470,485
2018	1,660,000	385,261	125,000	28,950	1,785,000	414,211
2019	1,410,000	328,235	130,000	21,300	1,540,000	349,535
2020	1,195,000	291,686	140,000	13,200	1,335,000	304,886
2021-2025	3,935,000	1,052,933	150,000	4,500	4,085,000	1,057,433
2026-2030	3,910,000	526,888	-	-	3,910,000	526,888
2031-2032	1,380,000	47,781	-	-	1,380,000	47,781
	$ 16,605,000	$ 3,544,956	$ 770,000	$ 146,863	$ 17,375,000	$ 3,691,819

Employee Retirement Pension Plan

Plan Description. The City is a participating employer in the Oregon Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system established under Oregon Revised Statutes 238.600 that acts as a common investment and administrative agent for public employers in the State of Oregon.

ORS 238 Defined Benefit Plan Benefits. OPERS is a defined benefit pension plan that provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries. Benefits are established by state statute. This defined benefit pension plan portion of OPERS is closed to new members hired on or after August 29, 2003.

Benefits under the defined benefit pension plan program include a retirement allowance payable monthly for life. It may be selected from thirteen retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier one general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of eligible service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier two general service members are eligible for full benefits at age 60.

Death Benefits. Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met: (1) member was employed by a OPERS employer at the time of death; (2) member died within 120 days after termination of OPERS-covered employment; (3) member died as a result of injury sustained while employed in a OPERS-covered job; or (4) member was on an official leave of absence from a OPERS-covered job at the time of death.

Disability Benefits. A member with ten or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including OPERS judge members) for disability benefits regardless of the length of OPERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

Benefit Changes after Retirement. Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law the cap on the cost-of-living changes in fiscal year 2015 and beyond will vary based on 1.25 percent on the first $60,000 of annual benefit and 0.15 percent on annual benefits above $60,000.

ORS 238A OPSRP Defined Benefit Plan Benefits. This portion of the defined benefit pension plan of OPERS provides benefits to members hired on or after August 29, 2003. Benefits under this portion of OPSRP provide a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age.

For police and fire members, 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

For general service members, 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65 or age 58 with 30 years of retirement credit.

Members become vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

Death Benefits. Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability Benefits. A member who has accrued ten or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit Changes after Retirement. Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the cost-of-living changes in fiscal year 2015 and beyond will vary based on the amount of the annual benefit.

Contributions. OPERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the OPERS Defined Benefit Plan and the Other Postemployment Benefit Plans.

Employer contribution rates during the period were based on the December 31, 2011 actuarial valuation, as subsequently modified by 2013 legislated changes in benefit provisions. The state of Oregon and certain schools, community colleges, and political subdivisions have made unfunded actuarial liability payments, and their rates have been reduced. The City's rates for the year ended June 30, 2015 were 12.95 percent for OPERS and 9.02 percent for OPSRP – general employees, and 11.75 percent for OPSRP – police employees, of salary covered under the plan. These rates are reported inclusive of the retiree healthcare rates disclosed in a separate note disclosure. The contribution requirements for plan members and the City are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

Employer contributions for the year ended June 30, 2015, were approximately $893,000. The City does not have a specific employer liability related to pensions.

A ten-year schedule of the City's pension plan contributions can be found on page 68 this report.

Plan Audited Financial Report. Both OPERS and OPSRP are administered by the Oregon Public Employees Retirement Board (OPERB). The comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700, by calling (503) 598-7377, or by accessing the OPERS web site at www.pers.state.or.us.

Pension Assets, Pension Liabilities, Pension Expense, and Deferred Inflows and Deferred Outflows of Resources related to Pensions

At June 30, 2015, the City reported an asset of $2,794,551 for its proportionate share of the plan pension asset. The net pension asset was measured as of June 30, 2014 and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. The City's proportionate share was based on a projection of the City's long term share of contributions to the pension plan relative to the projected contributions of all participating members of the cost sharing pool, actuarially determined. At June 30, 2015 and 2014, the City's proportion was 0.12328639 percent.

An Oregon Supreme Court decision (Moro decision), made after the measurement date is expected to have a significant effect on the City's proportionate share of the collective net pension asset. The effect of the Moro decision was to restrict cost of living adjustment (COLA) changes made by Senate Bills 822 and 861 such that they only apply to benefits earned after the legislation was enacted.

As a result, the majority of benefits currently accrued will receive a full two percent COLA which will increase the total pension liability and net pension liability. The City's proportionate share of each is as shown in the following table:

	Prior to Moro	After Moro	Increase/(decrease) in Net Pension (asset)/liability
Total Pension Liability	$ 77,830,698	$ 83,896,388	
Fiduciary Net Position	80,625,249	80,625,249	
Net Pension (Asset)/Liability	$ (2,794,551)	$ 3,271,139	$ 6,065,690

For the year ended June 30, 2015, the City recognized pension expense/ (income) of ($2,617,133). At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Change of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	5,392,351
Changes in proportion and differences between City contributions and proportionate share of contributions	-	238,328
City contributions subsequent to the measurement date	892,780	-
Total	$ 892,780	$ 5,630,679

Deferred outflows of resources related to pensions of $892,780 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension (asset)/ liability in the year ending June 30, 2016. Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense/ (income) as follows:

	Difference between Projected and Actual Investment Earnings	Changes in Proportion and Differences between Contributions and Proportionate share of contributions	Total
Year ended June 30:			
2016	$ (1,348,088)	$ (51,811)	$ (1,399,899)
2017	(1,348,088)	(51,811)	(1,399,899)
2018	(1,348,088)	(51,811)	(1,399,899)
2019	(1,348,087)	(51,811)	(1,399,898)
2020	-	(31,084)	(31,084)
	$ (5,392,351)	$ (238,328)	$ (5,630,679)

Actuarial Valuations. The employer contribution rates effective July 1, 2013, through June 30, 2015, were set using the entry age normal cost method.

For the ORS 238 Tier One/Tier Two component of the OPERS defined benefit plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), and (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over twenty years.

For the ORS 238A OPSRP Pension Program component of the OPERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an actuarially determined amount for funding a disability benefit component, and (3) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over sixteen years.

Actuarial Methods and Assumptions.

• Valuation Date	December 31, 2012 rolled forward to June 30, 2014
• Experience Study Report	2012, published September 18, 2013
• Actuarial cost method	Entry Age Normal
• Amortization method	Amortized as a level percentage of payroll; Tier One/Tier Two UAL (20 year) and OPSRP pension UAL (16 year); Amortization periods are closed
• Equivalent single amortization period	Twenty years
• Asset valuation method	Market value of assets
• Actuarial assumptions	
o Inflation rate	2.75 percent
o Investment rate of return	7.75 percent
o Projected salary increases	3.75 percent
• Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disability mortality sex-distinct table.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2012 Experience Study which reviewed experience for the four year period ending on December 31, 2012.

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent for the defined benefit pension plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the defined benefit pension plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Asset to Changes in the Discount Rate. The following represents the City's proportionate share of the pension asset calculated using the discount rate of 7.75 percent, as well as what the City's share of the net pension asset would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of net pension (asset)/liability	$ 5,917,849	$ (2,794,551)	$ (10,163,197)

Long-Term Expected Rate of Return. The long term expected rate of return is based on a consistent set of underlying assumptions for each asset class and includes adjustment for the inflation assumption. These assumptions are not based on historical return, but instead are based on a forward-looking capital market economic model. To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following tables:

	Target Allocation		
Asset Class	Low Range	High Range	Target
Cash	0.0 %	3.0 %	0.0 %
Debt Securities	15.0	25.0	20.0
Public equity	32.5	42.5	37.5
Private Equity	16.0	24.0	20.0
Real Estate	9.5	15.6	12.5
Alternative Equity	0.0	10.0	10.0
Opportunity Portfolio	0.0	3.0	0.0
			100.0 %

Asset Class	Target Allocation	Compound Annual Return (Geometric)
Core Fixed Income	7.20 %	4.50 %
Short-Term Bonds	8.00	3.70
Intermediate-Term Bonds	3.00	4.10
High Yield Bonds	1.80	6.66
Large Cap US Equities	11.65	7.20
Mid Cap US Equities	3.88	7.30
Small Cap US Equities	2.27	7.45
Developed Foreign Equities	14.21	6.90
Emerging Foreign Equities	5.49	7.40
Private Equity	20.00	8.26
Opportunity Funds/Absolute Return	5.00	6.01
Real Estate (Property)	13.75	6.51
Real Estate (REITS)	2.50	6.76
Commodities	1.25	6.07
Assumed Inflation - Mean		2.75

Payable to OPERS. At June 30, 2015, the City's payable to OPERS for defined benefit contributions was $35,124. This amount represents legally required contributions to the plan for services incurred in the current fiscal year.

Individual Account Program.

In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for OPERS. The Oregon Public Service Retirement Plan (OPSRP) is effective for all new employees hired on or after August 29, 2003, and applies to any inactive OPERS members who return to employment following a six month or greater break in service. The new plan consists of the defined benefit pension plans and a defined contribution pension plan (the Individual Account Program or IAP). Beginning January 1, 2004, all OPERS member contributions go into the IAP portion of OPSRP. OPERS' members retain their existing OPERS accounts, but any future member contributions are deposited into the member's IAP, not the member's OPERS account. Those employees who had established an OPERS membership prior to creation of OPSRP will be members of both the OPERS and OPSRP system as long as they remain in covered employment.

Members of OPERS and OPSRP are required to contribute six percent of their salary covered under the plan which is invested in the IAP. The City makes this contribution on behalf of its employees. The City contributed approximately $494,000 for the year ended June 30, 2015.

Postemployment Healthcare Plan (implicit subsidy)

Plan Description. The City does not have a formal post-employment benefits plan for employees; however the City is required by Oregon Revised Statutes 243.303 to provide retirees with group health and dental insurance from the date of retirement to age 65 at the same rate provided to current employees. GASB Statement 45 is applicable to the City due to the implicit rate subsidy. This "plan" is a single-employer plan that does not stand-alone and therefore does not issue its own financial statements.

Funding Policy. The City collects insurance premiums from all retirees each month and deposits them into a restricted insurance premium account. The City then pays health insurance premiums for all retirees at tiered rates to the insurance company. The required contributions to the plan include the employer's pay-as-you-go amount, an amount paid by retirees, and an additional amount calculated to prefund future benefits as determined by the actuary.

For the fiscal year ended June 30, 2015, City retirees paid 100 percent of their insurance premium costs. The required monthly contributions of the plan members were as follows for the fiscal year ended June 30, 2015.

	Medical		Dental	
	HealthNet	Kaiser	CIS-MODA	Kaiser
Employee	$ 695	$ 563	$ 58	$ 79
Employee + child(ren)	1,251	1,014	166	119
Employee + spouse	1,373	1,127	102	139
Employee + family	1,926	1,690	191	257

Annual OPEB Cost and Net OPEB Obligation. The City's annual Other Post Employment Benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of 10 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's OPEB obligation to the plan.

City's normal cost at year end	$ 115,533
Amortization of UAAL with interest	189,071
Annual Required Contribution (ARC)	304,604
Interest on prior year net OPEB obligation	35,991
Adjustment to ARC	(123,646)
Annual OPEB cost	216,949
Less contribution (amounts paid during year for OPEB)	-
Less implicit benefit payments	(77,625)
Increase in net OPEB obligation	139,324
OPEB obligation at beginning of fiscal year	1,028,319
OPEB obligation at end of fiscal year	$ 1,167,643

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last three fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percent of Annual OPEB Cost Contribution	Net OPEB Obligation
6/30/2015	$ 216,949	36%	$ 1,167,643
6/30/2014	211,702	37%	1,028,319
6/30/2013	214,857	41%	895,383

Funded Status and Funding Progress. As of August 1, 2014, representing the date of the most recent actuarial valuation, funded status of the plan was as follows:

Actuarial accrued liability (AAL)	$ 1,364,421
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	$ 1,364,421
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (annual payroll of active members)	$ 8,275,000
UAAL as a percentage of covered payroll	16%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. These actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented immediately following the financial statements as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

In the August 1, 2014 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a general inflation rate of 2.75 percent per year, a 3.50 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 5.75 percent, reduced incrementally to an ultimate rate of 4.75 percent. The UAAL is being amortized using the level percentage of payroll over an open period of ten years.

Retirement Health Insurance Account (RHIA)

Plan Description. As a member of Oregon Public Employees Retirement System (OPERS), the City contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700.

Funding Policy. Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to $60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the RHIA established by the employer, and any monthly cost in excess of $60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in OPERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in OPERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a OPERS-sponsored health plan. An eligible surviving spouse or dependent of a deceased OPERS retiree may receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from OPERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating cities are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently 0.59 percent of annual covered payroll for Tier 1/Tier 2, and 0.49 percent for OPSRP. The OPERS Board of Trustees sets the employer contribution rate based on the annual required contribution (ARC) of the employers, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The City's contributions to RHIA for the fiscal years ended June 30, 2015, 2014 and 2013 were approximately $48,800, $47,700, and $51,000 respectively which equals the required contributions for that year.

Deferred Compensation Plan

The City has a Deferred Compensation Plan (Plan) created in accordance with the Internal Revenue Code Section 457(b). The Plan is managed by independent plan administrators. The Plan is available to all employees of the City. Employees may defer a portion of their salary until future years. Pursuant to a collective bargaining agreement, the City contributes one percent of salaries to the plan for eligible employees. Deferred compensation is not available to employees until termination, retirement, death, or financial hardship. The Plan's assets are held in a custodial account for the exclusive benefit of participants and beneficiaries, and are not subject to the claims of the City's creditors, nor can they be used by the City for any purpose other than the payment of benefits to the Plan participants. Accordingly, these Plan assets and related liability are not recorded in the City's basic financial statements. Employees are immediately vested in all contributions to the plan.

For the year ended June 30, 2015, employees contributed $364,131 and the City contributed $35,124.

3. Other Information

Commitments

Sewage Treatment Arrangement – The City has an intergovernmental 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 collections facilities; bill and collect user charges, and bill and collect connection charges.
- Should the District fail to perform services outlined in the agreement, the City can terminate the agreement upon thirty-day written notice.

Financial Management Services – The City entered into an intergovernmental agreement effective December 2014 with the City of Damascus to provide professional financial management and information technology services to their Finance Department. The term of the agreement expires June 30, 2016 unless extended by both parties.

Public Safety 911/Communication Services – The City has an intergovernmental agreement with the City of Lake Oswego to provide public safety dispatch services for West Linn's Police Department. Pertinent terms of this agreement are as follows:

- An intergovernmental agreement was entered into in July 2011 for dispatch of public safety services and has been renewed through fiscal year 2015-16.
- Dispatch services include, but are not limited to 24-hour-per-day answering of emergency telephone lines (including 911 calls) for fire, police, and emergency medical service requests; radio communications with police personnel regarding emergency and routine police matters; and other dispatching services for law enforcement purposes.
- As part of this agreement, the State redirects the City's state-allocated 911 monies directly to the City of Lake Oswego to help offset the annual contract costs summarized below. These annual monies from the State average approximately $120,000 per fiscal year.
- Following is a summary of the annual contract costs going forward:

Fiscal Year	Annual Contract Amt
2015-16	$ 435,403

Contingencies

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

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 the previous fiscal year. Workers compensation claims are insured through incurred loss retrospective policies and the City is self-insured for unemployment compensation claims.

Settled claims have not exceeded coverage for any of the past three fiscal years. Claim liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been Incurred But Not Reported (IBNR). The result of the process to estimate the claims liability is not exact as it depends on many complex factors, such as, inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate.

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

	General and Property Damage
Liability - June 30, 2013	$ -
Claims incurred	26,868
Claims payments	(4,868)
Changes to prior year estimates	27,973
Liability - June 30, 2014	49,973
Claims incurred	65,586
Claims payments	(11,986)
Changes to prior year estimates	(24,949)
Liability - June 30, 2015	$ 78,624

Property Tax Limitation

The citizens of the State of Oregon approved the first property tax limitation in 1990 – Measure 5. This limitation divides property taxes into an education category and a non-education category. The tax rate in the education category was limited to $5 per thousand of real market value for fiscal year 1995-96 and thereafter. The non-education category was limited to $10 per thousand of real market value. Although all non-education taxes to the City currently do not exceed the $10 per thousand of property real market value limitation; this limitation may affect the availability of future tax revenues for the City.

A second property tax limitation was approved in November 1996 and later modified in May 1997 – Measures 47 and 50, respectively. This limitation set a maximum permanent tax rate for the City exclusive of bonded debt at $2.12 per thousand of assessed value. Assessed values can only grow by a maximum of 3 percent per year, exclusive of new construction and annexations.

Fund Balance Classification

In accordance with the requirements of GASB Statement 54, below are schedules of ending fund balances as of June 30, 2015:

	General Fund	Public Safety Fund	Parks and Recreation Fund	Library Fund	Street Fund	Systems Development Charges Fund	Total Nonmajor Funds	Total Governmental Funds
Non-spendable								
Prepaid expenditures	$ 188,685	$ -	$ -	$ -	$ -	$ -	$ -	$ 188,685
Library endowment	-	-	-	157,300	-	-	-	157,300
	188,685	-	-	157,300	-	-	-	345,985
Restricted								
Systems development	-	-	-	-	-	4,814,950	-	4,814,950
Debt service	-	-	-	-	-	-	204,191	204,191
Park improvements	-	-	-	-	-	-	91,287	91,287
	-	-	-	-	-	4,814,950	295,478	5,110,428
Committed								
Police services	-	936,573	-	-	-	-	-	936,573
Recreation services	-	-	969,892	-	-	-	-	969,892
Library services	-	-	-	542,413	-	-	-	542,413
Street services	-	-	-	-	1,944,102	-	-	1,944,102
Planning services	-	-	-	-	-	-	352,584	352,584
	-	936,573	969,892	542,413	1,944,102	-	352,584	4,745,564
Assigned	-	-	-	-	-	-	-	-
Unassigned	1,352,882	-	-	-	-	-	(174,525)	1,178,357
	$ 1,541,567	$ 936,573	$ 969,892	$ 699,713	$ 1,944,102	$ 4,814,950	$ 473,537	$11,380,334

Restatement – Adoption of New Accounting Pronouncement

In accordance with GASB Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27,* the City is now required to record its relative share of pension related amounts in its statement of net position and statement of activities.

This statement includes the definitions of balances to be included in deferred inflows and deferred outflows of resources. Those definitions include the following:

Net Pension Asset or Liability. Previous standards defined pension liabilities in terms of the annual required contribution. GASB Statement 68 defines the net pension asset or liability as the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service, net of the pension plan's fiduciary net position.

Deferred Inflows and Deferred Outflows of Resources Related to Pensions. GASB Statement 68 includes recognition of deferred inflows and deferred outflows of resources associated with the difference between projected and actual earnings on pension plan investments. These differences are to be recognized in pension expense using a systematic and rational method over a closed five-year period.

The City's net pension (asset)/liability, deferred inflows and outflows related to pensions, and pension expense have been determined on the basis reported by Oregon Public Employees Retirement System (OPERS) and are now reflected in the City's statement of net position and statement of activities for fiscal year ended June 30, 2015. This new guidance requires the restatement of the prior year net position.

Accordingly, in accordance with the requirements of GASB Statement 68, below are the restated balances of net position as of June 30, 2014:

		Business-type Activities			
	Governmental Activities	Water Fund	Environmental Services Fund	Business-type Activities	Total
Net position as of June 30, 2014 (as reported)	$231,063,244	$ 20,406,856	$ 22,324,451	$ 42,731,307	$273,794,551
Restatement of prior year net position for the					
cumulative effect of implementing GASB 68:					
Deferred outflows of resouces:					
Contributions during measurement period	747,361	57,251	33,612	90,863	838,224
Deferred inflows of resouces:					
Net pension liability	(5,609,488)	(429,708)	(252,289)	(681,997)	(6,291,485)
Investment in joint venture	-	(262,121)	-	(262,121)	(262,121)
Total restatement	(4,862,127)	(634,578)	(218,677)	(853,255)	(5,715,382)
Net position as of June 30, 2014 (restated)	$226,201,117	$ 19,772,278	$ 22,105,774	$ 41,878,052	$268,079,169

REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual

Schedule of Funding Progress

Schedule of the City's Proportionate Share of the Net Pension (Asset)/Liability

Schedule of City Pension Plan Contributions

Notes to Required Supplementary Information

Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual

(required supplementary information)

General Fund

Special Revenue Funds

Public Safety Fund
Parks and Recreation Fund
Library Fund
Street Fund

CITY OF WEST LINN, OREGON

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Budget for the 2014-2015 Biennium		Actual			
	Original	Final	1st Year FY 2013-14	2nd Year FY 2014-15	Total	Variance with Final Budget
REVENUES:						
Intergovernmental	$ 378,000	$ 378,000	$ 74,000	$ 119,375	$ 193,375	$ (184,625)
Fines and forfeitures	737,000	737,000	397,387	384,087	781,474	44,474
Licenses and permits	585,000	585,000	259,195	236,340	495,535	(89,465)
Investment earnings	10,000	10,000	6,737	14,477	21,214	11,214
Miscellaneous	206,000	206,000	70,106	67,954	138,060	(67,940)
TOTAL REVENUES	1,916,000	1,916,000	807,425	822,233	1,629,658	(286,342)
EXPENDITURES:						
City council	307,000	307,000	151,488	144,567	296,055	10,945
City management	2,054,000	2,054,000	950,047	1,032,696	1,982,743	71,257
Economic development	634,000	634,000	172,712	317,723	490,435	143,565
Human resources	868,000	868,000	424,615	435,016	859,631	8,369
Finance	2,014,000	2,014,000	777,478	1,220,676	1,998,154	15,846
Information technology	2,039,000	2,039,000	1,003,504	1,009,147	2,012,651	26,349
Municipal court	666,000	666,000	286,600	364,264	650,864	15,136
Facility services	1,037,000	1,037,000	472,269	544,766	1,017,035	19,965
Public works support services	2,192,000	2,192,000	905,993	1,048,894	1,954,887	237,113
Vehicle and equipment maintenance	804,000	804,000	304,029	311,744	615,773	188,227
Nondepartmental	1,156,000	1,156,000	571,887	548,334	1,120,221	35,779
Contingency	700,000	700,000	-	-	-	700,000
TOTAL EXPENDITURES	14,471,000	14,471,000	6,020,622	6,977,827	12,998,449	1,472,551
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(12,555,000)	(12,555,000)	(5,213,197)	(6,155,594)	(11,368,791)	1,186,209
OTHER FINANCING SOURCES (USES):						
Transfers from other funds	12,254,000	12,254,000	6,025,000	6,229,000	12,254,000	-
Transfers to other funds	(814,000)	(814,000)	(199,000)	(615,000)	(814,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	11,440,000	11,440,000	5,826,000	5,614,000	11,440,000	-
NET CHANGE IN FUND BALANCES	(1,115,000)	(1,115,000)	612,803	(541,594)	71,209	1,186,209
FUND BALANCES - beginning	1,578,000	1,578,000	1,470,358	2,083,161	1,470,358	(107,642)
FUND BALANCES - ending	$ 463,000	$ 463,000	$ 2,083,161	$ 1,541,567	$ 1,541,567	$ 1,078,567

CITY OF WEST LINN, OREGON

PUBLIC SAFETY FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Budget for the 2014-2015 Biennium		Actual			
	Original	Final	1st Year FY 2013-14	2nd Year FY 2014-15	Total	Variance with Final Budget
REVENUES:						
Property taxes	$ 8,141,000	$ 8,141,000	$ 4,171,571	$ 4,436,218	$ 8,607,789	$ 466,789
Intergovernmental	1,405,000	1,405,000	457,357	462,157	919,514	(485,486)
Franchise taxes	3,089,000	3,089,000	1,367,705	1,403,583	2,771,288	(317,712)
Fines and forfeitures	85,000	85,000	13,553	38,047	51,600	(33,400)
Licenses and permits	73,000	73,000	21,545	21,870	43,415	(29,585)
Miscellaneous	115,000	115,000	17,958	8,644	26,602	(88,398)
TOTAL REVENUES	12,908,000	12,908,000	6,049,689	6,370,519	12,420,208	(487,792)
EXPENDITURES:						
Personnel services	8,918,000	8,918,000	4,107,494	4,307,819	8,415,313	502,687
Materials and services	1,615,000	1,615,000	642,244	707,144	1,349,388	265,612
Capital outlay	6,537,000	6,537,000	4,812,414	1,684,028	6,496,442	40,558
Contingency	820,000	820,000	-	-	-	820,000
TOTAL EXPENDITURES	17,890,000	17,890,000	9,562,152	6,698,991	16,261,143	1,628,857
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(4,982,000)	(4,982,000)	(3,512,463)	(328,472)	(3,840,935)	1,141,065
OTHER FINANCING SOURCES (USES):						
Transfers from other funds	365,000	365,000	-	365,000	365,000	-
Transfers to other funds	(2,862,000)	(2,862,000)	(1,410,000)	(1,452,000)	(2,862,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(2,497,000)	(2,497,000)	(1,410,000)	(1,087,000)	(2,497,000)	-
NET CHANGE IN FUND BALANCES	(7,479,000)	(7,479,000)	(4,922,463)	(1,415,472)	(6,337,935)	1,141,065
FUND BALANCES - beginning	7,735,000	7,735,000	7,274,508	2,352,045	7,274,508	(460,492)
FUND BALANCES - ending	$ 256,000	$ 256,000	$ 2,352,045	$ 936,573	$ 936,573	$ 680,573

CITY OF WEST LINN, OREGON

PARKS AND RECREATION FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Budget for the 2014-2015 Biennium		Actual			
	Original	Final	1st Year FY 2013-14	2nd Year FY 2014-15	Total	Variance with Final Budget
REVENUES:						
Property taxes	$ 2,489,000	$ 2,489,000	$ 1,374,254	$ 1,587,245	$ 2,961,499	$ 472,499
Intergovernmental	1,791,000	1,791,000	93,259	-	93,259	(1,697,741)
Charges for services	4,084,000	4,084,000	1,938,105	1,995,053	3,933,158	(150,842)
Miscellaneous	57,000	57,000	9,730	84,402	94,132	37,132
TOTAL REVENUES	8,421,000	8,421,000	3,415,348	3,666,700	7,082,048	(1,338,952)
EXPENDITURES:						
Personnel services	3,357,000	3,357,000	1,388,757	1,478,614	2,867,371	489,629
Materials and services	1,569,000	1,569,000	745,885	812,736	1,558,621	10,379
Debt service:						
Principal	41,000	41,000	20,000	21,000	41,000	-
Interest	35,000	35,000	17,764	16,823	34,587	413
Capital outlay	1,550,000	1,550,000	27,796	305,762	333,558	1,216,442
Contingency	390,000	390,000	-	-	-	390,000
TOTAL EXPENDITURES	6,942,000	6,942,000	2,200,202	2,634,935	4,835,137	2,106,863
EXCESS OF REVENUES OVER EXPENDITURES	1,479,000	1,479,000	1,215,146	1,031,765	2,246,911	767,911
OTHER FINANCING SOURCES (USES):						
Transfers to other funds	(1,842,000)	(1,842,000)	(901,000)	(941,000)	(1,842,000)	-
Proceeds from sale of capital assets	-	-	191,947	14,500	206,447	206,447
TOTAL OTHER FINANCING SOURCES (USES)	(1,842,000)	(1,842,000)	(709,053)	(926,500)	(1,635,553)	206,447
NET CHANGE IN FUND BALANCES	(363,000)	(363,000)	506,093	105,265	611,358	974,358
FUND BALANCES - beginning	475,000	475,000	358,534	864,627	358,534	(116,466)
FUND BALANCES - ending	$ 112,000	$ 112,000	$ 864,627	$ 969,892	$ 969,892	$ 857,892

CITY OF WEST LINN, OREGON

LIBRARY FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Budget for the 2014-2015 Biennium		Actual			
	Original	Final	1st Year FY 2013-14	2nd Year FY 2014-15	Total	Variance with Final Budget
REVENUES:						
Property taxes	$ 2,191,000	$ 2,191,000	$ 922,315	$ 697,418	$ 1,619,733	$ (571,267)
Intergovernmental	2,679,000	2,679,000	1,360,438	1,458,962	2,819,400	140,400
Fines and forfeitures	134,000	134,000	67,254	60,666	127,920	(6,080)
Miscellaneous	28,000	28,000	29,799	17,979	47,778	19,778
TOTAL REVENUES	5,032,000	5,032,000	2,379,806	2,235,025	4,614,831	(417,169)
EXPENDITURES:						
Personnel services	2,732,000	2,732,000	1,169,118	1,191,825	2,360,943	371,057
Materials and services	441,000	441,000	170,917	210,574	381,491	59,509
Capital outlay	607,000	607,000	353,413	15,181	368,594	238,406
Contingency	245,000	245,000	-	-	-	245,000
TOTAL EXPENDITURES	4,025,000	4,025,000	1,693,448	1,417,580	3,111,028	913,972
EXCESS OF REVENUES OVER EXPENDITURES	1,007,000	1,007,000	686,358	817,445	1,503,803	496,803
OTHER FINANCING USES:						
Transfers to other funds	(1,578,000)	(1,578,000)	(774,000)	(804,000)	(1,578,000)	-
NET CHANGE IN FUND BALANCES	(571,000)	(571,000)	(87,642)	13,445	(74,197)	496,803
FUND BALANCES - beginning	651,000	651,000	773,910	686,268	773,910	122,910
FUND BALANCES - ending	$ 80,000	$ 80,000	$ 686,268	$ 699,713	$ 699,713	$ 619,713

CITY OF WEST LINN, OREGON

STREET FUND

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Budget for the 2014-2015 Biennium		Actual			
	Original	Final	1st Year FY 2013-14	2nd Year FY 2014-15	Total	Variance with Final Budget
REVENUES:						
Intergovernmental	$ 2,842,000	$ 2,842,000	$ 1,451,422	$ 1,472,249	$ 2,923,671	$ 81,671
Franchise taxes	248,000	248,000	116,428	121,659	238,087	(9,913)
Charges for services	1,941,000	2,841,000	1,350,783	1,522,168	2,872,951	31,951
Miscellaneous	105,000	105,000	197,762	112,042	309,804	204,804
TOTAL REVENUES	5,136,000	6,036,000	3,116,395	3,228,118	6,344,513	308,513
EXPENDITURES:						
Personnel services	1,187,000	1,187,000	518,851	539,490	1,058,341	128,659
Materials and services	1,024,000	1,024,000	439,122	472,858	911,980	112,020
Debt service:						
Principal	168,000	168,000	83,000	85,000	168,000	-
Interest	136,000	136,000	68,000	66,000	134,000	2,000
Capital outlay	2,193,000	3,093,000	1,054,624	1,945,490	3,000,114	92,886
Contingency	600,000	600,000	-	-	-	600,000
TOTAL EXPENDITURES	5,308,000	6,208,000	2,163,597	3,108,838	5,272,435	935,565
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(172,000)	(172,000)	952,798	119,280	1,072,078	1,244,078
OTHER FINANCING USES:						
Transfers to other funds	(1,343,000)	(1,343,000)	(660,000)	(683,000)	(1,343,000)	-
NET CHANGE IN FUND BALANCES	(1,515,000)	(1,515,000)	292,798	(563,720)	(270,922)	1,244,078
FUND BALANCES - beginning	2,067,000	2,067,000	2,215,024	2,507,822	2,215,024	148,024
FUND BALANCES - ending	$ 552,000	$ 552,000	$ 2,507,822	$ 1,944,102	$ 1,944,102	$ 1,392,102

CITY OF WEST LINN, OREGON

Schedule of Funding Progress

for the last ten fiscal years

Other Postemployment Benefits Plan (OPEB)

Actuarial valuation date [1]	Actuarial value of assets	Actuarial accrued liability	Unfunded actuarial accrued liability	Funded ratio	Covered payroll	Unfunded actuarial accrued liability as a percent of covered payroll
8/1/2005	$ -	$ -	$ -	- %	$ -	- %
8/1/2006 [2]	-	1,449,903	1,449,903	-	6,684,000	22
8/1/2007	-	-	-	-	-	-
8/1/2008 [3]	-	1,422,086	1,422,086	-	7,622,000	19
8/1/2009	-	-	-	-	-	-
8/1/2010 [4]	-	1,535,710	1,535,710	-	8,092,000	19
8/1/2011	-	-	-	-	-	-
8/1/2012 [5]	-	1,444,381	1,444,381	-	8,652,000	17
8/1/2013	-	-	-	-	-	-
8/1/2014 [6]	-	1,364,421	1,364,421	-	8,275,000	16

[1] Actuarial valuations are performed every two years, and therefore, results are unavailable for odd-numbered years.

[2] Effective with 8/1/2006 valuation, the trend in health care costs was changed to 10% and declining thereafter.

[3] Effective with 8/1/2008 valuation, the trend in health care costs was changed to 8% and declining thereafter, and the future retiree coverage was decreased to 70%.

[4] Effective with 8/1/2010 valuation, the trend in health care costs was changed to 8.50% and declining thereafter, and the lapse rate assumption changed to 4% probability and future retiree coverage was decreased to 65%.

[5] Effective with 8/1/2012 valuation, the trend in health care costs was changed to 7.25% and declining thereafter, and the discount rate was decreased to 3.50% and future retiree coverage was decreased to 55%.

[6] Effective with 8/1/2014 valuation, the trend in health care costs was changed to 5.75% and declining thereafter, and the lapse rate assumption changed to 5% probability of dropping coverage per year.

CITY OF WEST LINN, OREGON

Schedule of the City's Proportionate Share of the Net Pension (Asset)/Liability

for the last ten fiscal years

Oregon Public Employee Retirement Pension Plan (OPERS)

Fiscal year ended	City's proportion of the net pension (asset)/liability	City's proportionate share of the net pension (asset)/liability	City's covered employee payroll	City's proportionate share of the net pension (asset)/liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension (asset)/liability
2006 [1]	- %	$ -	$ 6,342,000	- %	- %
2007 [1]	-	-	6,684,000	-	-
2008 [1]	-	-	7,153,000	-	-
2009 [1]	-	-	7,622,000	-	-
2010 [1]	-	-	7,897,000	-	-
2011 [1]	-	-	8,092,000	-	-
2012 [1]	-	-	8,240,000	-	-
2013 [1]	-	-	8,652,000	-	-
2014 [2]	0.12328639	6,291,000	8,085,000	77.81	n/a
2015 [2]	0.12328639	(2,794,000)	8,275,000	(33.76)	103.590

[1] Actuarial information for these earlier fiscal years is not available.

[2] Actuarial information for these fiscal years was provided by the actuary for OPERS.

CITY OF WEST LINN, OREGON

Schedule of City Pension Plan Contributions

for the last ten fiscal years

Oregon Public Employee Retirement Pension Plan (OPERS)

Fiscal year ended	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency/ (excess)	City's covered employee payroll	Contributions as a percentage of of covered employee payroll
2006 [1]	$ 1,116,000	$ (1,116,000)	$ -	$ 6,342,000	17.60 %
2007 [1]	1,108,000	(1,108,000)	-	6,684,000	16.58
2008 [1]	947,000	(947,000)	-	7,153,000	13.24
2009 [1]	1,085,000	(1,085,000)	-	7,622,000	14.24
2010 [1]	816,000	(816,000)	-	7,897,000	10.33
2011 [1]	846,000	(846,000)	-	8,092,000	10.45
2012 [1]	991,000	(991,000)	-	8,240,000	12.03
2013 [1]	1,049,000	(1,049,000)	-	8,652,000	12.12
2014 [2]	838,224	(838,224)	-	8,085,000	10.37
2015 [2]	892,780	(892,780)	-	8,275,000	10.79

[1] Actuarial information for these fiscal years was determined by the City.

[2] Actuarial information for these fiscal years was provided by the actuary for OPERS.

Required Supplementary Information includes budgetary comparisons for the general fund, public safety fund, parks and recreation fund, library fund, and street fund. The budgetary comparison information for all other funds can be found in Other Supplementary Information which follows this section.

1. Budgetary Information

Municipal budgets are adopted on a basis consistent with Oregon Revised Statutes (ORS 294 – Local Budget Law). The City Manager is responsible for submitting a proposed budget to the Citizens' Budget Committee comprised of the City Council and an equal number of citizens of the City. The City is required to prepare a budget for each fund that is balanced in accordance with Oregon Revised Statutes. Each fund is budgeted on the modified accrual basis of accounting.

The Citizens' Budget Committee conducts public hearings for the purpose of obtaining citizens' comments, and then approves a budget and submits it to the City Council for final adoption. The approved expenditures for each fund may not be increased by more than 10 percent by Council without returning to the Citizens' Budget Committee for a second approval. After the Council adopts the budget and certifies the total ad valorem taxes to be levied, no additional tax levy may be made for that budget period.

The City Council legally adopts the budget by resolution before July 1. The resolution establishes appropriations for each fund and sets the level by which expenditures cannot legally exceed appropriations. In the general fund, the levels of budgetary control established by resolution are set at the department level. For all other funds, the levels of budgetary control are personnel services, materials and services, debt service, transfers, capital outlay and contingency. Appropriations lapse at the end of the biennium for goods or services not yet received.

The City Council may modify the budget by transferring appropriations between levels of control and by adopting supplemental budgets. Unexpected additional resources may be added to the budget through the use of a supplemental budget. Some supplemental budgets require hearings before the public, publications in newspapers and approval by the City Council. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the City Council. For the 2014-2015 biennium, there was one supplemental budget adjustment revising appropriations through June 30, 2015, which was adopted by City Council on April 13, 2015.

Over Expenditure

For the biennium ended June 30, 2015, there was one budget appropriation category which had excess expenditures over appropriations. This budget category included the design and reconstruction of the Bolton Reservoir which received a supplemental budget adjustment in April 2015; however, this budget adjustment underestimated the actual expenditures though June 2015:

	Appropriation	Actual Expenditures	Over Appropriation
Water fund - capital outlay	$2,876,000	$2,997,831	($121,831)

Change of Benefit Terms – Pension.

Senate Bill 822, signed into law in May 2013, eliminated the SB 656/HB 3349 tax remedy payments for benefit recipients who are not subject to Oregon income tax, because they do not reside in Oregon, and limited the 2013 post-retirement COLA to 1.5% of annual benefit.

Senate Bill 861, signed into law in October 2013, limited the post-retirement COLA for years beyond 2013 to 1.25% on the first $60,000 of annual benefit and 0.15% on annual benefits above $60,000.

Senate Bill 862, signed into law in October 2013, makes targeted changes such as allowing garnishment of PERS benefits for convicted felons. These changes do not significantly affect system liabilities and were not reflected in the valuation.

Pursuant to GASB Statement 67 and 68, the total pension asset or liability must be calculated based on the benefit terms legally in effect as of the relevant fiscal year-end for the plan. Due to the timing of the benefit changes, this means only Senate Bill 822 is reflected in the June 30, 2013 total pension liability, but that the combined effects of Senate Bills 822 and 861 are reflected in the June 30, 2014 total pension asset. The decrease in the total pension liability resulting from Senate Bill 861, measured as of June 30, 2014, created a ($2,423.6) million reduction in OPERS overall pension liabilities.

In April 2015, the Oregon Supreme Court overturned certain pieces of the 2013 Senate Bills summarized above relating to the Public Employees Retirement System. The exact effect of which cannot be estimated at this time, but will be reflected in higher employer contributions rates effective July 1, 2017.

Change of Assumptions – Pension.

Below is a summary of key assumption changes implemented with the December 31, 2012 valuation utilized in the pension amounts reported for fiscal year ended June 30, 2015. Additional detail and a comprehensive list of changes in methods and assumptions can be found at: http://www.oregon.gov/pers/docs/2012%20Exp%20Study%20Updated.pdf

Changes in Actuarial Methods and Allocation Procedures
The Actuarial Cost Method was changed from the Projected Unit Credit (PUC) Cost Method to the Entry Age Normal (EAN) Cost Method.

Tier 1/Tier 2 UAL Amortization
In combination with the change in cost method, the PERS Board chose to re-amortize the outstanding Tier 1/Tier 2 UAL as of December 31, 2013 over a closed period of 20 years as a level percentage of projected payroll. Gains and losses between subsequent rate-setting valuations will be amortized over a closed 20 year period from the valuation in which they are first recognized.

Contribution Rate Stabilization Method
The “grade-in range” over which the rate collar gradually doubles was modified so that the collar doubles as funded status (excluding side accounts) decreases from 70% to 60% or increases from 130% to 140%. Previously the ranges had been 80% to 70% and 120% to 130%.

Changes in Economic Assumptions
The assumed investment return and interest crediting to both regular and variable account balances was reduced to 7.75%. Previously, the assumed investment return and interest crediting to regular account balances was 8.00% and the assumed interest crediting to variable account balances was 8.25%.

OPSRP Administrative Expenses

Assumed administrative expenses for the OPSRP System were reduced from $6.6 million per year to $5.5 million per year.

Healthcare Cost Inflation

The healthcare cost inflation for the maximum Retiree Health Insurance Premium Account (RHIPA) subsidy was updated based on analysis performed by healthcare actuaries. This analysis includes the consideration of the excise tax that will be introduced in 2018 by the Patient Protection and Affordable Care Act.

Changes in Demographic Assumptions

The healthy mortality assumption is based on the RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match recently observed system experience.

Disabled Mortality

The disabled mortality assumption base was changed from the RP2000 healthy tables to the RP2000 disabled tables. Gender-specific adjustments were applied to align the assumption with recently observed system experience.

Disability, Retirement from Active Status, and Termination

Rates for disability, retirement from active status, and termination were adjusted. Termination rates were changed from being indexed upon age to being indexed upon duration from hire date.

Changes in Salary Increase Assumptions

Assumed merit increases were lowered for School District members. Unused Sick Leave and Vacation Pay rates were adjusted.

Retiree Healthcare Participation

The Retiree Health Insurance Account (RHIA) participation rate for healthy retirees was reduced from 48% to 45%. The RHIPA participation rate was changed from a uniform rate of 13% to a service-based table of rates.

SUPPLEMENTARY INFORMATION

Combining and Individual Fund Financial Statements and Schedules

Combining and Individual Fund Financial Statements and Schedules

For Major and Nonmajor Governmental Funds

MAJOR

Capital Projects Fund

Systems Development Charges Fund – accounts for the receipt and expenditure of systems development charges (SDCs) dedicated to streets, surface water, water, sewer, parks, and bike/pedestrian.

NONMAJOR

Special Revenue Funds

These nonmajor funds are used to account for specific revenues that are legally restricted or committed to expenditure of a particular purpose.

Building Inspections Fund – accounts for the City's building inspection activities. The primary revenue source is license and permit fees.

Planning Fund – accounts for the City's planning activities. Primary revenue sources are license and permit fees, intergovernmental revenues, franchise taxes, and charges for services.

Debt Service Fund

Debt Service Fund – accounts for the payment of general obligation bond principal and interest. The principal source of revenue is property taxes, which for general obligation debt is exempt from tax limitation.

Capital Projects Fund

Park Bond Construction Fund – accounts for the voter-approved general obligation bond funds for the acquisition of land and construction of park facilities.

CITY OF WEST LINN, OREGON

MAJOR GOVERNMENTAL FUND - CAPITAL PROJECTS
SYSTEMS DEVELOPMENT CHARGES FUND

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Budget for the 2014-2015 Biennium		1st Year Actual
	Original	Final	FY 2013-14
REVENUES:			
Systems development charges:			
Street - systems development charges	$ 406,000	$ 406,000	$ 239,621
Surface water - systems development charges	21,000	21,000	10,918
Water - systems development charges	467,000	467,000	402,150
Sewer - systems development charges	203,000	203,000	119,979
Parks - systems development charges	609,000	609,000	432,459
Bike/Pedestrian - systems development charges	51,000	51,000	72,945
Investment earnings	10,000	10,000	775
TOTAL REVENUES	1,767,000	1,767,000	1,278,847
EXPENDITURES:			
Materials and services	300,000	300,000	1,213
Capital outlay	3,349,000	3,349,000	477,131
Contingency	1,740,000	1,740,000	-
TOTAL EXPENDITURES	5,389,000	5,389,000	478,344
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,622,000)	(3,622,000)	800,503
OTHER FINANCING USES:			
Transfers to other funds	(200,000)	(200,000)	(41,490)
NET CHANGE IN FUND BALANCES	(3,822,000)	(3,822,000)	759,013
FUND BALANCES - beginning	5,413,000	5,413,000	5,969,318
FUND BALANCES - ending	$ 1,591,000	$ 1,591,000	$ 6,728,331

Continued on next page

2nd Year Actual FY 2014-15							Actual	
Street	Surface Water	Water	Sewer	Parks	Bike/ Pedestrian	Total	Total Biennium	Variance with Final Budget
$ 121,931	$ -	$ -	$ -	$ -	$ -	$ 121,931	$ 361,552	$ (44,448)
-	91,844	-	-	-	-	91,844	102,762	81,762
-	-	131,811	-	-	-	131,811	533,961	66,961
-	-	-	66,518	-	-	66,518	186,497	(16,503)
-	-	-	-	213,252	-	213,252	645,711	36,711
-	-	-	-	-	22,260	22,260	95,205	44,205
449	-	-	344	-	-	793	1,568	(8,432)
122,380	91,844	131,811	66,862	213,252	22,260	648,409	1,927,256	160,256
54,852	566	771	1,098	691	378	58,356	59,569	240,431
802,343	-	1,537,831	-	58,589	12,772	2,411,535	2,888,666	460,334
-	-	-	-	-	-	-	-	1,740,000
857,195	566	1,538,602	1,098	59,280	13,150	2,469,891	2,948,235	2,440,765
(734,815)	91,278	(1,406,791)	65,764	153,972	9,110	(1,821,482)	(1,020,979)	2,601,021
(91,899)	-	-	-	-	-	(91,899)	(133,389)	66,611
(826,714)	91,278	(1,406,791)	65,764	153,972	9,110	(1,913,381)	(1,154,368)	2,667,632
1,292,293	687,530	2,118,925	1,363,475	796,450	469,658	6,728,331	5,969,318	556,318
$ 465,579	$ 778,808	$ 712,134	$ 1,429,239	$ 950,422	$ 478,768	$ 4,814,950	$ 4,814,950	$ 3,223,950

Continued from previous page

CITY OF WEST LINN, OREGON

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2015

	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
ASSETS:				
Cash and investments	$ 265,049	$ -	$ -	$ 265,049
Restricted cash and investments	-	192,184	94,067	286,251
Property taxes receivable	-	82,455	-	82,455
Accounts receivable	107,556	-	-	107,556
TOTAL ASSETS	$ 372,605	$ 274,639	$ 94,067	$ 741,311
LIABILITIES:				
Accounts payable	$ 159,055	$ -	$ 2,780	$ 161,835
Accrued salaries and payroll taxes	33,991	-	-	33,991
Deposits payable	1,500	-	-	1,500
TOTAL LIABILITIES	194,546	-	2,780	197,326
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - property taxes	-	70,448	-	70,448
FUND BALANCES:				
Restricted	-	204,191	91,287	295,478
Committed	352,584	-	-	352,584
Unassigned	(174,525)	-	-	(174,525)
TOTAL FUND BALANCES	178,059	204,191	91,287	473,537
TOTAL LIABILITIES AND FUND BALANCES	$ 372,605	$ 274,639	$ 94,067	$ 741,311

CITY OF WEST LINN, OREGON

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
REVENUES:				
Property taxes	$ -	$ 1,395,113	$ -	$ 1,395,113
Intergovernmental	445,861	-	-	445,861
Franchise taxes	196,518	-	-	196,518
Licenses and permits	567,883	-	-	567,883
Charges for services	429,899	-	-	429,899
Miscellaneous	5,513	-	-	5,513
TOTAL REVENUES	1,645,674	1,395,113	-	3,040,787
EXPENDITURES:				
Current:				
General government	845,306	-	-	845,306
Public safety	717,786	-	-	717,786
Debt service:				
Principal	-	1,030,000	-	1,030,000
Interest	-	324,463	-	324,463
Capital outlay	-	-	25,108	25,108
TOTAL EXPENDITURES	1,563,092	1,354,463	25,108	2,942,663
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND NET CHANGE IN FUND BALANCES	82,582	40,650	(25,108)	98,124
FUND BALANCES - beginning	95,477	163,541	116,395	375,413
FUND BALANCES - ending	$ 178,059	$ 204,191	$ 91,287	$ 473,537

CITY OF WEST LINN, OREGON

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2015

	Building Inspections Fund	Planning Fund	Total
ASSETS:			
Cash and investments	$ -	$ 265,049	$ 265,049
Accounts receivable	-	107,556	107,556
TOTAL ASSETS	$ -	$ 372,605	$ 372,605
LIABILITIES:			
Accounts payable	$ 157,455	$ 1,600	$ 159,055
Accrued salaries and payroll taxes	15,570	18,421	33,991
Deposits payable	1,500	-	1,500
TOTAL LIABILITIES	174,525	20,021	194,546
FUND BALANCES:			
Committed	-	352,584	352,584
Unassigned	(174,525)	-	(174,525)
TOTAL FUND BALANCES (DEFICIT)	(174,525)	352,584	178,059
TOTAL LIABILITIES AND FUND BALANCES	$ -	$ 372,605	$ 372,605

CITY OF WEST LINN, OREGON

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Building Inspections Fund	Planning Fund	Total
REVENUES:			
Intergovernmental	$ -	$ 445,861	$ 445,861
Franchise taxes	-	196,518	196,518
Licenses and permits	472,306	95,577	567,883
Charges for services	-	429,899	429,899
Miscellaneous	-	5,513	5,513
TOTAL REVENUES	472,306	1,173,368	1,645,674
EXPENDITURES:			
Current:			
General government	-	845,306	845,306
Public safety	717,786	-	717,786
TOTAL EXPENDITURES	717,786	845,306	1,563,092
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND NET CHANGE IN FUND BALANCES	(245,480)	328,062	82,582
FUND BALANCES - beginning	70,955	24,522	95,477
FUND BALANCES (DEFICIT) - ending	$ (174,525)	$ 352,584	$ 178,059

CITY OF WEST LINN, OREGON

BUILDING INSPECTIONS FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT) - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Budget for the 2014-2015 Biennium		Actual			
	Original	Final	1st Year FY 2013-14	2nd Year FY 2014-15	Total	Variance with Final Budget
REVENUES:						
Licenses and permits	$ 1,418,000	$ 1,418,000	$ 629,054	$ 472,306	$ 1,101,360	$ (316,640)
Miscellaneous	2,000	2,000	-	-	-	(2,000)
TOTAL REVENUES	1,420,000	1,420,000	629,054	472,306	1,101,360	(318,640)
EXPENDITURES:						
Personnel services	843,000	843,000	371,511	387,101	758,612	84,388
Materials and services	93,000	93,000	16,291	15,685	31,976	61,024
Contingency	50,000	50,000	-	-	-	50,000
TOTAL EXPENDITURES	986,000	986,000	387,802	402,786	790,588	195,412
EXCESS OF REVENUES OVER EXPENDITURES	434,000	434,000	241,252	69,520	310,772	(123,228)
OTHER FINANCING USES:						
Transfers to other funds	(619,000)	(619,000)	(304,000)	(315,000)	(619,000)	-
NET CHANGE IN FUND BALANCES	(185,000)	(185,000)	(62,748)	(245,480)	(308,228)	(123,228)
FUND BALANCES - beginning	233,000	233,000	133,703	70,955	133,703	(99,297)
FUND BALANCES (DEFICIT) - ending	$ 48,000	$ 48,000	$ 70,955	$ (174,525)	$ (174,525)	$ (222,525)

CITY OF WEST LINN, OREGON

PLANNING FUND

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICIT) - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Budget for the 2014-2015 Biennium		Actual			
	Original	Final	1st Year FY 2013-14	2nd Year FY 2014-15	Total	Variance with Final Budget
REVENUES:						
Intergovernmental	$ 653,000	$ 653,000	$ 279,742	$ 445,861	$ 725,603	$ 72,603
Franchise taxes	398,000	398,000	198,426	196,518	394,944	(3,056)
Licenses and permits	431,000	431,000	196,643	95,577	292,220	(138,780)
Miscellaneous	2,000	2,000	11,794	5,513	17,307	15,307
TOTAL REVENUES	1,484,000	1,484,000	686,605	743,469	1,430,074	(53,926)
EXPENDITURES:						
Personnel services	1,157,000	1,157,000	507,844	460,641	968,485	188,515
Material and services	382,000	382,000	151,884	110,665	262,549	119,451
Contingency	80,000	80,000	-	-	-	80,000
TOTAL EXPENDITURES	1,619,000	1,619,000	659,728	571,306	1,231,034	387,966
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(135,000)	(135,000)	26,877	172,163	199,040	334,040
OTHER FINANCING SOURCES (USES):						
Transfers from other funds	823,000	823,000	326,490	429,899	756,389	(66,611)
Transfers to other funds	(539,000)	(539,000)	(265,000)	(274,000)	(539,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	284,000	284,000	61,490	155,899	217,389	(66,611)
NET CHANGE IN FUND BALANCES	149,000	149,000	88,367	328,062	416,429	267,429
FUND BALANCES (DEFICIT) - beginning	(127,000)	(127,000)	(63,845)	24,522	(63,845)	63,155
FUND BALANCES - ending	$ 22,000	$ 22,000	$ 24,522	$ 352,584	$ 352,584	$ 330,584

CITY OF WEST LINN, OREGON

DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Budget for the 2014-2015 Biennium		Actual			
	Original	Final	1st Year FY 2013-14	2nd Year FY 2014-15	Total	Variance with Final Budget
REVENUES:						
Property taxes	$ 2,781,000	$ 2,781,000	$ 1,406,964	$ 1,395,113	$ 2,802,077	$ 21,077
EXPENDITURES:						
Debt service:						
Principal	2,005,000	2,005,000	975,000	1,030,000	2,005,000	-
Interest	677,000	677,000	349,113	324,463	673,576	3,424
TOTAL EXPENDITURES	2,682,000	2,682,000	1,324,113	1,354,463	2,678,576	3,424
EXCESS OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCES	99,000	99,000	82,851	40,650	123,501	24,501
FUND BALANCES - beginning	37,000	37,000	80,690	163,541	80,690	43,690
FUND BALANCES - ending	$ 136,000	$ 136,000	$ 163,541	$ 204,191	$ 204,191	$ 68,191

CITY OF WEST LINN, OREGON

PARK BOND CONSTRUCTION FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Budget for the 2014-2015 Biennium		Actual			
	Original	Final	1st Year FY 2013-14	2nd Year FY 2014-15	Total	Variance with Final Budget
EXPENDITURES:						
Capital outlay	$ 131,000	$ 131,000	$ 9,536	$ 25,108	$ 34,644	$ 96,356
DEFICIENCY OF REVENUES UNDER EXPENDITURES AND NET CHANGE IN FUND BALANCE	(131,000)	(131,000)	(9,536)	(25,108)	(34,644)	96,356
FUND BALANCES - beginning	131,000	131,000	125,931	116,395	125,931	(5,069)
FUND BALANCES - ending	$ -	$ -	$ 116,395	$ 91,287	$ 91,287	$ 91,287

INDIVIDUAL FUND FINANCIAL SCHEDULES

Proprietary Funds

Proprietary Funds

These funds account for operations of the City's enterprise activities. All proprietary funds are major funds of the City.

Water Fund – accounts for the City's water utility operations including maintenance and operations. All water related revenues and expenditures, including capital replacement, are included in this fund.

Environmental Services Fund – accounts for the City's sewer and surface water operations. It includes the maintenance and operations of sewer and surface water infrastructure.

CITY OF WEST LINN, OREGON

WATER FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Budget for the 2014-2015 Biennium		Actual			
	Original	Final	1st Year FY 2013-14	2nd Year FY 2014-15	Total	Variance with Final Budget
REVENUES:						
Water charges	$ 6,857,000	$ 6,857,000	$ 3,592,104	$ 4,065,177	$ 7,657,281	$ 800,281
Intergovernmental	-	1,900,000	5,428,771	-	5,428,771	3,528,771
Systems development charges	-	-	40,239	18,907	59,146	59,146
Miscellaneous	85,000	85,000	58,586	81,053	139,639	54,639
TOTAL REVENUES	6,942,000	8,842,000	9,119,700	4,165,137	13,284,837	4,442,837
EXPENDITURES:						
Personnel services	1,255,000	1,255,000	521,293	546,183	1,067,476	187,524
Materials and services	3,245,000	3,245,000	1,436,501	1,605,976	3,042,477	202,523
Debt service	304,000	304,000	149,694	153,944	303,638	362
Capital outlay	976,000	2,876,000	732,680	2,265,151	2,997,831	(121,831)
Contingency	300,000	300,000	-	-	-	300,000
TOTAL EXPENDITURES	6,080,000	7,980,000	2,840,168	4,571,254	7,411,422	568,578
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	862,000	862,000	6,279,532	(406,117)	5,873,415	5,011,415
OTHER FINANCING SOURCES (USES):						
Proceeds from sale of capital assets	-	-	-	236,120	236,120	236,120
Transfers to other funds	(1,433,000)	(1,433,000)	(703,000)	(730,000)	(1,433,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,433,000)	(1,433,000)	(703,000)	(493,880)	(1,196,880)	236,120
NET CHANGE IN FUND BALANCES	(571,000)	(571,000)	5,576,532	(899,997)	4,676,535	5,011,415
FUND BALANCES - beginning	996,000	996,000	1,431,858	7,008,390	1,431,858	435,858
FUND BALANCES - ending	$ 425,000	$ 425,000	$ 7,008,390	6,108,393	$ 6,108,393	$ 5,447,273

RECONCILIATION TO NET POSITION - GAAP BASIS:	
Adjustment for net pension asset being accrued	190,868
Adjustment for deferred outflows of resources being accrued	60,977
Adjustment for compensated absences being accrued	(66,754)
Adjustment for OPEB liability being accrued	(79,750)
Adjustment for deferred inflows of resources being accrued	(384,575)
Adjustment for interest payable being accrued	(11,481)
Adjustment for capital assets not being depreciated	2,074,530
Adjustment for capital assets, net of accumulated depreciation	12,385,779
Adjustment for investment in joint venture	8,624,064
Adjustment for bonds payable - due within one year	(110,000)
Adjustment for long term bonds payable	(660,000)
NET POSITION - GAAP BASIS	$ 28,132,051

CITY OF WEST LINN, OREGON

ENVIRONMENTAL SERVICES FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Budget for the 2014-2015 Biennium		Actual			
	Original	Final	1st Year FY 2013-14	2nd Year FY 2014-15	Total	Variance with Final Budget
REVENUES:						
Sewer charges	$ 4,375,000	$ 4,375,000	$ 2,041,382	$ 2,067,222	$ 4,108,604	$ (266,396)
Surface water charges	1,507,000	1,507,000	744,405	775,191	1,519,596	12,596
Systems development charges	164,000	164,000	97,309	35,633	132,942	(31,058)
Miscellaneous	107,000	107,000	112,347	74,997	187,344	80,344
TOTAL REVENUES	6,153,000	6,153,000	2,995,443	2,953,043	5,948,486	(204,514)
EXPENDITURES:						
Personnel services	1,518,000	1,518,000	635,874	659,188	1,295,062	222,938
Materials and services	752,000	752,000	250,435	269,850	520,285	231,715
Capital outlay	3,158,000	3,158,000	1,002,102	1,330,899	2,333,001	824,999
Contingency	750,000	750,000	-	-	-	750,000
TOTAL EXPENDITURES	6,178,000	6,178,000	1,888,411	2,259,937	4,148,348	2,029,652
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(25,000)	(25,000)	1,107,032	693,106	1,800,138	1,825,138
OTHER FINANCING USES:						
Transfers to other funds	(2,212,000)	(2,212,000)	(1,094,000)	(1,118,000)	(2,212,000)	-
NET CHANGE IN FUND BALANCES	(2,237,000)	(2,237,000)	13,032	(424,894)	(411,862)	1,825,138
FUND BALANCES - beginning	3,349,000	3,349,000	3,441,713	3,454,745	3,441,713	92,713
FUND BALANCES - ending	$ 1,112,000	$ 1,112,000	$ 3,454,745	3,029,851	$ 3,029,851	$ 1,917,851

RECONCILIATION TO NET POSITION - GAAP BASIS:	
Adjustment for net pension asset being accrued	112,061
Adjustment for deferred outflows of resources being accrued	35,800
Adjustment for compensated absences being accrued	(39,260)
Adjustment for OPEB liability being accrued	(46,822)
Adjustment for deferred inflows of resources being accrued	(225,791)
Adjustment for capital assets not being depreciated	1,103,205
Adjustment for capital assets, net of accumulated depreciation	18,625,251
NET POSITION - GAAP BASIS	$ 22,594,295

OTHER FINANCIAL SCHEDULES

Schedule of Future Debt Service Requirements

Schedule of Property Tax Transactions and Outstanding Balances

Schedule of Accountability of Independently Elected Officials

CITY OF WEST LINN, OREGON

SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS

JUNE 30, 2015

FUTURE BOND PRINCIPAL

	General Obligation Bonds			Full Faith and Credit Obligations Bonds		Revenue Bonds	
Fiscal year	Series 2009-A Refunded Parks Jan. 21, 2009	Series 2010-A Refunded Library Sep. 2, 2010	Series 2012 Police Station Jan. 25, 2012	Series 2009-B Streets/Parks Jan. 21, 2009	Series 2010-B Refunded City Hall Sep. 2, 2010	Series 2000 Water Oct. 1, 2000	Total
2016	$ 555,000	$ 275,000	$ 275,000	$ 175,000	$ 245,000	$ 110,000	$ 1,635,000
2017	570,000	290,000	295,000	180,000	255,000	115,000	1,705,000
2018	590,000	310,000	310,000	185,000	265,000	125,000	1,785,000
2019	280,000	330,000	335,000	190,000	275,000	130,000	1,540,000
2020	-	355,000	355,000	200,000	285,000	140,000	1,335,000
2021	-	385,000	375,000	210,000	295,000	150,000	1,415,000
2022	-	-	400,000	215,000	-	-	615,000
2023	-	-	425,000	225,000	-	-	650,000
2024	-	-	450,000	235,000	-	-	685,000
2025	-	-	475,000	245,000	-	-	720,000
2026	-	-	505,000	255,000	-	-	760,000
2027	-	-	530,000	265,000	-	-	795,000
2028	-	-	565,000	275,000	-	-	840,000
2029	-	-	595,000	290,000	-	-	885,000
2030	-	-	630,000	-	-	-	630,000
2031	-	-	665,000	-	-	-	665,000
2032	-	-	715,000	-	-	-	715,000
	$ 1,995,000	$ 1,945,000	$ 7,900,000	$ 3,145,000	$ 1,620,000	$ 770,000	$ 17,375,000

FUTURE BOND INTEREST

	General Obligation Bonds			Full Faith and Credit Obligations Bonds		Revenue Bonds	
Fiscal year	Series 2009-A Refunded Parks Jan. 21, 2009	Series 2010-A Refunded Library Sep. 2, 2010	Series 2012 Police Station Jan. 25, 2012	Series 2009-B Streets/Parks Jan. 21, 2009	Series 2010-B Refunded City Hall Sep. 2, 2010	Series 2000 Water Oct. 1, 2000	Total
2016	$ 69,838	$ 49,338	$ 179,338	$ 127,723	$ 51,600	$ 42,763	$ 520,600
2017	51,800	43,838	173,837	122,035	42,825	36,150	470,485
2018	31,850	37,313	167,938	115,735	32,425	28,950	414,211
2019	5,600	29,563	161,737	108,335	23,000	21,300	349,535
2020	-	21,313	155,038	100,735	14,600	13,200	304,886
2021	-	11,550	147,937	92,735	5,163	4,500	261,885
2022	-	-	140,438	84,335	-	-	224,773
2023	-	-	132,437	75,735	-	-	208,172
2024	-	-	123,938	66,623	-	-	190,561
2025	-	-	114,937	57,105	-	-	172,042
2026	-	-	105,438	46,815	-	-	152,253
2027	-	-	94,706	36,105	-	-	130,811
2028	-	-	82,781	24,578	-	-	107,359
2029	-	-	69,363	12,615	-	-	81,978
2030	-	-	54,487	-	-	-	54,487
2031	-	-	37,950	-	-	-	37,950
2032	-	-	9,831	-	-	-	9,831
	$ 159,088	$ 192,915	$ 1,952,131	$ 1,071,209	$ 169,613	$ 146,863	$ 3,691,819

CITY OF WEST LINN, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Tax Year	Uncollected Property Taxes as of June 30, 2014	Add Tax Levy Extended by Assessor	Deduct Adjustments and Discounts	Deduct Cash Collections	Uncollected Property Taxes as of June 30, 2015
Current fiscal year					
2014-15	$ -	$ 8,327,514	$ (197,518)	$ (7,911,683)	$ 218,313
Prior fiscal years					
2013-14	229,115	-	(3,566)	(120,507)	105,042
2012-13	118,205	-	(520)	(44,275)	73,410
2011-12	79,070	-	(633)	(30,638)	47,799
2010-11	47,364	-	(583)	(17,645)	29,136
2009-10 & prior	44,653	-	(2,069)	(6,739)	35,845
Sub-total prior	518,407	-	(7,371)	(219,804)	291,232
Total	$ 518,407	$ 8,327,514	$ (204,889)	$ (8,131,487)	$ 509,545

Public Safety Fund	$ 293,303
Parks and Recreation Fund	77,185
Library Fund	56,602
Debt Service Fund	82,455
	$ 509,545

CITY OF WEST LINN, OREGON

SCHEDULE OF ACCOUNTABILITY OF INDEPENDENTLY ELECTED OFFICIALS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Oregon Revised Statutes (ORS) Section 297 requires a statement of accountability for each independently elected official collecting or receiving money in the municipal corporation. In compliance with ORS 297, there are no independently elected officials that collect or receive money on behalf of the City of West Linn.

CITY OF WEST LINN, OREGON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

SECTION III

STATISTICAL SECTION

STATISTICAL SECTION

This section provides further details as a context for a better understanding of the financial statements.

Contents **Page**

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

The City implemented the following GASB Statements:

- GASB Statement 34 in fiscal year 2002-03, except for the infrastructure provisions which were implemented in fiscal year 2007-08
- GASB Statement 44 in fiscal year 2007-08
- GASB Statement 54 in fiscal year 2010-11
- GASB Statement 63 in fiscal year 2012-13
- GASB Statement 65 in fiscal year 2013-14
- GASB Statement 68 in fiscal year 2014-15

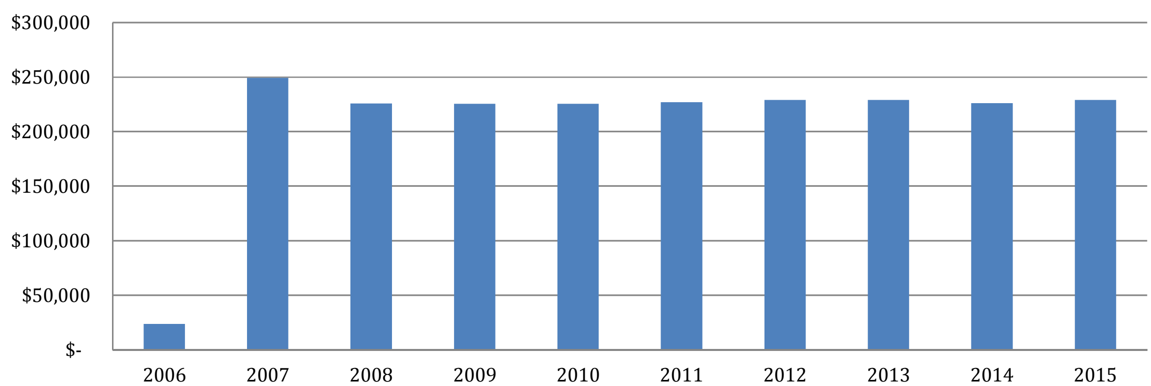
CITY OF WEST LINN, OREGON

Net Position by Component

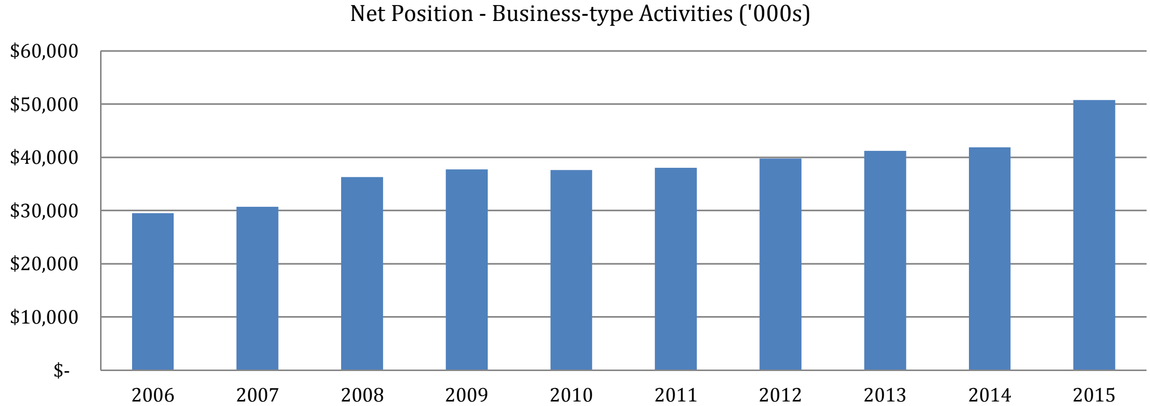
for the last ten fiscal years
(accrual basis of accounting)
(in thousands)

	Fiscal Year Ended									
	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014** (restated)	**2015**
Governmental activities										
Net investment in capital assets	$ 17,951	$ 241,987	$ 218,998	$ 219,277	$ 217,988	$ 218,578	$ 217,951	$ 217,876	$ 218,327	$ 220,683
Restricted	2,854	3,526	4,479	6,565	6,450	4,930	6,077	6,467	7,236	5,268
Unrestricted (deficit)	2,996	3,995	2,514	(248)	1,279	3,483	5,123	4,854	638	3,028
Total governmental activities net position	23,801	249,508	225,991	225,594	225,717	226,991	229,151	229,197	226,201	228,979
Business-type activities										
Net investment in capital assets	21,059	20,723	26,201	27,454	27,089	26,945	27,482	28,348	29,136	33,418
Restricted	-	-	-	155	155	155	155	155	155	4,154
Unrestricted	8,442	9,939	10,090	10,082	10,354	10,943	12,104	12,666	12,587	13,154
Total business-type activities net position	29,501	30,662	36,291	37,691	37,598	38,043	39,741	41,169	41,878	50,726
Primary government										
Net investment in capital assets	39,010	262,710	245,199	246,731	245,077	245,523	245,433	246,224	247,463	254,101
Restricted	2,854	3,526	4,479	6,720	6,605	5,085	6,232	6,622	7,391	9,422
Unrestricted	11,438	13,934	12,604	9,834	11,633	14,426	17,227	17,520	13,225	16,182
Total primary government net position	$ 53,302	$ 280,170	$ 262,282	$ 263,285	$ 263,315	$ 265,034	$ 268,892	$ 270,366	$ 268,079	$ 279,705

Net Position - Governmental Activities ('000s)



Net Position - Business-type Activities ('000s)



CITY OF WEST LINN, OREGON

Changes in Net Position

for the last ten fiscal years
(accrual basis of accounting)
(in thousands)

	Fiscal Year Ended									
	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Expenses										
Governmental activities:										
General government	$ 4,040	$ 4,695	$ 6,007	$ 5,970	$ 6,305	$ 6,676	$ 7,110	$ 7,305	$ 7,169	$ 6,775
Culture and recreation	2,846	2,973	4,279	5,433	5,492	5,788	6,038	6,291	6,060	5,804
Public safety	4,414	4,490	5,658	6,318	6,472	6,368	6,803	7,074	7,095	6,251
Highways and streets	1,442	994	1,235	3,528	3,492	3,492	3,431	3,581	3,664	3,681
Interest on long-term debt	591	640	631	599	626	404	507	615	549	508
Unallocated depreciation	1,486	644	2,395	-	-	-	-	-	-	-
Total governmental activities expenses	14,819	14,436	20,205	21,848	22,387	22,728	23,889	24,866	24,537	23,019
Business-type activities:										
Water	2,732	2,270	2,914	3,269	3,071	3,061	3,025	3,219	3,243	3,231
Environmental services	2,094	1,409	2,814	2,704	2,560	2,640	2,721	2,756	2,906	2,822
Total business-type activities expenses	4,826	3,679	5,728	5,973	5,631	5,701	5,746	5,975	6,149	6,053
Total primary government expenses	$ 19,645	$ 18,115	$ 25,933	$ 27,821	$ 28,018	$ 28,429	$ 29,635	$ 30,841	$ 30,686	$ 29,072
Program Revenues										
Governmental activities:										
Charges for services:										
General government	$ 3,955	$ 3,527	$ 6,473	$ 6,364	$ 6,844	$ 7,232	$ 8,228	$ 8,167	$ 8,483	$ 8,217
Culture and recreation	-	-	1,321	1,543	1,590	1,764	1,905	1,911	2,005	2,056
Public safety	-	-	753	664	663	693	741	612	664	897
Highways and streets	-	-	243	833	778	792	870	904	1,351	1,522
Operating grants and contributions	2,411	2,374	2,372	2,486	3,045	4,015	3,852	3,974	3,776	4,019
Capital grants and contributions	-	-	1,755	727	770	493	1,531	248	354	467
Total governmental activities program revenues	6,366	5,901	12,917	12,617	13,690	14,989	17,127	15,816	16,633	17,178
Business-type activities:										
Charges for services:										
Water	2,986	3,579	2,903	3,069	2,926	3,071	3,554	4,021	3,968	4,705
Environmental services	1,899	2,244	2,020	2,452	2,362	2,500	2,784	2,813	2,996	2,953
Capital grants and contributions	-	-	865	1,635	100	206	936	155	581	469
Total business-type activities program revenues	4,885	5,823	5,788	7,156	5,388	5,777	7,274	6,989	7,545	8,127
Total primary government program revenues	$ 11,251	$ 11,724	$ 18,705	$ 19,773	$ 19,078	$ 20,766	$ 24,401	$ 22,805	$ 24,178	$ 25,305

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	Fiscal Year Ended									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net (Expense) Revenue										
Governmental activities	$ (8,453)	$ (8,535)	$ (7,288)	$ (9,231)	$ (8,697)	$ (7,739)	$ (6,762)	$ (9,050)	$ (7,904)	$ (5,841)
Business-type activities	59	2,144	60	1,183	(243)	76	1,528	1,014	1,396	2,074
Total primary government expenses	$ (8,394)	$ (6,391)	$ (7,228)	$ (8,048)	$ (8,940)	$ (7,663)	$ (5,234)	$ (8,036)	$ (6,508)	$ (3,767)
General Revenues										
Governmental activities:										
Property taxes, levied for general purposes	$ 5,760	$ 6,675	$ 5,264	$ 5,536	$ 5,785	$ 5,918	$ 6,181	$ 6,197	$ 6,440	$ 6,725
Property taxes, levied for debt service	854	931	769	942	828	884	839	1,321	1,406	1,398
Franchise taxes	1,460	2,098	1,686	1,728	1,952	1,662	1,749	1,662	1,683	1,722
Unrestricted grants and contributions	382	279	263	604	361	675	303	319	337	297
Interest and investment earnings	210	468	420	51	23	18	19	10	8	15
Gain on disposition of capital assets	-	-	-	-	-	222	-	-	63	-
Transfers	(1,866)	1,092	(132)	(27)	(129)	(365)	(170)	(413)	(167)	(1,538)
Total governmental activities	6,800	11,543	8,270	8,834	8,820	9,014	8,921	9,096	9,770	8,619
Business-type activities:										
Intergovernmental	-	-	-	-	-	-	-	-	-	5,000
Investment earnings	44	110	109	190	7	3	-	-	-	-
Gain on disposition of capital assets	-	-	-	-	14	1	-	-	-	236
Transfers	1,866	(1,092)	132	27	129	365	170	413	167	1,538
Total business-type activities	1,910	(982)	241	217	150	369	170	413	167	6,774
Total primary government	$ 8,710	$ 10,561	$ 8,511	$ 9,051	$ 8,970	$ 9,383	$ 9,091	$ 9,509	$ 9,937	$ 15,393
Changes in Net Position										
Governmental activities	$ (1,653)	$ 3,008	$ 982	$ (397)	$ 123	$ 1,275	$ 2,159	$ 46	$ 1,866	$ 2,778
Business-type activities	1,969	1,162	301	1,400	(93)	445	1,698	1,427	1,563	8,848
Total primary government	$ 316	$ 4,170	$ 1,283	$ 1,003	$ 30	$ 1,720	$ 3,857	$ 1,473	$ 3,429	$ 11,626

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CITY OF WEST LINN, OREGON

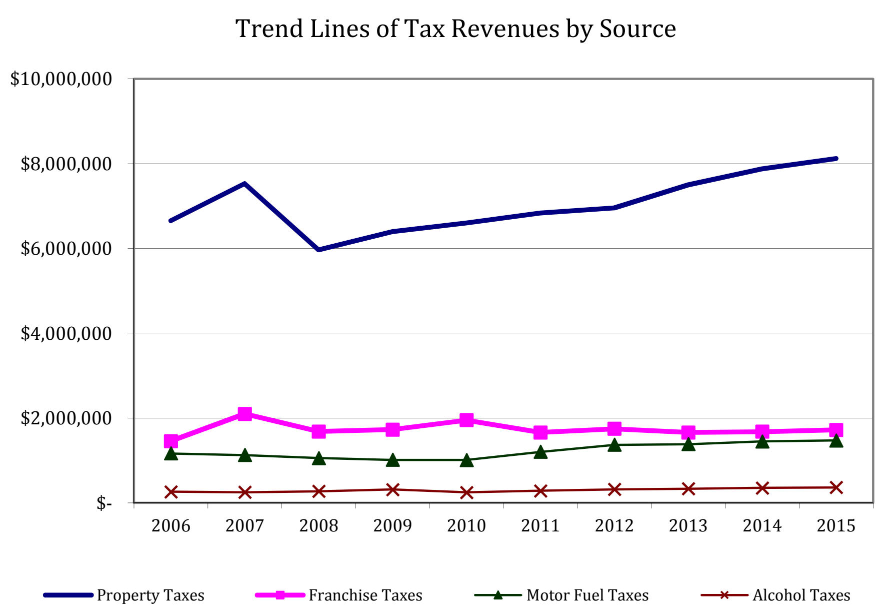
Governmental Activities Tax Revenues by Source

for the last ten fiscal years

(modified accrual basis of accounting)

Fiscal year	Property tax	Franchise tax	Motor fuel tax[1]	Alcoholic beverage tax[1]	Total
2006	$ 6,650,854	$ 1,459,842	$ 1,166,254	$ 266,193	$ 9,543,143
2007	7,531,540	2,098,041	1,129,618	252,951	11,012,150
2008	5,965,524	1,685,632	1,057,792	275,206	8,984,154
2009	6,392,688	1,727,918	1,018,039	319,257	9,457,902
2010	6,603,432	1,952,259	1,012,955	252,198	9,820,844
2011	6,834,048	1,662,509	1,204,209	289,005	9,989,771
2012	6,957,799	1,748,619	1,372,076	321,952	10,400,446
2013	7,497,058	1,661,718	1,384,642	337,394	10,880,812
2014	7,875,104	1,682,559	1,451,422	355,788	11,364,873
2015	8,115,994	1,721,760	1,472,249	367,367	11,677,370

[1] Motor fuel and alcoholic beverage taxes are not directly assessed by the City of West Linn, but rather by the State of Oregon, then a portion is allocated to the City based upon population.

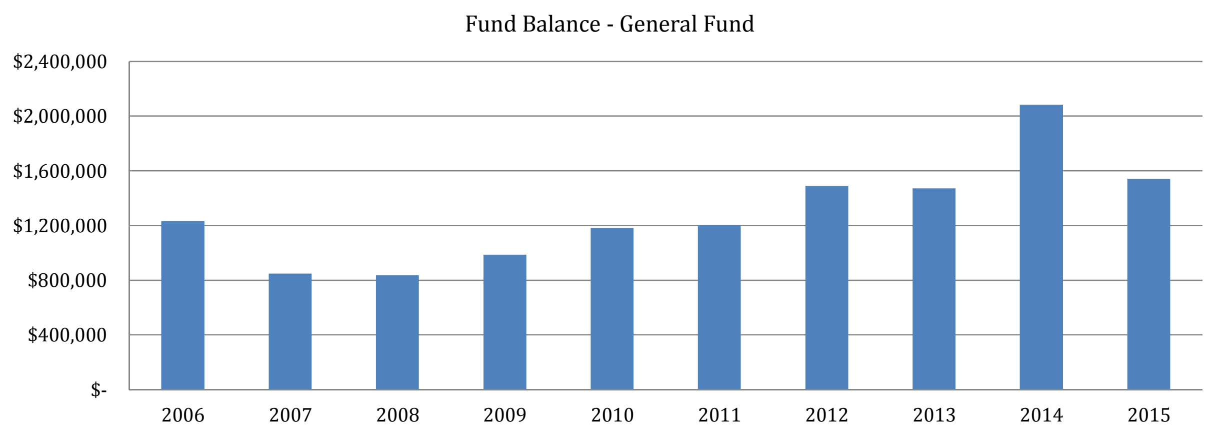


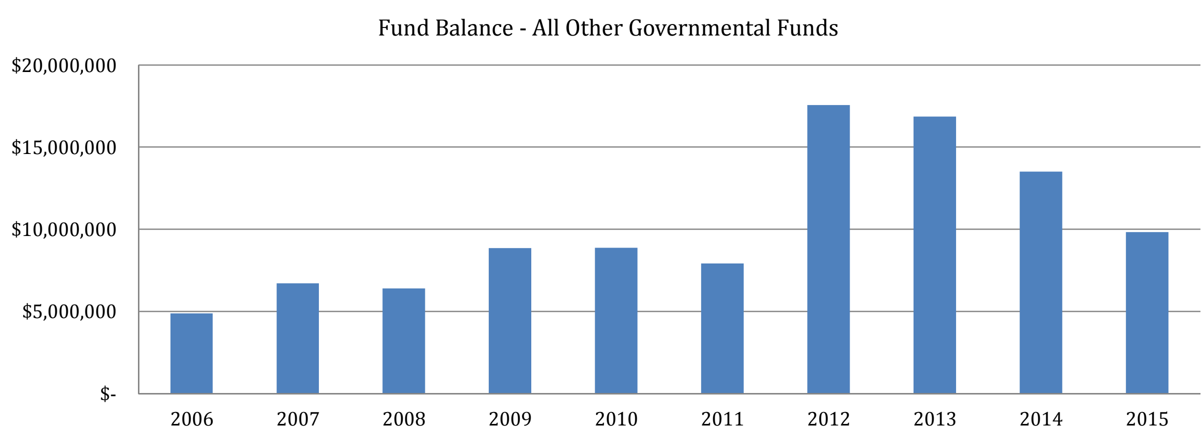
CITY OF WEST LINN, OREGON

Fund Balances of Governmental Funds

for the last ten fiscal years
(modified accrual basis of accounting)

	Fiscal Year Ended									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General fund										
Nonspendable	$ -	$ 104,342	$ 142,264	$ -	$ 36,838	$ 150,378	$ 164,462	$ 169,275	$ 150,427	$ 188,685
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	1,232,657	742,999	695,299	985,405	1,144,698	1,052,484	1,325,884	1,301,083	1,932,734	1,352,882
Total general fund	$ 1,232,657	$ 847,341	$ 837,563	$ 985,405	$ 1,181,536	$ 1,202,862	$ 1,490,346	$ 1,470,358	$ 2,083,161	$ 1,541,567
All other governmental funds										
Nonspendable	$ 157,300	$ 157,300	$ 157,300	$ 157,300	$ 157,300	$ 157,300	$ 157,300	$ 157,300	$ 157,300	$ 157,300
Restricted	3,890,839	3,651,587	4,322,102	6,408,089	6,292,160	4,773,436	12,922,103	12,544,353	8,651,824	5,110,428
Committed	514,764	2,481,294	1,683,251	2,138,630	2,331,737	3,000,053	4,482,238	4,166,120	4,705,382	4,745,564
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	317,384	425,586	240,620	156,522	101,602	-	-	-	-	(174,525)
Total all other governmental funds	$ 4,880,287	$ 6,715,767	$ 6,403,273	$ 8,860,541	$ 8,882,799	$ 7,930,789	$ 17,561,641	$ 16,867,773	$ 13,514,506	$ 9,838,767





CITY OF WEST LINN, OREGON

Changes in Fund Balances of Governmental Funds

for the last ten fiscal years

(modified accrual basis of accounting)

	Fiscal Year Ended									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues:										
Property taxes	$ 6,650,854	$ 7,531,540	$ 5,965,524	$ 6,392,688	$6,603,432	$6,834,048	$6,957,799	$7,497,058	$ 7,875,104	$ 8,115,994
Intergovernmental	2,410,889	2,374,184	2,371,677	2,486,047	3,678,872	4,015,212	4,789,930	3,912,898	3,716,218	3,958,604
Franchise taxes	1,459,842	2,098,041	1,685,632	1,727,918	1,952,259	1,662,509	1,748,619	1,661,718	1,682,559	1,721,760
Fines and forfeitures	513,503	567,159	517,662	586,145	565,151	520,087	403,165	432,940	478,194	482,800
Licenses and fees	672,024	1,155,020	1,108,494	1,006,790	1,037,008	1,012,185	1,218,483	1,049,767	1,106,437	826,093
Charges for services	2,373,428	452,744	5,770,614	7,192,160	7,664,216	7,920,641	8,355,873	8,742,651	9,640,378	10,541,120
Systems development charges	1,155,017	1,209,582	963,567	618,819	608,727	1,027,067	1,765,887	1,367,798	1,278,072	647,616
Investment earnings	202,996	467,203	419,705	50,420	22,990	17,718	18,944	9,833	7,512	15,270
Miscellaneous	382,899	279,634	263,531	604,187	360,470	674,790	303,350	319,017	337,149	296,534
Total revenues	15,821,452	16,135,107	19,066,406	20,665,174	22,493,125	23,684,257	25,562,050	24,993,680	26,121,623	26,605,791
Expenditures:										
Current:										
General government	4,810,789	4,464,283	5,334,764	5,944,189	6,194,465	6,520,299	6,704,454	7,209,531	6,758,119	7,785,446
Culture and recreation	2,908,948	2,973,587	4,274,399	4,548,376	4,647,411	4,934,363	5,182,185	5,440,445	5,149,677	5,438,749
Public safety	4,578,620	4,545,133	5,642,339	5,940,429	6,262,603	6,261,541	6,711,910	7,041,384	6,851,540	7,184,749
Highways and streets	1,534,138	1,043,943	1,236,200	1,634,945	1,569,050	1,545,578	1,452,551	1,591,059	1,617,973	1,695,348
Debt service:										
Principal	590,000	625,000	670,000	705,000	825,000	1,070,000	1,065,000	1,245,000	1,370,000	1,440,000
Interest	669,356	639,505	626,604	472,048	741,544	418,655	427,366	651,831	552,802	513,211
Current refunding	-	-	-	4,992,519	-	5,933,478	-	-	-	-
Capital outlay	2,188,791	1,363,980	1,611,978	2,944,474	2,034,663	4,353,775	2,793,021	2,578,462	6,752,923	6,780,121
Total expenditures	17,280,642	15,655,431	19,396,284	27,181,980	22,274,736	31,037,689	24,336,487	25,757,712	29,053,034	30,837,624
Excess (deficiency) of revenues over (under) expenditures	(1,459,190)	479,676	(329,878)	(6,516,806)	218,389	(7,353,432)	1,225,563	(764,032)	(2,932,411)	(4,231,833)
Other financing sources (uses):										
Transfers from other funds	3,731,852	3,908,392	713,200	322,500	-	-	-	-	-	-
Transfers to other funds	(4,345,554)	(2,937,904)	(705,594)	(322,500)	-	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-	487,887	90,085	-	191,947	14,500
Full faith and credit obligation bonds	-	-	-	4,035,000	-	-	-	-	-	-
Refunding bonds issued	-	-	-	4,915,000	-	5,640,000	-	-	-	-
General obligation bonds issued	-	-	-	-	-	-	8,500,000	-	-	-
Bond premium on issuance of debt	-	-	-	171,916	-	294,861	102,688	-	-	-
Capital lease	-	-	-	-	-	-	-	50,176	-	-
Total other financing sources (uses)	(613,702)	970,488	7,606	9,121,916	-	6,422,748	8,692,773	50,176	191,947	14,500
Net change in fund balances	$ (2,072,892)	$ 1,450,164	$ (322,272)	$ 2,605,110	$ 218,389	$ (930,684)	$9,918,336	$ (713,856)	$(2,740,464)	$(4,217,333)
Debt service as a percentage of noncapital expenditures	8.3%	8.8%	7.3%	4.9%	7.7%	5.6%	6.9%	8.2%	8.6%	8.1%

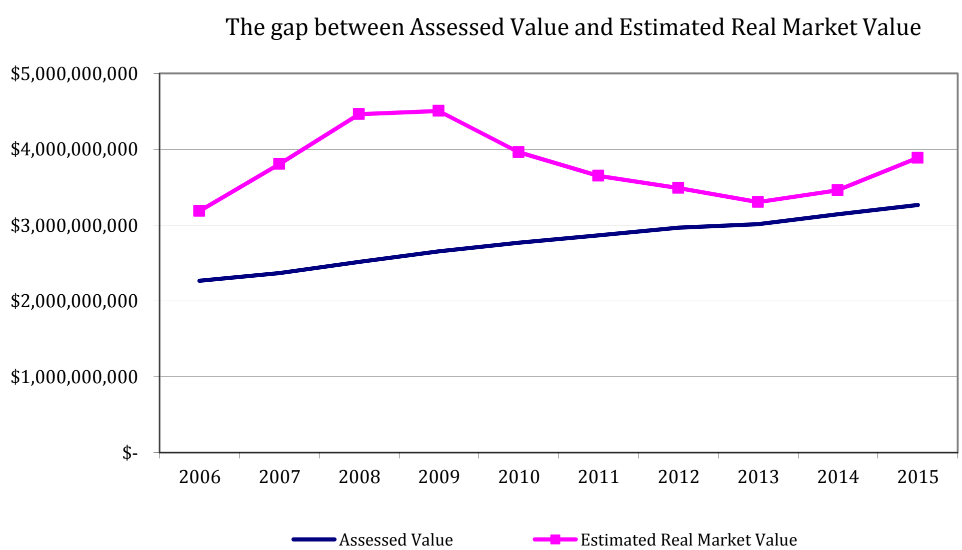
CITY OF WEST LINN, OREGON

Assessed Value and Estimated Real Market Value of Taxable Property

for the last ten fiscal years

	Assessed Value						RMV	
Fiscal year	Real property	Personal property	Manuf'd structure	Public utility	Total assessed value	Total direct tax rate	Estimated real market value (RMV)	Assessed value as a percentage of RMV
2006	$ 2,195,743,606	$ 19,493,768	$ 2,639,830	$ 49,034,500	$ 2,266,911,704	$ 3.0265	$ 3,184,053,186	71 %
2007	2,297,035,876	19,771,894	1,529,407	51,125,300	2,369,462,477	3.2626	3,804,091,192	62
2008	2,429,084,775	23,088,571	97,310	64,467,300	2,516,737,956	2.4317	4,464,348,037	56
2009	2,551,018,947	24,133,819	13,260	80,383,350	2,655,549,376	2.4984	4,507,161,484	59
2010	2,651,268,406	21,528,027	12,220	95,893,520	2,768,702,173	2.4493	3,960,668,206	70
2011	2,746,237,479	20,571,834	5,760	98,229,395	2,865,044,468	2.4522	3,650,547,820	78
2012	2,844,388,454	20,971,094	5,720	100,553,420	2,965,918,688	2.4180	3,487,305,552	85
2013	2,896,939,017	20,871,017	5,740	93,960,465	3,011,776,239	2.5629	3,305,208,425	91
2014	3,026,911,233	23,699,155	11,320	92,241,830	3,142,863,538	2.5590	3,460,978,688	91
2015	3,147,688,253	23,101,337	11,820	94,985,546	3,265,786,956	2.5489	3,885,035,988	84

Source: Clackamas County Assessor's Office



CITY OF WEST LINN, OREGON

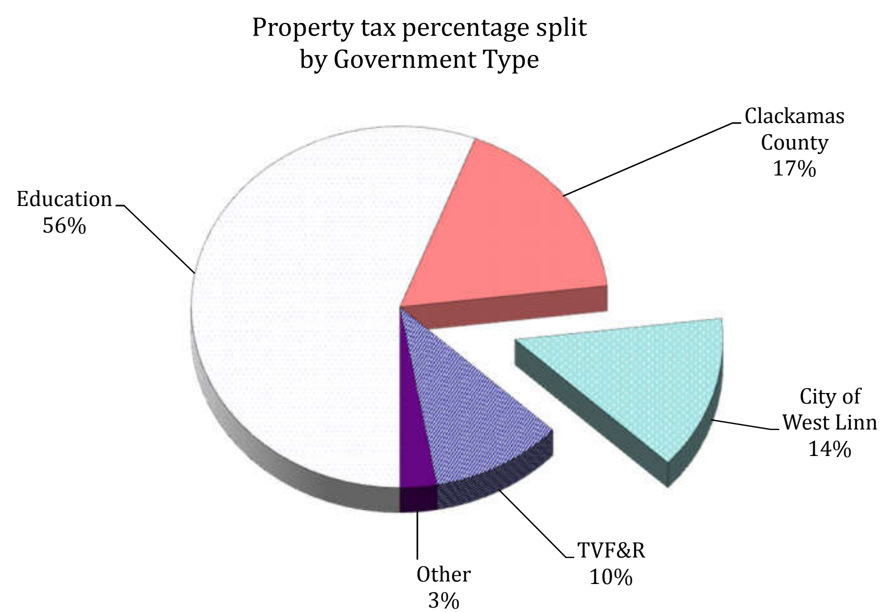
Property Tax Rates - Direct and Overlapping Governments

for the last ten fiscal years

(rate per $1,000 of assessed value)

	City direct rates				Overlapping rates						
Fiscal year	Permanent tax rate	Local option levy rate	Bonded debt tax rate	Total direct	West Linn Wilsonville School District	Clackamas County	Clackamas Community College	Education Service District	Tualain Valley Fire and Rescue	Other	Total direct and overlapping
2006	$ 2.1200	$ 0.4844	$ 0.4221	$ 3.0265	$ 9.23	$ 2.59	$ 0.77	$ 0.36	$ 1.82	$ 0.49	$ 18.28
2007	2.1200	0.7550	0.3876	3.2626	9.31	2.53	0.73	0.36	1.82	0.47	18.48
2008	2.1200	-	0.3117	2.4317	9.24	2.80	0.74	0.36	1.87	0.61	18.05
2009	2.1200	-	0.3784	2.4984	9.05	2.81	0.74	0.36	1.84	0.57	17.88
2010	2.1200	-	0.3293	2.4493	9.18	3.30	0.72	0.36	1.89	0.62	18.52
2011	2.1200	-	0.3322	2.4522	9.34	3.29	0.70	0.36	1.78	0.70	18.62
2012	2.1200	-	0.2980	2.4180	9.36	3.28	0.68	0.36	1.78	0.62	18.50
2013	2.1200	-	0.4429	2.5629	9.38	3.29	0.70	0.36	1.91	0.50	18.71
2014	2.1200	-	0.4390	2.5590	9.32	3.18	0.71	0.37	1.91	0.54	18.58
2015	2.1200	-	0.4289	2.5489	9.25	3.19	0.71	0.37	1.89	0.53	18.48

Source: Clackamas County Assessor's Office



CITY OF WEST LINN, OREGON

Principal Property Taxpayers

current year and nine years ago

	2015			2006		
Name	**Assessed value**	**Rank**	**% of total value**	**Assessed value**	**Rank**	**% of total value**
Portland General Electric Co	$ 55,595,000	1	1.7 %	$ 30,359,000	1	1.3 %
Simpson Realty Group LP	27,307,245	2	0.8	20,928,731	2	0.9
West Linn Paper Company	24,302,296	3	0.7	17,989,748	3	0.8
Comcast Corporation	21,261,600	4	0.7			
West Linn Shopping Ctr. Assoc. LLC	20,680,948	5	0.6	13,466,171	5	0.6
Blackhawk Nevada LLC	16,253,510	6	0.5			
Willamette Marketplace LLC	12,149,455	7	0.4			
NW Natural Gas Company	10,910,400	8	0.3	10,668,800	7	0.5
ROIC Cascade Summit LLC	10,897,655	9	0.3			
BHSUM LLC	10,130,424	10	0.3			
Cascade Summit Retail LLC				14,031,429	4	0.6
Maier-Traub Gloria				11,445,626	6	0.5
West Linn Senior Living LLC				6,999,655	8	0.3
More William				5,367,300	9	0.2
Bean Investment Real Estate				5,174,281	10	0.2
Sub-total, top ten	209,488,533		6.4	136,430,741		6.0
All other City taxpayers	3,056,298,423		93.6	2,130,480,963		94.0
Total City taxpayers	$ 3,265,786,956		100.0 %	$ 2,266,911,704		100.0 %

Source: Clackamas County Assessor's Office

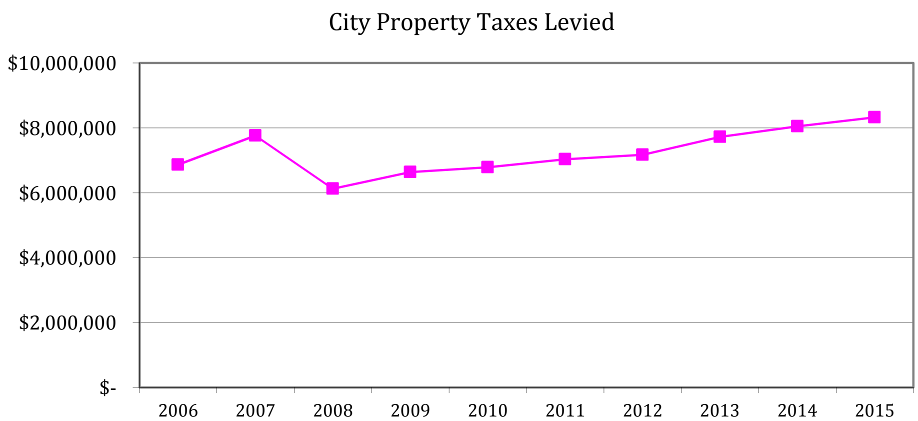
CITY OF WEST LINN, OREGON

Property Tax Levies and Collections

for the last ten fiscal years

Fiscal year	Taxes levied for the fiscal year	Collected within the fiscal year of the levy		Collections in subsequent years	Total collections to date	
		Amount	Percentage of levy		Amount	Percentage of levy
2006	$ 6,864,067	$ 6,523,682	95 %	$ 165,180	$ 6,688,862	97 %
2007	7,759,907	7,310,877	94	248,883	7,559,760	97
2008	6,123,920	5,725,655	93	233,023	5,958,678	97
2009	6,639,388	6,163,584	93	306,503	6,470,087	97
2010	6,783,509	6,337,912	93	244,100	6,582,012	97
2011	7,032,330	6,567,529	93	235,118	6,802,647	97
2012	7,174,440	6,799,324	95	197,269	6,996,593	98
2013	7,724,400	7,283,059	94	171,534	7,454,593	97
2014	8,044,298	7,628,822	95	120,507	7,749,329	96
2015	8,327,514	7,911,683	95	-	7,911,683	95

Source: Annual financial statements of the City of West Linn



CITY OF WEST LINN, OREGON

Ratios of Outstanding Debt by Type

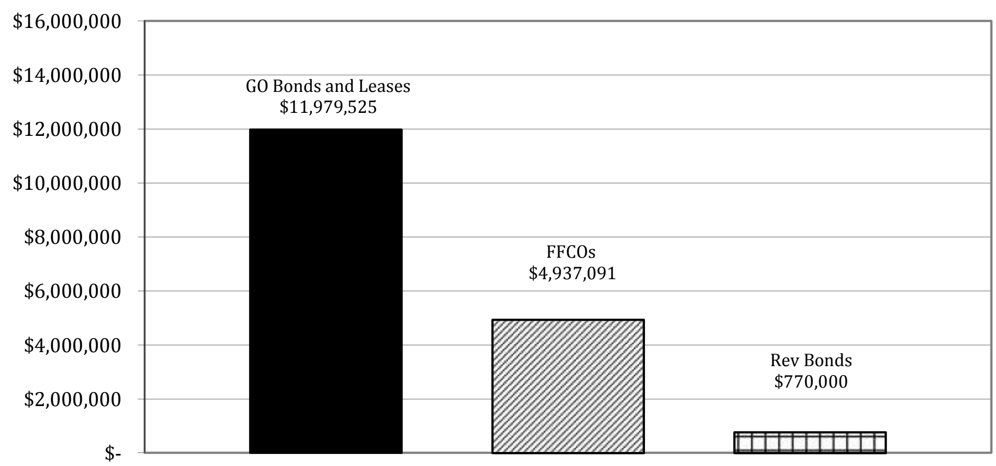
for the last ten fiscal years

	Governmental Activities		Business-type Activities			
Fiscal year	General Obligation bonds and Capital Leases	Full Faith and Credit obligations	Water Revenue bonds	Total primary government	Percentage of personal income	Per capita
2006	$ 9,590,000	$ 3,575,000	$ 1,515,000	$ 14,680,000	18.17 %	$ 607
2007	9,130,000	3,410,000	1,450,000	13,990,000	16.40	579
2008	8,635,000	3,235,000	1,380,000	13,250,000	14.73	543
2009	8,105,000	7,246,022	1,305,000	16,656,022	19.57	683
2010	7,560,000	6,950,128	1,225,000	15,735,128	17.89	627
2011	6,977,330	6,639,959	1,145,000	14,762,289	15.80	587
2012	14,871,516	6,230,492	1,060,000	22,162,008	22.45	878
2013	13,998,149	5,811,025	970,000	20,779,174	*	819
2014	13,039,727	5,381,558	875,000	19,296,285	*	759
2015	11,979,525	4,937,091	770,000	17,686,616	*	693

* Information unavailable at this time.

Source: Annual financial statements of the City of West Linn

Outstanding Debt by Type



CITY OF WEST LINN, OREGON

Ratios of General Bonded Debt Outstanding

for the last ten fiscal years

Fiscal year	General obligation bonds	Less: amounts available in debt service fund	Net	Percentage of net over assessed value of property [1]	Per capita [2]
2006	$ 9,590,000	$ (251,455)	$ 9,338,545	0.41 %	$ 386
2007	9,130,000	(272,710)	8,857,290	0.37	366
2008	8,635,000	(116,773)	8,518,227	0.34	349
2009	8,105,000	(214,386)	7,890,614	0.30	323
2010	7,560,000	(117,054)	7,442,946	0.27	296
2011	6,977,330	(125,395)	6,851,935	0.24	272
2012	14,871,516	(68,681)	14,802,835	0.50	586
2013	13,998,149	(80,690)	13,917,459	0.46	549
2014	13,009,782	(163,541)	12,846,241	0.41	505
2015	11,966,415	(204,191)	11,762,224	0.36	461

[1] Assessed value data of property can be found on page 99.

[2] Population data can be found on page 108.

CITY OF WEST LINN, OREGON

Direct and Overlapping Governmental Activities Debt

as of June 30, 2015

Governmental unit	Real market values of overlapping districts	Tax-supported debt outstanding	Percentage overlapping[1]	Overlapping debt applicable to the City of West Linn
Debt repaid with property taxes:				
West Linn Wilsonville School District	$ 8,153,569,135	$ 252,766,741	47.22 %	$ 119,354,686
Clackamas Community College	38,741,861,484	66,116,012	9.94	6,570,411
Clackamas County	53,076,860,113	98,780,000	7.32	7,230,103
Clackamas County ESD	50,340,306,466	-	-	-
Metro	215,408,649,968	193,205,000	1.80	3,484,452
Tualatin Valley Fire and Rescue	63,503,759,481	55,020,000	6.12	3,365,904
Lake Oswego School District No. 7J	9,232,054,344	101,024,917	0.38	381,268
Port of Portland	234,450,071,682	-	-	-
Portland Community College	171,948,533,146	160,095,000	0.02	32,499
Subtotal, overlapping debt	844,855,665,819	927,007,670		140,419,323
Direct debt outstanding:				
City of West Linn	3,885,035,988	16,916,616	100.00	16,916,616
Total direct and overlapping debt outstanding	$ 848,740,701,807	$ 943,924,286		$ 157,335,939

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

[1] The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the City's taxable assessed value that is within the government's boundaries and dividing it by the City's total taxable assessed value.

Source: Oregon State Treasury Department, Debt Management Division

CITY OF WEST LINN, OREGON

Legal Debt Margin Information

for the last ten fiscal years

	2006	2007	2008	2009	2010
Debt maximum limitation	$ 95,521,596	$ 114,122,736	$ 133,930,441	$ 135,214,845	$ 118,820,046
Debt applicable to maximum limit	9,338,545	8,857,290	8,518,227	7,890,614	7,442,946
Legal debt margin available	$ 86,183,051	$ 105,265,446	$ 125,412,214	$ 127,324,231	$ 111,377,100
Debt applicable to the maximum limit as a percentage of debt limitation	9.78%	7.76%	6.36%	5.84%	6.26%

	2011	2012	2013	2014	2015
Debt maximum limitation	$ 109,516,435	$ 104,619,167	$ 99,156,253	$ 103,829,361	$ 116,551,080
Debt applicable to maximum limit	6,769,605	14,636,319	13,764,310	12,706,459	11,775,334
Legal debt margin available	$ 102,746,830	$ 89,982,848	$ 85,391,943	$ 91,122,902	$ 104,775,746
Debt applicable to the maximum limit as a percentage of debt limitation	6.18%	13.99%	13.88%	12.24%	10.10%

Legal debt margin calculation for the fiscal year ended June 30, 2015:

Total property real market value	$ 3,885,035,988
	3%
Debt maximum limitation (3% of total property real market value)[1]	116,551,080
Amount of debt applicable to debt limit:	
Total bonded debt outstanding	17,686,616
Less debt excluded from debt limit:	
Full faith and credit obligations	(4,937,091)
Water revenue bonds	(770,000)
Less funds applicable to the payment of principal in the debt service fund per ORS 287.004	(204,191)
Net amount of debt applicable to limit	11,775,334
Legal debt margin - amount available for future indebtedness	$ 104,775,746
Percentage of City's indebtedness to total allowed	10.10%

[1] Pursuant to Oregon Revised Statutes 287.004, outstanding general obligation debt is limited to three percent of real market value.

Source: Clackamas County Department of Assessment and Taxation

CITY OF WEST LINN, OREGON

Pledged-Revenue Coverage

for the last ten fiscal years

	Water Revenue Bonds					
Fiscal year	Utility service charges[1]	Less: operating expenses[2]	Net available revenue	Debt service requirements Principal	Debt service requirements Interest	Coverage
2006	$ 2,512,238	$ 2,266,952	$ 245,286	$ 65,000	$ 89,580	1.59
2007	2,977,884	2,347,364	630,520	65,000	86,103	4.17
2008	2,640,413	2,396,602	243,811	70,000	82,440	1.60
2009	3,096,470	2,786,354	310,116	75,000	78,470	2.02
2010	2,970,082	2,579,204	390,878	80,000	72,866	2.56
2011	2,996,565	2,563,535	433,030	80,000	68,608	2.91
2012	3,265,914	2,527,838	738,076	85,000	63,822	4.96
2013	3,590,818	2,665,637	925,181	90,000	60,013	6.17
2014	3,690,929	2,660,794	1,030,135	95,000	54,694	6.88
2015	4,165,137	2,928,563	1,236,574	105,000	48,944	8.03

[1] Charges include operating revenue plus interest income on operating earnings.

[2] Expenses include operating expenditures except for depreciation, net income from joint venture, and transfers pursuant to bond covenants coverage requirements.

Source: Annual financial statements of the City of West Linn

CITY OF WEST LINN, OREGON

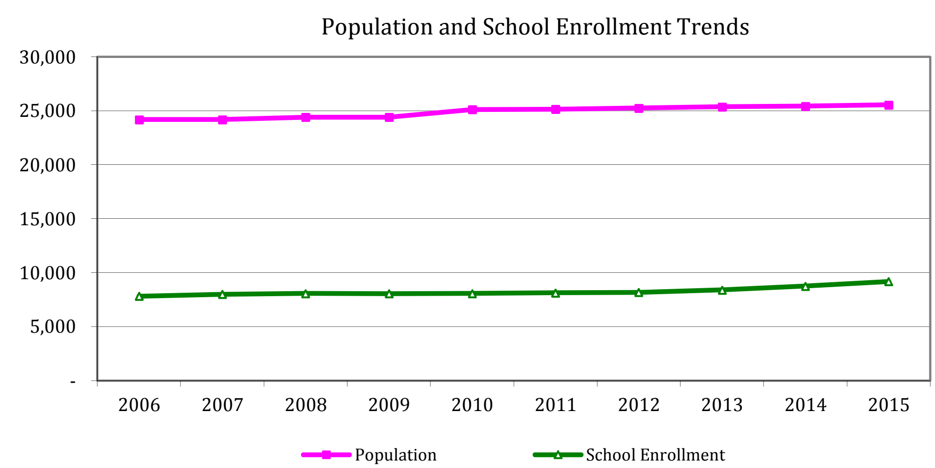
Demographic and Economic Statistics

for the last ten fiscal years

Fiscal year	Population	Personal income (in millions)	Per capita personal income	School enrollment	Unemployment rate
2006	24,180	$ 80,794	$ 38,416	7,812	5.3 %
2007	24,180	85,305	39,903	7,990	4.1
2008	24,400	89,977	41,410	8,059	5.3
2009	24,400	85,103	38,565	8,047	10.7
2010	25,109	87,940	39,384	8,065	10.1
2011	25,150	93,449	41,302	8,118	9.6
2012	25,250	98,698	43,103	8,175	8.7
2013	25,370	101,210	43,728	8,395	7.8
2014	25,425	*	*	8,746	6.9
2015	25,540	*	*	9,180	5.5

* Information unavailable at this time.

Sources: Center for Population Research and Census, Portland State University
Bureau of Economic Analysis
State of Oregon Employment Department
Oregon Department of Education



CITY OF WEST LINN, OREGON

Principal Employers

current year and nine years ago

	2015			2006		
Employer	**Employees**	**Rank**	**Percentage of total City employment**	**Employees**	**Rank**	**Percentage of total City employment**
West Linn Wilsonville SD	753	1	6.61 %	608	1	4.08 %
West Linn Paper Company	300	2	2.63	*		
City of West Linn	124	3	1.09	139	N/A	1.00
Safeway Inc.	114	4	1.00	*		
First Transit, Inc.	100	5	0.88	*		
Oregon Golf Club	100	6	0.88	*		
Rose Linn Vintage Place	100	7	0.88	*		
Albertsons	90	8	0.79	*		
Pond Maintenance Services	75	9	0.66	*		
Tanner Springs Assisted Living	63	10	0.55	*		
Total	1,819		15.96 %			

* Historical number of employees information unavailable for this fiscal year nine years ago.

Sources: Chamber of Commerce, Clackamas County, and ReferenceUSA

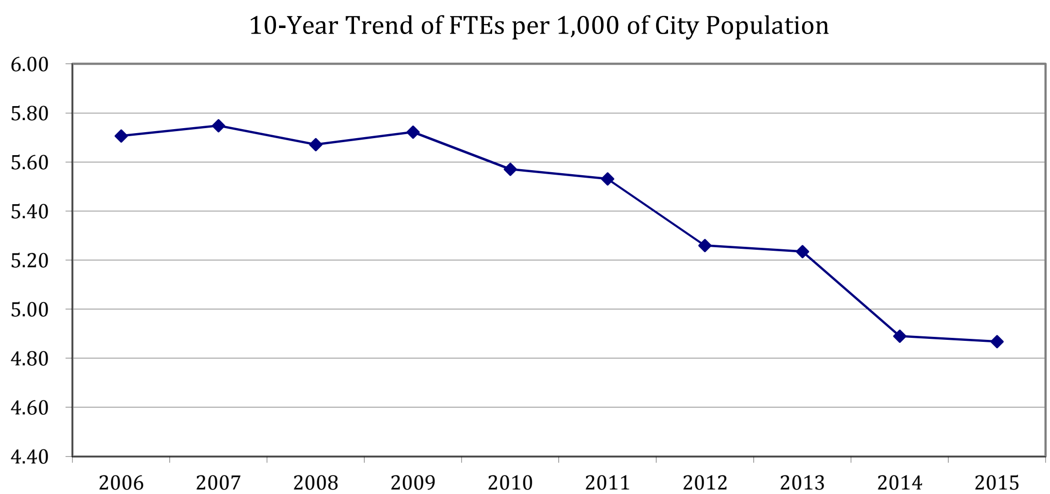
CITY OF WEST LINN, OREGON

Full-time Equivalent City Government Employees by Function

for the last ten fiscal years

	Fiscal Year Ended									
Function/Program	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
General government	18.00	19.00	17.00	16.60	19.60	19.60	17.80	17.80	16.30	16.30
Public safety	44.60	44.60	44.60	45.50	43.25	43.00	42.50	42.50	39.00	39.00
Culture and recreation	38.80	38.80	39.20	40.43	40.43	40.43	39.03	39.03	36.78	36.78
Community development	5.00	5.00	5.50	5.50	6.50	6.50	6.50	6.50	5.75	5.75
Highways and streets	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Water	7.00	7.00	6.00	6.00	6.00	6.00	5.00	5.00	5.00	5.00
Sewer and surface water	7.00	7.00	7.00	6.00	5.00	5.00	5.00	5.00	6.50	6.50
Public works	10.60	10.60	12.10	12.60	12.10	11.60	10.00	10.00	8.00	8.00
Total full-time equivalent (FTE)	138.00	139.00	138.40	139.63	139.88	139.13	132.83	132.83	124.33	124.33
City Population	24,180	24,180	24,400	24,400	25,109	25,150	25,250	25,370	25,425	25,540
FTEs per 1,000 of population	5.71	5.75	5.67	5.72	5.57	5.53	5.26	5.24	4.89	4.87

Source: City of West Linn's Finance department



CITY OF WEST LINN, OREGON

Operating Indicators by Function

for the last ten fiscal years

	Fiscal Year Ended									
Function/Program	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Governmental activities:										
Public safety										
Citations:										
Traffic	2,435	2,109	2,153	2,556	2,772	2,584	1,735	1,875	2,460	2,451
Criminal	90	103	74	157	248	159	258	261	227	313
Parking	845	1,029	922	1,094	532	541	334	312	455	635
City ordinance/non-traffic	145	145	189	100	68	53	69	72	46	81
Impound hearing	-	-	1	1	1	1	-	-	-	-
Culture and recreation										
Library volunteer hours	4,454	4,634	5,803	5,896	6,353	6,254	5,588	5,972	6,005	4,580
Library - average items circulated per capita	24.43	25.01	25.75	28.65	28.58	30.87	29.04	27.02	25.78	24.91
Community development										
Residential building permits issued	58	81	67	54	52	38	96	56	56	33
Land use applications processed	-	-	-	-	131	101	103	117	108	105
Business-type activities:[1]										
Water										
Service connections	7,848	8,175	8,322	8,428	8,514	8,592	8,698	8,716	8,773	8,850
Average daily consumption (in thousands of gallons)	3,041	2,955	2,445	2,550	2,718	2,665	2,598	2,620	2,635	3,427
Sanitary sewer										
Service connections	5,398	5,410	5,412	5,392	5,404	5,502	5,495	5,509	5,525	8,672
Average daily sewage treatment (in thousands of gallons)	4,948	5,101	5,200	5,314	4,957	5,012	5,050	5,079	5,085	5,172

[1] These are estimated statistics based upon best historic information available.

Source: City of West Linn's Finance department

CITY OF WEST LINN, OREGON

Capital Asset Statistics by Function

current year and nine years ago

Function/Program	2015		2006	
Governmental activities:				
General government				
City-owned building facilities	5		4	
Public safety				
Police stations	1		1	
Patrol units	13		8	
Culture and recreation				
Park and open space acreage	547		620	
Baseball/softball fields	7		5	
Community development				
Value of new building construction (in thousands)	$11,388		$40,504	*
Highways and streets				
Miles of streets	215		104	
Miles of bikeways	70	*	43	
Surface water catch basins	2,824		2,075	*
Miles of sidewalk	120	*	70	*
Business-type activities:				
Water				
Water mains (miles)	119		108	*
Maximum daily capacity (in thousands of gallons)	6,500		6,500	*
Sanitary sewer				
Sanitary sewer (miles)	193		174	*
Maximum daily treatment capacity (in thousands of gallons)	8,500		8,500	*

* These are estimated statistics based upon best historic information available.

Source: City of West Linn's Finance department

CITY OF WEST LINN, OREGON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

SECTION IV

COMPLIANCE SECTION

COMPLIANCE SECTION

Oregon Administrative Rules 162-10-050 through 162-10-320 incorporated in the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required statements and schedules are set forth in the preceding sections of this report.

The following report from Talbot, Korvola & Warwick LLP is contained in this section:

- Independent Auditor's Report Required by Oregon State Regulations

Talbot, Korvola
& Warwick, LLP

Certified Public Accountants
& Consultants

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INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Honorable Mayor and City Councilors
City of West Linn, Oregon
West Linn, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of West Linn, Oregon (the City), as of and for the year ended June 30, 2015, and have issued our report thereon dated November 19, 2015.

COMPLIANCE

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Highway revenues used for public highways, roads, and streets.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).

In connection with our testing, nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations* except as follows:

1. Deficit fund balance in the Building Inspection Fund of $174,525.
2. Over expenditure of appropriations in the Water Fund for capital outlay of $121,831.
3. Budgeted transfers in and out do not balance. There are $50,000 more transfers in than transfers out for the 2016-2017 biennium budget.

OAR 162-10-0230 INTERNAL CONTROL

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion(s) on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control. Deficiencies in internal control, if any, were communicated separately.

RESTRICTIONS ON USE

This report is intended solely for the information and use of the City Council, Oregon Secretary of State Audits Division, and management and is not intended to be and should not be used by anyone other than these specified parties.

Talbot, Korvola & Warwick, LLP

Lake Oswego, Oregon
November 19, 2015

City of
West Linn
FINANCE

This is the **sixth** publication in a biennial series of financial communications tools:

Biennial Budget
2014 Comprehensive Annual Financial Report
2014 Popular Annual Financial Report
Five Year Financial Forecast
Budget Overview
2015 Comprehensive Annual Financial Report
2015 Popular Annual Financial Report
Six Year Capital Improvement Plan
Five Year Financial Forecast

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West Linn Sustainability
Printed on recycled paper

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APPENDIX F

Book-Entry Only System

THE DEPOSITORY TRUST COMPANY

SAMPLE OFFERING DOCUMENT LANGUAGE
DESCRIBING BOOK-ENTRY-ONLY ISSUANCE
(Prepared by DTC--bracketed material may apply only to certain issues)

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

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry only transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners

will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates rep resenting their ownership interests in Securities, except in the event that use of the book-entry only system for the Securities is discontinued.

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

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

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

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

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon

DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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

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