

OFFICIAL STATEMENT DATED AUGUST 21, 2018

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond 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, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of Oregon personal income taxation. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See “TAX MATTERS” herein.

**NEW ISSUE – COMPETITIVE
BOOK-ENTRY-ONLY**

**RATING: S&P “AA+”
See “RATING” herein.**

\$20,000,000 CITY OF WEST LINN, OREGON GENERAL OBLIGATION BONDS SERIES 2018

DATED: Date of Delivery

DUE: June 1, as shown inside cover

The General Obligation Bonds, Series 2018 (the “Bonds”), will be issued by the City of West Linn, Oregon (the “City”), in book-entry-only form in denominations of \$5,000 or integral multiples thereof. The Bonds are registered obligations issued in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. See APPENDIX E—“BOOK-ENTRY-ONLY SYSTEM” herein. So long as the Bonds remain in the book-entry-only system, principal and interest payments will be remitted by the paying agent and registrar of the City, currently U.S. Bank National Association, Portland, Oregon (the “Paying Agent”), to DTC, who in turn will be required to distribute such payments to DTC Participants for ultimate distribution to Beneficial Owners. Interest is payable semiannually on June 1 and December 1 of each year, commencing December 1, 2018 until the maturity or earlier redemption of the Bonds and will be computed on the basis of a 360-day year comprised of twelve 30-day months.

The proceeds of the sale of the Bonds will be used to (i) finance capital costs related to improvements to roads, parks and city facilities, (ii) fund a capitalized interest fund, and (iii) pay costs of issuance of the Bonds.

The City has pledged its full faith and credit for the punctual payment of the Bonds. The City has covenanted to levy annually, and as provided by law, a direct *ad valorem* tax upon all of the taxable property within the City in sufficient amount to pay the Bonds promptly as they mature. The City covenants to levy this tax each year until all the Bonds are paid. This tax will be in addition to all other taxes of the City, and this tax shall not be limited in rate, amount or otherwise, by Sections 11 or 11b of Article XI of the Oregon Constitution. The Bonds do not constitute a debt or indebtedness of Clackamas County, the State of Oregon, or any political subdivision thereof other than the City.

The Bonds are subject to optional redemption as described herein. See “DESCRIPTION OF THE BONDS—Redemption of the Bonds.”

Maturity Schedule Appears on Inside Cover

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 the making of an informed investment decision.

Mesirow Financial, Inc. purchased the Bonds via competitive sale on August 21, 2018. The Bonds are offered for sale to the original purchaser subject to the final approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City. Certain legal matters will be passed upon by Orrick, Herrington & Sutcliffe LLP, as disclosure counsel to the City. It is expected that the Bonds will be available for delivery to the Registrar for Fast Automated Securities Transfer on behalf of DTC, on or about August 30, 2018 (“Date of Delivery”).

MATURITY SCHEDULE

\$20,000,000

CITY OF WEST LINN, OREGON

GENERAL OBLIGATION BONDS

SERIES 2018

Due June 1	Principal Amount	Interest Rate	Yield	CUSIP No. 954039 [†]
2021	\$ 240,000	5.000%	1.760%	NG4
2022	365,000	5.000	1.880	NH2
2023	420,000	5.000	2.000	NJ8
2024	475,000	5.000	2.120	NK5
2025	540,000	5.000	2.240	NL3
2026	600,000	3.000	2.370	NM1
2027	665,000	3.000	2.450	NN9
2028	720,000	3.000	2.510	NP4
2029	780,000	4.000	2.650*	NQ2
2030	850,000	4.000	2.750*	NR0
2031	925,000	3.000	3.000	NS8
2032	995,000	3.000	3.100	NT6
2033	1,755,000	3.000	3.170	NU3
2034	1,875,000	3.000	3.250	NV1
2035	1,995,000	3.125	3.300	NW9
2036	2,125,000	3.125	3.350	NX7
2037	2,265,000	3.250	3.380	NY5
2038	2,410,000	3.250	3.400	NZ2

*Priced to the optional redemption date of June 1, 2028.

† Copyright 2018, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, managed by Standard and Poor's Financial Services LLC, a division of The McGraw Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of the registered owners of the applicable Bonds. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

No dealer, broker, salesperson or any 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 in connection with the offering contained herein, and, if given or made, such information or representations must not be relied upon. This Official Statement does not constitute an offer or solicitation of an offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such offer, solicitation or sale.

The information set forth herein has been obtained from the City, DTC, and other sources that are believed to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made thereafter shall under any circumstances create any implication that there has been no change in the affairs of the City or in any other information contained herein since the date hereof.

This Official Statement contains “forward-looking statements” within the meaning of the federal securities laws. These forward-looking statements include, among others, statements concerning expectations, beliefs, opinions, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. The forward-looking statements in this Official Statement are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such statements.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

**OFFICIAL STATEMENT
OF
\$20,000,000
CITY OF WEST LINN, OREGON
GENERAL OBLIGATION BONDS, SERIES 2018**

**22500 Salamo Road
West Linn, Oregon 97068
503-657-0331
Website: westlinnoregon.gov⁽¹⁾**

CITY COUNCIL

Russ Axelrod, Mayor
Brenda Perry
Teri Cummings
Bob Martin
Richard Sakelik

ADMINISTRATIVE STAFF

Eileen Stein, City Manager
Lauren Breithaupt, Finance Director

BOND COUNSEL

Orrick, Herrington, & Sutcliffe, LLP, Portland, Oregon

MUNICIPAL ADVISOR

D.A. Davidson & Co., Portland, Oregon

PAYING AGENT AND REGISTRAR

U.S. Bank National Association, Portland, Oregon

⁽¹⁾ The City's website is not part of this official statement, and investors should not rely on information which is presented in the City's website in determining whether to purchase Bonds. This inactive textual reference to the City's website is not a hyperlink and does not incorporate the City's website, by reference.

TABLE OF CONTENTS
(continued)

	Page
DESCRIPTION OF THE BONDS	1
Principal Amount, Date, Interest Rate and Maturities	1
Authorization and Purpose of Issuance.....	1
Redemption of the Bonds.....	2
Defeasance	2
Payment of Principal and Interest; Registration	3
Exchange and Transfer of the Bonds	3
SECURITY FOR THE BONDS	3
SOURCES AND USES OF FUNDS	4
DEBT SERVICE REQUIREMENTS.....	5
THE 2018 PROJECTS.....	5
THE CITY	5
General Description	5
Administration	6
City Council.....	6
Key City Administration and Management	6
City Staff and Bargaining Units.....	7
CITY FINANCIAL INFORMATION.....	7
Fiscal Year	7
Significant Accounting Policies.....	7
Basis of Accounting.....	7
Independent Audit Requirement	8
Budgeting Process.....	8
General Fund Budgets.....	8
Investment Policy	12
Pension Plan.....	12
Other Postemployment Benefits	19
Risk Management	19
CITY DEBT INFORMATION.....	19
Debt Limitation.....	19
Debt Management.....	20
Outstanding Obligations	20
Future Debt Plan	20
Debt Ratios	21
Short-Term Borrowing.....	21
PROPERTY TAXES	22
Local Government Fees	27
State of Oregon Funding.....	27
Federal Funding	27
ECONOMIC AND DEMOGRAPHIC INFORMATION	28
Population and Employment.....	28
Transportation.....	29
Utilities	30
Education	30
Health Care	31
Tourism and Recreation.....	31
Information Sources.....	31

TABLE OF CONTENTS
(continued)

	Page
THE INITIATIVE PROCESS	31
LITIGATION.....	32
LEGALITY.....	32
TAX MATTERS.....	32
RATING	34
MUNICIPAL ADVISOR.....	34
UNDERWRITING	35
OFFICIAL STATEMENT.....	35
CONTINUING DISCLOSURE.....	35
MISCELLANEOUS	36
APPENDIX A FORM OF BOND DECLARATION.....	A-1
APPENDIX B COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2017	B-1
APPENDIX C FORM OF LEGAL OPINION	C-1
APPENDIX D FORM OF CONTINUING DISCLOSURE CERTIFICATE	D-1
APPENDIX E BOOK-ENTRY-ONLY SYSTEM	E-1

OFFICIAL STATEMENT FOR THE
\$20,000,000
CITY OF WEST LINN, OREGON
GENERAL OBLIGATION BONDS, SERIES 2018

The City of West Linn (the “City”), a charter city duly organized and existing under and by virtue of the laws of the State of Oregon (the “State”) furnishes this Official Statement in connection with the offering of \$20,000,000 General Obligation Bonds, Series 2018 (the “Bonds”), dated the Date of Delivery. This Official Statement, which includes the cover page, inside cover and appendices, provides information concerning the City and the Bonds.

Capitalized terms used and not defined herein shall have the meanings assigned to such terms in APPENDIX A—“FORM OF BOND DECLARATION,” which is attached hereto and incorporated by reference herein.

DESCRIPTION OF THE BONDS

Principal Amount, Date, Interest Rate and Maturities

The Bonds will be issued in the aggregate principal amount of \$20,000,000 and will be dated and bear interest from the date of delivery. The Bonds will mature on the dates and in the principal amounts, and will bear interest payable semi-annually on June 1 and December 1, commencing December 1, 2018 at the rates as set forth on the inside cover of this Official Statement. The Bonds will be issued only as fully registered bonds in book-entry form, without coupons, in principal denominations of \$5,000 or any integral multiple thereof. Interest on the Bonds will be remitted by the registrar and paying agent of the City, currently U.S. Bank National Association, Portland, Oregon (the “Paying Agent”) to the Depository Trust Company (“DTC”), who in turn will be required to distribute such payments to its participants (the “DTC Participants”) for ultimate distribution to Beneficial Owners (as defined herein).

Authorization and Purpose of Issuance

The Bonds are being issued pursuant to the Constitution and statutes of the State, including Oregon Revised Statutes (“ORS”) Chapter 287A, which provides for the issuance of general obligation bonds to finance capital construction and improvements. The proceeds of the Bonds are to be used to finance capital costs related to improvements to roads, parks and city facilities as authorized by a vote of the electors of the City on May 15, 2018. The Bonds are also being issued pursuant to Resolution No. 2018-15 (the “Bond Resolution”), adopted on June 25, 2018 by the City Council of the City (the “City Council”), and a Bond Declaration that is dated the date of delivery of the Bonds (the “Bond Declaration”), a form of which is included in APPENDIX A.

The proceeds of the sale of the Bonds will be used to (i) capital costs related to improvements to roads, parks and city facilities, (ii) fund a capitalized interest fund, and (iii) pay the costs of issuing the Bonds. See “THE 2018 PROJECTS.”

Redemption of the Bonds

Optional Redemption. The Bonds maturing on or after June 1, 2029 are subject to redemption prior to maturity at the option of the City, in whole or in part on June 1, 2028 and on any date thereafter at a price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date fixed for redemption.

Selection for Redemption. For as long as the Bonds are in book-entry-only form, if fewer than all of the Bonds of a maturity are called for redemption, the selection of Bonds within such maturity to be redeemed shall be made by DTC in accordance with its operational procedures as then in effect. If the Bonds are no longer held in book-entry-only form, the Registrar shall select the Bonds within such maturity for redemption by lot.

Notice of Redemption (Book-Entry). So long as the Bonds are in book-entry only form and unless DTC consents to a shorter period, the Paying Agent shall notify DTC of an early redemption not less than 20 days and not more than 60 days prior to the date fixed for redemption, and shall provide such information in connection therewith as required by a letter of representation submitted to DTC. Official written notice of redemption will be given by the City to the Paying Agent at least five calendar days prior to the date the notice is scheduled to be sent to DTC. The City reserves the right to rescind any redemption notice as allowed in the Bond Declaration.

Notice of Redemption (No Book-Entry). During any period in which the Bonds are not in book-entry only form, unless waived by any Owner of the Bonds to be redeemed, official notice of any redemption of Bonds shall be given by the Paying Agent on behalf of the City by mailing a copy of an official redemption notice in a form generally accepted in the municipal markets by first class mail, postage prepaid, at least 30 days and not more than 60 days prior to the date fixed for redemption, to the Owners of the Bonds to be redeemed at the address shown on the Bond register or at such other address as is furnished in writing by such Owner to the Paying Agent. Official written notice of redemption will be given by the City to the Paying Agent at least five calendar days prior to the date the notice is scheduled to be sent to Owners of the Bonds. The City reserves the right to rescind any redemption notice as allowed in the Bond Declaration.

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

Defeasance

Under the Bond Declaration, the City may defease the Bonds by setting aside, with a duly appointed escrow agent, in a special escrow account irrevocably pledged to the payment of the Bonds to be defeased, cash or direct obligations of the United States in an amount which, in the

opinion of an independent certified public accountant, is sufficient without reinvestment to pay all principal and interest on the defeased Bonds until their maturity date or any earlier redemption date. Bonds which have been defeased pursuant to the Resolution shall be deemed paid and no longer outstanding, and shall cease to be entitled to any lien, benefit or security under the Resolution except the right to receive payment from such special escrow account.

Payment of Principal and Interest; Registration

So long as the Bonds are subject to the book-entry-only system, payment of principal of and interest on the Bonds when due shall be paid through the facilities of DTC in accordance with the rules, regulations and practices established and followed in connection with the DTC book-entry-only system. See APPENDIX E—“BOOK-ENTRY-ONLY SYSTEM.”

In the event the book-entry-only system is discontinued, the Bonds will be issued in the form of fully registered Bonds without coupons in Authorized Denominations. “Authorized Denominations” means denominations of \$5,000 and any integral multiple thereof within a single maturity date. Interest on each Bond shall be paid on each interest payment date (or the next Business Day if the payment date is not a Business Day) by check or draft drawn upon and mailed by the Paying Agent to the registered owner of such Bond at the address thereof, all as shown on the registration books maintained by the Registrar as of the 15th day of the month next preceding the interest payment date.

Exchange and Transfer of the Bonds

While the Bonds are in book-entry-only form, Beneficial Owners may transfer the Bonds only through DTC. If the Bonds cease to be in book-entry-only form, the Bonds may be transferred upon the books of the Paying Agent as provided in the Bond Declaration.

SECURITY FOR THE BONDS

The Bonds are general obligations of the City. The City pledges its full faith and credit to pay the Bonds. The City covenants to levy a direct *ad valorem* tax upon all of the taxable property within the City which is sufficient, after taking into consideration discounts taken and delinquencies that may occur in the payment of such taxes, to pay all Bond principal and interest when due. The City covenants to levy this tax each year until all the Bonds are paid. This tax shall be in addition to all other taxes of the City, and this tax shall not be limited in rate, amount or otherwise, by Sections 11 or 11b of Article XI of the Oregon Constitution.

The Bonds do not constitute a debt or obligation of Clackamas County, the State or any political subdivision thereof other than the City.

SOURCES AND USES OF FUNDS

The proceeds from the Bonds are estimated to be applied as shown in the table below.

TABLE 1
SOURCES AND USES OF FUNDS

Sources of Funds:	
Par Amount	\$20,000,000.00
Original Issue Premium	246,622.10
Total Sources of Funds	\$20,246,622.10
Uses of Funds:	
Deposit to Project Fund	\$19,580,828.36
Capitalized Interest Fund	397,175.00
Cost of Issuance	102,550.00
Underwriters' Discount	166,068.74
Total Uses of Funds	\$20,246,622.10

Source: City of West Linn.

DEBT SERVICE REQUIREMENTS

The following table presents the debt service requirements of all City general obligation bonds which are payable from *ad valorem* taxes (see Table 8).

**TABLE 2
GENERAL OBLIGATION BOND DEBT SERVICE REQUIREMENTS⁽¹⁾**

Fiscal Year Ending June 30	Outstanding G.O. Bond Debt Service	Bonds Debt Service		Total G.O. Bond Debt Service Requirements
		Principal	Interest	
2018	\$ 1,447,100	\$ 0	\$ 0	\$ 1,447,100
2019	1,141,900	0	507,325	1,649,225
2020	886,350	0	673,938	1,560,288
2021	919,488	240,000	673,938	1,833,426
2022	540,438	365,000	661,938	1,567,376
2023	557,438	420,000	643,688	1,621,126
2024	573,938	475,000	622,688	1,671,626
2025	589,938	540,000	598,938	1,728,876
2026	610,438	600,000	571,938	1,782,376
2027	624,706	665,000	553,938	1,843,644
2028	647,781	720,000	533,988	1,901,769
2029	664,363	780,000	512,388	1,956,751
2030	684,488	850,000	481,188	2,015,676
2031	702,950	925,000	447,188	2,075,138
2032	724,831	995,000	419,438	2,139,269
2033	0	1,755,000	389,588	2,144,588
2034	0	1,875,000	336,938	2,211,938
2035	0	1,995,000	280,688	2,275,688
2036	0	2,125,000	218,344	2,343,344
2037	0	2,265,000	151,938	2,416,938
2038	0	2,410,000	78,325	2,488,325
Total	\$11,316,144	\$20,000,000	\$9,358,331	\$40,674,475

⁽¹⁾ Columns may not foot due to rounding.

Source: City of West Linn.

THE 2018 PROJECTS

The City expects to finance capital costs related to improvements to roads, parks and city facilities from proceeds of the Bonds.

THE CITY

General Description

The City of West Linn is located in Clackamas 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 Clackamas 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 an estimated 2017 population of 25,615.

Administration

The City was incorporated in 1913 and operates under the provision of its own charter (the “West Linn Charter”) and applicable State law with a Manager-Council form of government. The City is overseen by a five member City Council. The City Council is composed of a Mayor and four elected Council members. City 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 City Council. The City Council is responsible for establishing policy to meet the needs of the community, are members of the budget committee and participate in fiscal planning. The City Council also appoints the City Manager.

City Council

Current members of the City Council are shown in the following table.

**TABLE 3
CITY COUNCIL**

Name	Position	Term Expires
Russ Axelrod	Mayor	December 31, 2020
Brenda Perry	Council President	December 31, 2018
Teri Cummings	Councilor	December 31, 2020
Bob Martin	Councilor	December 31, 2018
Richard Sakelik	Councilor	December 31, 2020

Source: City of West Linn.

Key City Administration and Management

Eileen Stein, City Manager, was appointed to the position of City Manager in 2016. Ms. Stein is the former City Manager for the City of Mt. Angel, Oregon where she served in that capacity for 3 years. Before becoming City Manager in Mt. Angel, Oregon, Ms. Stein served as City Manager for the City of Sisters, Oregon for 11 years.

She holds undergraduate and graduate degrees from University of California at Irvine and has more than 25 years of local government experience in Oregon. She also serves on the League of Oregon Cities Board of Directors.

Lauren Breithaupt, Finance Director, joined the City in November 2011. Ms. Breithaupt comes from an auditing and private accounting background having worked for Talbot, Korvola and Warwick, LLP. In 2009, she received her Bachelor of Science degree from California Polytechnic State University, San Luis Obispo, with concentrations in Accounting and Agricultural Finance and Appraisal. She obtained her Certified Public Accountant (CPA) designation in 2010, was admitted to the Municipal Auditor Roster in 2012, and obtained her Certified Management Accountant (CMA) designation in 2015.

City Staff and Bargaining Units

As of June 30, 2017, the City had 116 full-time employees and 52 part-time employees. The majority of City employees who are eligible under State law to be represented by a labor organization are employed under provisions of negotiated contracts with two labor organizations. The City enters into written bargaining agreements with each of the bargaining organizations. The agreements contain provisions on such matters as salaries, vacation, sick leave, medical and dental insurance, working conditions, and grievance procedures.

**TABLE 4
BARGAINING UNITS**

BARGAINING UNIT	Number of Employees	Termination Date of Current Contract
Clackamas County Peace Officers Association	20	June 30, 2020
American Federation of State, County and Municipal Employees	61	June 30, 2019

Source: City of West Linn.

CITY FINANCIAL INFORMATION

Fiscal Year

The fiscal year for the City commences on July 1 and ends on June 30 of the following year.

Significant Accounting Policies

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (“GAAP”) as applied to government units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Basis of Accounting

The government-wide financial statements are presented on a full accrual basis of accounting with an economic resource measurement focus, as are the proprietary funds financial statements. An economic resource focus concentrates on an entity or fund’s net assets. All transactions and events that affect the total economic resources (net assets) 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. The City’s accounting practices conform to GAAP.

The City has received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada (“GFOA”) for the Comprehensive Annual Financial Report every year since its Fiscal Year ended 2010 audit report.

Independent Audit Requirement

In accordance with the Oregon Municipal Audit Law (ORS 297.405 to 297.555) and ORS 297.990 an audit is conducted at the end of each fiscal year by independent certified public accountants. This requirement has been complied with and the financial statements have received an “unqualified opinion” from the auditors. Such an opinion indicates there was no limitation on the scope of the auditor’s examination and the financial statements were prepared in accordance with GAAP.

The City’s audit for the fiscal year ended June 30, 2017 was performed by Merina & Company, LLP, West Linn, Oregon and the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017 is included in APPENDIX B.

MERINA & COMPANY, LLP, THE CITY’S INDEPENDENT AUDITOR, HAS NOT BEEN ENGAGED TO PERFORM, AND HAS NOT PERFORMED, SINCE THE DATE OF ITS REPORT INCLUDED HEREIN, ANY PROCEDURES ON THE FINANCIAL STATEMENTS ADDRESSED IN THAT REPORT. MERINA & COMPANY, LLP ALSO HAS NOT PERFORMED ANY PROCEDURES RELATING TO THIS OFFICIAL STATEMENT.

Budgeting Process

The City prepares a biennial budget in accordance with provisions of the Oregon Local Budget Law (ORS 294), which provides standard procedures for the preparation, presentation, administration and appraisal of budgets for Oregon local governments. The law mandates public involvement in budget preparation and public exposure of its proposed programs. The law also requires that the budget be balanced.

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 City Council members and lay members. After giving due consideration to the input received from the citizens, the City Council adopts the budget, authorizes the levying of taxes and sets appropriations. The budget must be adopted no later than June 30 of each Fiscal Year.

General Fund Budgets

Table 5 shows the adopted General Fund Budgets for the most recent and current biennium. The City adopted the budget for the 2018-2019 biennium on June 19, 2017.

TABLE 5
GENERAL FUND BUDGETS
(in 000's)

	2016-2017	2018-2019		
	Biennium	Biennium Adopted Budget		
	Total	Fiscal Year 2018	Fiscal Year 2019	Total
Resources				
Beginning Fund Balance	\$ 1,663	\$2,919	\$1,879	\$ 2,919
Intergovernmental	278		-	-
Franchise Fees	-	-	-	-
Fees & Charges	516	270	278	548
Fines & Forfeitures	861	567	584	1,151
Interest	10	10	10	20
Miscellaneous	214	110	112	222
Transfers from Other Funds	13,980	7,132	7,279	14,411
Proceeds from Bond Refunding	1,100	-	-	-
Total Resources	\$18,622	\$11,008	\$10,142	\$19,271
Requirements				
Personnel Services	\$ 8,694	\$ 4,423	\$ 4,617	\$ 9,040
Materials & Services	5,389	2,525	2,323	4,848
Debt Service	1,928	405	404	809
Transfers to Other Funds	623	1,645	1,580	3,225
Capital Outlay	422	131	28	159
Total Requirements	17,056	9,129	8,952	18,081
Reserves				
Contingency	640	1,512	823	823
Unappropriated Ending Fund Balance	926	367	367	367
Total Reserves	1,566	1,879	1,190	1,190
Total Requirements and Reserves	\$18,622	\$11,008	\$10,142	\$19,271

Source: Adopted 2018-2019 Biennial Budget, City of West Linn.

The following table reflects the General Fund Balance Sheets for the last five years.

**TABLE 6
GENERAL FUND BALANCE SHEETS**

As of June 30	2013	2014	2015	2016	2017
Assets					
Cash and investments	\$1,819,525	\$2,550,670	\$1,895,670	\$2,739,925	\$2,723,214
Restricted cash and investments	-	-	-	-	-
Property taxes receivable	-	-	-	-	-
Accounts receivable	124,640	63,468	370,410	303,350	1,208,468
Prepaid expenditures	169,275	150,427	188,685	134,755	136,064
Total Assets	<u>2,113,440</u>	<u>2,764,565</u>	<u>2,454,765</u>	<u>3,178,030</u>	<u>4,067,746</u>
Liabilities					
Accounts payable	264,193	217,656	283,426	214,862	351,089
Accrued salaries and payroll taxes	181,400	131,000	162,604	178,027	74,794
Deposits and other liabilities	197,489	332,748	272,436	357,002	429,644
Total Liabilities	<u>643,082</u>	<u>681,404</u>	<u>718,466</u>	<u>749,891</u>	<u>855,527</u>
Deferred Inflows of Resources					
Unavailable revenue - court fines	-	-	194,732	244,227	228,680
Unavailable revenue - grant revenue	-	-	-	-	-
Unavailable revenue - property taxes	-	-	-	-	-
Total Deferred Inflows	<u>-</u>	<u>-</u>	<u>194,732</u>	<u>244,227</u>	<u>228,680</u>
Fund Balances					
Non-spendable	169,275	150,427	188,685	134,755	136,064
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Unassigned	1,301,083	1,932,734	1,352,882	2,049,157	2,847,475
Total Fund Balances	<u>1,470,358</u>	<u>2,083,161</u>	<u>1,541,567</u>	<u>2,183,912</u>	<u>2,983,539</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$2,113,440</u>	<u>\$2,764,565</u>	<u>\$2,454,765</u>	<u>\$3,178,030</u>	<u>\$4,067,746</u>

Source: City of West Linn; City Audited Financial Statements, 2013- 2017.

The following table reflects the General Fund Statement of Revenues, Expenditures and Changes in Fund Balance for the last five years.

**TABLE 7
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

As of June 30	2013	2014	2015	2016	2017
Revenues					
Property taxes	-	-	-	-	-
Intergovernmental	\$ 140,621	\$ 74,000	\$ 119,375	\$88,600	-
Franchise taxes	151,141	-	-	-	-
Fines and forfeitures	349,548	397,387	384,087	550,017	\$ 513,046
Licenses and permits	225,109	259,195	236,340	266,052	243,014
Charges for services	5,714,000	6,025,000	6,229,000	6,880,000	7,100,000
Systems development charges	-	-	-	-	-
Investment earnings	9,052	6,737	14,477	15,618	14,504
Miscellaneous	77,640	70,106	67,954	145,241	52,356
Total Revenues	<u>6,667,111</u>	<u>6,832,425</u>	<u>7,051,233</u>	<u>7,945,528</u>	<u>7,922,920</u>
Expenditures					
Current:					
General government	6,224,139	5,790,688	6,789,885	6,658,713	6,399,769
Cultural and recreation	-	-	-	-	-
Public safety	-	-	-	-	-
Highways and streets	-	-	-	-	-
Debt service:					
Principal	285,000	292,000	304,000	104,114	326,250
Interest	126,750	117,925	105,925	292,205	78,155
Capital outlay	51,210	19,009	393,017	267,038	319,119
Total Expenditures	<u>6,687,099</u>	<u>6,219,622</u>	<u>7,592,827</u>	<u>7,322,070</u>	<u>7,123,293</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(19,988)</u>	<u>612,803</u>	<u>(541,594)</u>	<u>623,458</u>	<u>799,627</u>
Other Financing Sources					
Refunding bonds issued	-	-	-	984,375	-
Bond premium on issuance of debt	-	-	-	86,094	-
Payment to refunded bond escrow agent	-	-	-	(1,051,582)	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,887</u>	<u>-</u>
Net Change in Fund Balance	<u>(19,988)</u>	<u>612,803</u>	<u>(541,594)</u>	<u>642,345</u>	<u>799,627</u>
Fund Balances - beginning	<u>1,490,346</u>	<u>1,470,358</u>	<u>2,083,161</u>	<u>1,541,567</u>	<u>2,183,912</u>
Fund Balances - ending	<u>\$1,470,358</u>	<u>\$2,083,161</u>	<u>\$1,541,567</u>	<u>\$2,183,912</u>	<u>\$2,983,539</u>

Source: City of West Linn; City Audited Financial Statements, 2013-2017.

Investment Policy

Oregon Revised Statutes and the City's investment policy authorize the City to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, high-grade corporate indebtedness, and the State of Oregon Local Government Investment Pool. As of June 30, 2017, the City had approximately \$4,332,164 in the State of Oregon Local Government Investment Pool.

Pension Plan

General. The City participates in a retirement pension benefit program under the State of Oregon Public Employees Retirement System ("PERS" or the "System"). After six full months of employment, all City employees are required to participate in PERS. Employer contribution rates are calculated as a percent of covered payroll. PERS is a cost-sharing, multi-employer system available to the City due to its participation in the State and Local Government Rate Pool.

T1/T2 Pension Programs. Employees hired before August 29, 2003 participate in the "Tier 1" or "Tier 2" pension programs (the "T1/T2 Pension Programs"). The benefits provided through the T1/T2 Pension Programs are based primarily on a defined benefit model and provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries. Different benefit structures apply to participants depending on their date of hire. Effective January 1, 2004, and in addition to their defined benefit pension plans, six percent of each employee's salary is contributed to fund individual retirement accounts under a separate defined contribution program known as the Individual Account Program (the "IAP"). Participant contributions may be paid by the employee or the employer, depending on the individual contract negotiated between the two. See "*-Employer Contribution Rates*" herein.

OPSRP. Employees hired on or after August 29, 2003 participate in the Oregon Public Service Retirement Plan ("OPSRP") unless membership was previously established in the T1/T2 Pension Programs. OPSRP is a hybrid contribution/defined benefit pension plan with two components. Employer contributions fund the defined benefit program, and employee contributions fund individual retirement accounts under the IAP. Participant contributions may be paid by the employee or the employer, depending on the individual contract negotiated between the two. See "*-Employer Contribution Rates*" herein.

RHIA/RHIPA. The Oregon PERS Health Insurance Program offers optional medical, dental, and long-term care insurance plans to eligible T1/T2 retirees, their spouses, and dependents. See "*-Other Postemployment Benefits, Retirement Health Insurance Account*" herein.

Actuarial Valuation. Actuarial valuations are performed annually as of December 31 of each year and are designed to measure the liabilities, assets and funded status of the System and for each employer, as well as determine employer contribution rates. The valuations are based on complex models which utilize assumptions on rates of return, payroll growth rates and demographic trends. The valuations as of December 31 of odd-number years are used by the Oregon Public Employees Retirement System Board (the "PERB") to set employer contribution

rates, and valuations as of even-numbered years are used for advisory purposes only. Should the assumptions used in the actuarial model prove inaccurate, liabilities of the System may be higher or lower than estimated. Any increases or decreases in liabilities will be absorbed into future contribution rates assessed against employer payrolls. An employer’s unfunded actuarial liability (“UAL”) is equal to the excess of the actuarially determined present value of the employer’s benefit obligations to employees over the existing assets available to pay those benefits. PERS’ current actuary is Milliman, Inc. (“Milliman,” or the “Actuary”).

Actuarial valuations are performed for the entire System (the “System Valuation”), and for most participating employers, including the City (the “City Valuation”). Valuations are released nine to eleven months after the valuation date. Current payroll rates are based on the System’s actuarial valuation report as of December 31, 2015 (the “2015 System Valuation”), and those rates will extend through June 30, 2019. The actuarial valuation report for System as of December 31, 2016 (the “2016 System Valuation”), was released in December 2017 and provides advisory-only rate projections for the 2019-21 biennium.

At the August 3, 2018 PERS Board Meeting, Milliman presented a summary (the “2017 Valuation Summary”) of its forthcoming December 31, 2017 System-Wide Actuarial Valuation Report (the “2017 System Valuation”), which is expected to be released in October 2018. The 2017 System Valuation will be the basis for adoption of the 2019-21 biennium employer contribution rates, which are expected to be set at the PERS Board meeting currently scheduled for October 5, 2018. Individual employer information, including the City’s contribution rates for the 2019-21 biennium, is expected to be released in October 2018.

Valuation Date	Release Date	Rates Effective
December 31, 2015	September 2016	July 1, 2017 – June 30, 2019
December 31, 2016	December 2017	Advisory only for July 1, 2019 – June 30, 2021
December 31, 2017	2017 Valuation Summary provided August 3, 2018	July 1, 2019 – June 30, 2021
	2017 System Valuation Expected September 2018	
	Individual Employer Reports Expected October 2018	

System Actuarial Organization. An employer participates in PERS either on an independent basis, or through an actuarial pool, as follows:

T1/T2 Pension Programs

- *Independents:* An Independent Employer is one for whom its T1/T2 Pension Programs assets and liabilities are based on an actuarial analysis performed on its employee base. The City is not an independent employer.

- *School District Pool:* All kindergarten through grade 12 public school district and education service district public employers are pooled for actuarial purposes for the T1/T2 pension programs (the “School District Pool”). Each School District Pool member’s allocated share of the pool’s assets and liabilities is based on the member’s proportionate share of the School District Pool’s pooled payroll, which share may shift in the future due to relative growth in payroll. Further, a school district’s Allocated T1/T2 UAL may increase if other pool participants fail to pay their full employer contributions. The City is/is not a member of the School District Pool.
- *State and Local Government Rate Pool:* For the T1/T2 Pension Programs, all State agencies, certain Oregon local governments and all community college public employers are pooled (the “State and Local Government Rate Pool” or “SLGRP”). Each SLGRP member’s allocated share of the pool’s assets and liabilities is based on the member’s proportionate share of the SLGRP’s pooled payroll which share may shift in the future due to relative growth in payroll. Further, the City’s Allocated T1/T2 UAL may increase if other pool participants fail to pay their full employer contributions. **The City is a member of the SLGRP.**

OPSRP

- *OPSRP.* The assets and liabilities of OPSRP are pooled on a System-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.

Actuarial Assumptions. Significant actuarial assumptions and methods used in the 2015 System Valuation included (a) the Entry Age Normal method, (b) asset valuation method based on market value, (c) the assumed earnings rate (the “Assumed Rate”) on the investment of present and future assets of 7.50 percent, (d) payroll growth rate of 3.50 percent, (e) consumer price inflation of 2.75 percent per year, (f) UAL amortization method of a level percentage of payroll over 20 years (fixed) for all T1/T2 UALs derived from the 2013 System Valuation and thereafter, and through 2033 for all T1/T2 UALs derived from the 2007, 2009 and 2011 valuations, and 16 years (fixed) from the date of the first rate-setting valuation at which the UAL is recognized for OPSRP, and (g) a rate collar to limit increases or decreases in employer contribution rates from biennium to biennium (the “Rate Collar”) (see “— *Rate Collar*” below).

The 2016 System Valuation utilizes the same significant actuarial assumptions and methods used in the 2015 System Valuation except it reflects the PERB’s decision on July 28, 2017 to lower the Assumed Rate from 7.50 percent to 7.20 percent. The 2017 System Valuation is expected to utilize the same actuarial assumptions and methods as the 2016 System Valuation.

Employer Contribution Rates. Employer contribution rates are calculated as a percent of covered payroll. The rates are based on the current and projected cost of benefits and the anticipated level of funding available from the Oregon Public Employees Retirement Fund (“OPERF”), including anticipated investment performance of the fund. Contribution rates are subject to future adjustment based on factors such as the result of subsequent actuarial valuations, litigation, decisions by the PERB and changes in benefits resulting from legislative modifications. Pursuant to ORS 238.225, all participating employers are required to make their contribution to PERS based on the employer contribution rates set by the PERB. Employees are

required to contribute six percent of their annual salary to the IAP. Employers are allowed to pay the employees' contribution in addition to the required employers' contribution. The City has elected to make the employee contribution.

Rate Collar. The PERB uses the Rate Collar to limit increases (or decreases) in employer contribution rates from biennium to biennium in order to smooth the impact of significant increases or decreases from one valuation to the next. The Rate Collar is applied and calculated as follows:

The uncollared base rate, which is the actuarially determined rate which would need to be contributed to fully fund future benefits for current employees and to amortize the UAL over the specified amortization period, is calculated first.

- Should the anticipated increase or decrease necessary to impose the uncollared base rate be in excess of certain limits, then the Rate Collar is applied. Any excess increase or decrease is deferred to future rate cycles. The Rate Collar is currently in effect; see “*City Contribution Rates*” herein.
- If the funded status of the employer or the pool in which the employer participates is above 70 percent or below 130 percent (the “Base Case Rate Collar”), the Rate Collar is the greater of three percent of payroll (the “3% parameter”) or 20 percent of the current base rate (the “20% parameter”).
- If the funded status of an employer or the pool in which the employer participates is below 70 percent or above 130 percent, the Rate Collar increases by 0.3 percent of payroll if under the 3% parameter, or two percent of the current base rate if under the 20 percent parameter, for every percentage point under the 70 percent (or above 130 percent) funded level (the “Collar Ramp”) until it reaches six percent of payroll, or 40 percent of the current base rate at the 60 percent (or above 140 percent) funded level (the “Double Rate Collar”).

According to the 2016 System Valuation, the funded status, excluding employer Side Accounts, for the SLGRP was (69%), below the 70% funded status level. Should this continue to be the case with the 2017 System Valuation, the Rate Collar will widen beyond the Base Case Rate Collar. However, as of December 31, 2017, the rate of return for the OPERF was 15.31%, which may result in the funded status as of the 2017 System Valuation increasing. As described below, the 2017 Valuation Summary indicates an increase in the funded status of the SLGRP and a reduction in the UAL of the SLGRP as compared to the 2016 System Valuation.

System Funded Status & UAL. The table below includes the UAL and funded status for the System and the SLGRP in which the City participates from the five most recent actuarial valuations.

According to the 2017 Valuation Summary, for the December 31, 2017 valuation date, the funded status of the System (excluding side accounts) was 73% with a UAL (excluding side accounts) of \$22.3 billion, and the SLGRP has a funded status (excluding side accounts) of 73% with a UAL (excluding side accounts) of \$11.3 billion.

System Unfunded Actuarial Liability and Funded Status⁽¹⁾
(\$ in millions)

Valuation Date	System		SLGRP	
	UAL	Funded Status	UAL	Funded Status
December 31, 2016 ⁽²⁾	\$ 25,300.1	68.8%	\$ 12,318.7	69.5%
December 31, 2015 ⁽³⁾	21,830.8	71.3	10,714.1	72.1
December 31, 2014 ⁽⁴⁾	17,940.7	75.6	8,704.6	76.6
December 31, 2013 ⁽⁴⁾	8,503.5	86.4	3,883.5	87.8
December 31, 2012	11,139.3	81.6	5,137.8	83.2

⁽¹⁾ Does not take into account offsets for deposits made by individual employers from pension bond proceeds or cash on hand in side accounts (see “*Side Accounts and Pension Bonds*” herein).

⁽²⁾ Increase in UAL and decline in funded status largely attributable to decrease in Assumed Rate (see “*Actuarial Assumptions*” above).

⁽³⁾ Increase in UAL and decline in funded status largely attributable to investment returns of two percent during 2015, substantially less than the 7.5 percent Assumed Rate for that period.

⁽⁴⁾ Cost saving changes were made during the 2013 Legislative session and applied to the 2013 System Valuation. The changes were subsequently reversed by the Supreme Court’s decision in *Moro v. State of Oregon*, which largely overturned 2013 legislation that reduced COLA payouts. This resulted in a substantial increase in UAL and decline in funded status for the 2014 System Valuation.

Source: *System Valuations*.

Net Unfunded Actuarial Liability. The City’s net unfunded pension UAL is the total of the City Allocated T1/T2 UAL and City Allocated OPSRP UAL, less the balance in the City’s Side Account. The City’s net unfunded pension UAL as reported in the City’s actuarial valuation report as of December 31, 2015 (the “2015 City Valuation”) and as reported in the City’s actuarial valuation report as of December 31, 2016 (the “2016 City Valuation”) is shown in the following table. Information about the City’s net unfunded pension UAL as of December 31, 2017 is expected to be available in October 2018.

City Net Unfunded Pension UAL

	2015 Valuation	2016 Valuation
Allocated pooled SLGRP T1/T2 UAL	\$ 17,221,625	\$19,759,376
Allocated pre-SLGRP pooled liability / (surplus)	-	-
Transition liability / (surplus)	(3,480,299)	(3,338,442)
Allocated pooled OPSRP UAL	1,278,356	1,577,930
Net unfunded pension actuarial accrued liability	\$ 15,019,682	\$ 17,998,864

Source: *2015 City Valuation and 2016 City Valuation*.

City Contribution Rates. The City’s contribution rates for the 2017-19 biennium under the 2015 City Valuation, and the advisory contribution rates for the 2019-21 biennium under the 2016 City Valuation are provided in the following table. The projected rate increases in the 2016 Valuation incorporate limitations of the Rate Collar. See “— *Rate Collar*” herein.

The actual rates for the 2019-21 biennium will be calculated in the City Valuation as of December 31, 2017, which is expected to be released in October 2018. See “—*Actuarial Valuation*” herein.

City Pension Contribution Rates

	<u>2017-19 Biennium</u>			<u>2019-21 Biennium</u>		
	T1/T2	OPSRP General	OPSRP P&F	T1/T2	OPSRP General	OPSRP P&F
Normal cost rate	16.75%	8.02%	12.79%	16.78%	8.49%	13.22%
T1/T2 UAL Rate ⁽¹⁾⁽²⁾	6.03	6.03	6.03	10.67	10.67	10.67
OPSRP UAL Rate	1.27	1.27	1.27	1.56	1.56	1.56
Pre-SLGRP pooled liability rate	0.00	0.00	0.00	0.00	0.00	0.00
Transition liability/(surplus) rate	(4.07)	(4.07)	(4.07)	(4.05)	(4.05)	(4.05)
Retiree Healthcare rate (RHIA) ⁽³⁾	0.50	0.43	0.43	0.49	0.42	0.42
Total net contribution rate	20.48%	11.68%	16.45%	25.45%	17.09%	21.82%

Source: 2015 City Valuation, 2016 City Valuation, PERS.

City Contributions. The City’s historical and projected annual contributions to PERS are provided in the following table.

City Pension Contributions

Fiscal Year	City Contribution
2008 ⁽¹⁾	\$ 947,000
2009 ⁽¹⁾	1,085,000
2010 ⁽¹⁾	816,000
2011 ⁽¹⁾	846,000
2012 ⁽¹⁾	991,000
2013 ⁽¹⁾	1,049,000
2014 ⁽²⁾	838,224
2015 ⁽²⁾	892,780
2016 ⁽²⁾	1,124,255
2017 ⁽²⁾	1,069,881

⁽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 PERS.

Source: City of West Linn, City Audited Financial Statement, 2017.

Actuarial Projections. At the December 2, 2017 PERB meeting, the Actuary presented financial modeling of the System for the next 20 years. Among the conclusions of the financial modelling were the following points:

- **Steady Return rates:** Under the assumption of a consistent level of returns through 2037 (taking into account 2017 returns of 11.05% through September 2017), even with a consistent return of nine percent, System average rates will increase for the next two biennia before beginning to decline. At the assumed rate of 7.2%, System average rates increase by approximately 5% in each of the next two biennia before slowly declining. Under that scenario, System rates do not decline below 25% until 2035.
- **Variable Return rates:** The Actuary also provided stochastic modelling that showed a similar pattern: at the 50th percentile, rates climb from today’s 20.8% to a high of 31.6% in 2023-25, then decline slowly to 29.4% in 2033-35, before dropping to 23%

in 2035-37. In the 5th percentile, rates could climb as high as 56%; in the 95th percentile, rates decline to zero in 2029.

- UAL: In the Steady Return scenario, with a 7.2% consistent return, the UAL grows slightly before declining and would be fully amortized by 2034. In the Variable Return scenario, at the 50th percentile, the UAL declines to \$23.5 billion at the end of 2017, but grows to \$26.4 billion by the end of 2021, then declines to \$1.6 billion by the end of 2035. In the Actuary's model, the 50th percentile return is somewhat below 7.20%.

The City cannot predict whether its payroll rates or UAL will increase by as much, more or less than what has been projected by the Actuary.

According to the 2017 Valuation Summary, in December 2018 the Actuary expects to present contribution rate and funded projections based on the 2017 System Valuation, which will use the latest year-to-date investment return information at the time the projections are made.

2018 Legislative Session. The Legislative Assembly during the 2018 Legislative Session approved two bills that impact PERS administration. HB 4159 directs PERB to adopt rules providing that, if the Oregon Investment Council invests assets of the IAP in multiple risk categories depending on characteristics of an individual member, an IAP member may elect to have moneys in their individual account deposited into an approved investment option. SB 1566 establishes an Employer Incentive Fund of approximately \$25 million, and provides, among other things, that the PERB will create a process whereby public employers may apply by December 31, 2019 for matching reserve amounts of up to 25 percent by committing to make a qualifying lump sum contribution payment of at least \$25,000 from funds that have not been borrowed. The measure also creates an Unfunded Actuarial Liability Resolution Program, participation in which will be required to receive matching amounts. PERS is currently planning implementation of HB 4159 and SB 1566.

GASB 67 and GASB 68. GASB Statements No. 67 and No. 68 modify the accounting and financial reporting of pensions by state and local governments and pension plans. Statement No. 67 ("GASB 67"), Financial Reporting for Pension Plans, addresses financial reporting for state and local government pension plans. Statement No. 68 ("GASB 68"), Accounting and Financial Reporting for Pensions, establishes accounting and financial reporting requirements for governments that provide their employees with pensions. The PERS System is subject to GASB 67; each participating employer, including the City is subject to GASB 68. GASB 68 was incorporated in the City's financial statements beginning in Fiscal Year 2015. PERS contracted with Milliman to provide information for local governments to use in their financial statements.

Under GASB 68, for Fiscal Year 2016, the City reported a net pension liability of \$6,118,151 and a pension income of \$4,711,973. The City's net pension liability increased to \$14,941,668 in Fiscal Year 2017 due to System-wide increases in UAL due to investment returns of two percent during 2015. An employer's proportionate share of the liability will also change if the employer's payroll grows more or less than the System. The City

recognized a pension expense of \$1,365,112 in Fiscal Year 2017. See APPENDIX B—“Financial Statements” for more information regarding the City and GASB 68.

Other Postemployment Benefits

Retirement Health Insurance Account. PERS retirees who receive benefits through the Tier 1 and Tier 2 plans and are enrolled in certain PERS administered health insurance programs, may receive a subsidy towards the payment of health insurance premiums. Under ORS 238.420, retirees may receive a subsidy for Medicare supplemental health insurance of up to \$60 per month towards the cost of their health insurance premium under the RHIA plan. The RHIA program’s assets and liabilities are pooled on a system-wide basis and are not tracked or calculated on an employer basis. According to the 2016 System Valuation, this program had a surplus of approximately \$1.3 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 2016 City Valuation, the City’s allocated share of the RHIA program’s surplus was \$(1,248).

Medical Benefits - Implicit Subsidy. Under ORS 243.303 the City is required to offer the same healthcare benefits for current City employees to all retirees and their dependents until such time as the retirees are eligible for Medicare. GASB Statement No. 45 refers to this as an “implicit subsidy” and requires that the corresponding liability be determined and reported.

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 2017 is attached hereto as Appendix B.

CITY DEBT INFORMATION

Debt Limitation

General Obligation Bonds. ORS Chapter 287A limits the amount of certain general obligation bonds that an Oregon city may have outstanding at any time to three percent of the real market value of the taxable property within the city. 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 that are completely self-supporting. The Bonds are general obligation bonds and are subject to the debt limitation. The table below excludes the Bonds.

2016-17 RMV	\$4,691,525,851
Debt limitation (3% of RMV)	\$140,745,776
Less applicable bonded debt	\$9,465,349
Remaining legal debt capacity	\$131,280,427
Percent of limit issued	6.73%

Source: City of West Linn, City Audited Financial Statement, 2017.

Full Faith and Credit Obligations/Limited-Tax Obligations. School districts, education service districts, community colleges and local governments may pledge their full faith and credit for “limited tax bonded indebtedness” or “full faith and credit obligations.” The Oregon Constitution and statutes do not limit the amount of limited tax bonded indebtedness that an Oregon 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, Section 11 and 11b.

Pension Bonds. ORS 238.694 authorizes school districts, education service districts, community colleges and local governments 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 the City is not authorized to levy additional taxes to make pension bond payments.

Revenue Bonds. The City may issue revenue bonds for any public purpose, which are secured by revenues pursuant to ORS 287A.150.

Debt Management

The City has never defaulted on a debt obligation.

Outstanding Obligations

The following table presents information regarding the City’s outstanding obligations.

**TABLE 8
OUTSTANDING OBLIGATIONS**

	<u>Dated Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding⁽¹⁾</u>
GENERAL OBLIGATION BONDS				
General Obligation Refunding Bonds, Series 2009A	01/21/09	12/01/18	\$4,915,000	\$ 280,000
General Obligation Refunding Bonds, Series 2010A	09/02/10	06/01/21	3,065,000	1,070,000
General Obligation Bonds, Series 2012	01/25/12	12/01/31	8,500,000	7,020,000
Total General Obligation Bonds			\$16,480,000	\$8,370,000
FULL FAITH AND CREDIT OBLIGATIONS				
Full Faith and Credit Refunding Obligations, Series 2010B	09/02/10	12/01/20	2,575,000	\$ 855,000
Full Faith and Credit Refunding Obligations, Series 2015	12/16/15	06/01/35	5,265,000	4,840,000
Total Full Faith and Credit Obligations			\$11,875,000	\$5,695,000

⁽¹⁾ Amount outstanding as of Date of Delivery.
Source: City of West Linn.

Future Debt Plan

The City has no authorized by unissued bonds. The City does not expect to issue additional debt in calendar year 2018 or Fiscal Year 2019.

Debt Ratios

The following tables present information regarding certain of the City’s direct debt and debt of overlapping taxing districts.

**TABLE 9
DEBT RATIOS**

	Values	Per Capita	Percent of RMV
2017 Estimated Population	25,695	-	-
2016 – 2017 Real Market Value (RMV)	\$5,073,357,248	\$ 197,445	-
Total Net Property-Tax Backed Debt of City ⁽¹⁾	\$ 14,065,000	\$ 547	0.28%
Net Property-Tax Backed Overlapping Debt of Issuers	\$126,705,991	\$4,931	2.50%
Total Direct Net Debt and Overlapping Debt	\$140,770,991	\$5,478	2.78%

⁽¹⁾ Total Direct Net Debt includes all voter approved General Obligation bonds, Limited Tax bonds and any other obligations, Certificates of Participation or leases backed by the full faith and credit of the City less self-supporting obligations (such as the Full Faith and Credit Obligations referenced in Table 8). Debt whose term is less than one year is not included. Excludes the Bonds.

Source: Municipal Debt Advisory Commission, Oregon State Treasury, as of July 16, 2018.

**TABLE 10
OVERLAPPING DEBT (AS OF JULY 16, 2018)**

Overlapping District	Real Market Valuation	Percent Overlapping	Gross Property-Tax Backed Debt ⁽¹⁾	Net Property-Tax Backed Debt ⁽²⁾
Governmental unit	\$ 52,968,772,411	9.50%	\$ 122,643,913	\$ 98,403,913
Clackamas Community College	71,989,650,457	7.05	137,300,000	137,300,000
Clackamas County	68,611,360,692	7.39	21,275,000	21,275,000
Clackamas County ESD	11,017,673,782	45.67	218,966,862	218,966,862
Clackamas County SD 3J (West Linn-Wilsonville)	12,295,331,345	0.34	241,608,653	241,608,653
Clackamas County SD 7J (Lake Oswego)	304,749,597,459	1.66	223,905,000	205,735,000
Metro	329,856,659,850	1.54	60,339,399	0
Port Of Portland	243,528,863,890	0.02	543,076,466	461,071,466
Portland Community College	87,017,103,873	5.83	42,705,000	30,635,000
Tualatin Valley Fire & Rescue District	52,968,772,411	9.50	122,643,913	98,403,913
Total Overlapping Debt			\$1,611,820,293	\$1,414,995,894

⁽¹⁾ Gross Property-Tax Backed Debt includes all general obligation (“G.O.”) bonds and full faith and credit borrowings.

⁽²⁾ Net Property-Tax Backed Debt is Gross Property-Tax Backed Debt less self-supporting unlimited-tax G.O. and less self-supporting full faith and credit borrowings.

Source: Municipal Debt Advisory Commission, Oregon State Treasury, as of July 16, 2018.

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 2018-2019.

PROPERTY TAXES

Most local governments, school districts, education services 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 voters approve a new Operating Tax Rate Limit.

Local governments with operating tax rates may not increase the Operating Tax Rate Limits; rather they may request only 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 have a Local Option Levy and has no plans at this time to seek voter approval of 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. 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. Forestland is subject to special assessment that provides a reduction in property tax that would be paid if based on the real market value.

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

Valuation of Property – Assessed Value. Property taxes are imposed on the assessed value of property. The assessed value of each parcel cannot exceed its Taxable Real Market Value, and ordinarily is less than its Taxable Real Market Value. The assessed value of property was initially established in 1997 as a result of a constitutional amendment. That amendment (now

Article XI, Section 11, often called “Measure 50”) assigned each property a value and limited increases in that assessed value to three percent per year, unless the property is improved, rezoned, subdivided, or ceases to qualify for exemption. When property is newly constructed or reassessed because it is improved, rezoned, subdivided, or ceases to qualify for exemption, it is assigned an assessed value that is comparable to the assessed value of similar property.

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

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

Tax Rate Limitation – Measure 5. A tax rate limitation was established in 1990 as the result of a constitutional amendment. That amendment (now Article XI, Section 11b, often called “Measure 5”) separates property taxes into two categories: one to fund the public school system (kindergarten through grade twelve school districts, education service districts and community college districts, collectively, “Education Taxes”) and one to fund government operations other than the public school system (“General Government Taxes”). Education Taxes are limited to \$5 per \$1,000 and General Government taxes are limited to \$10 per \$1,000 of the Taxable Real Market Value of property (the “Measure 5 Limits”). If the taxes on a property exceed the Measure 5 Limit for Education or General Government, then tax rates are compressed to the Measure 5 Limit. Local Option Levy rates compress to zero before there is any compression of Permanent Rates. In Fiscal Year 2017, there was \$0.00 of 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 of the Bonds are subject to the limitations of Article XI, Sections 11 and 11b.

In 2007 the Oregon Supreme Court determined that taxes levied by general purpose governments (such as cities and counties) may be subject to the \$5 per \$1,000 limit if those taxes are used for educational services provided by public schools.

Property Tax Collections. The 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 the County for all taxing units within the County are required to be placed in an unsegregated pool, and each taxing unit shares in the pool in the same proportion as

its levy bears to the total of all taxes levied by all taxing units within the County. As a result, the tax collection record of each taxing unit is a pro-rata share of the total tax collection record of all taxing units within the County combined.

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

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

The following tables represent historical taxable property tax information for the City.

**TABLE 12
ASSESSED VALUE AND ESTIMATED REAL MARKET VALUE**

Fiscal Year Ending June 30	AV Total	Total Direct Tax Rate	Estimated RMV	AV as a % of RMV
2008	\$2,516,737,956	\$2.4317	\$4,464,348,037	56%
2009	2,655,549,376	2.4984	4,507,161,484	59
2010	2,768,702,173	2.4493	3,960,668,206	70
2011	2,865,044,468	2.4522	3,650,547,820	78
2012	2,965,918,688	2.4180	3,487,305,552	85
2013	3,011,776,239	2.5629	3,305,208,425	91
2014	3,142,863,538	2.5590	3,460,978,688	91
2015	3,265,786,956	2.5489	3,885,035,988	84
2016	3,389,429,710	2.5386	4,232,095,255	80
2017	3,508,615,871	2.5386	4,691,525,851	75
2018	3,643,028,041	2.5375	5,073,357,248	72

Sources: Clackamas County Assessor’s Office.

**TABLE 13
PROPERTY TAX LEVIES AND COLLECTIONS OF THE CITY**

Fiscal Year Ending June 30	Taxes levied for the fiscal year	Amount Collected w/in fiscal year of levy	Percent of Levy	Collections in subsequent years	Total Collections	Total Collections Percent of Levy
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	239,356	6,806,885	97
2012	7,174,440	6,799,324	95	216,845	7,016,169	98
2013	7,724,400	7,283,059	94	208,105	7,491,164	97
2014	8,044,298	7,628,822	95	171,313	7,800,135	97
2015	8,327,514	7,911,683	95	139,036	8,050,719	97
2016	8,606,218	8,187,209	95	212,345	8,399,554	98
2017	8,913,604	8,493,826	95	-	8,493,826	95

Source: City of West Linn, City Audited Financial Statement, 2017.

**TABLE 14
TOP 10 PROPERTY TAXPAYERS OF THE CITY**

Name	2017 Assessed Value	Percent of Total Value
Portland General Electric Co	\$ 56,813,406	1.6%
Simpson Realty Group LP	28,970,256	0.8
West Linn Paper Company	25,105,908	0.7
West Linn Shopping Ctr. Assoc. LLC	21,997,257	0.6
Comcast Corporation	18,114,600	0.5
Blackhawk Nevada LLC	17,243,348	0.5
NW Natural Gas Company	12,619,000	0.4
RO1C Cascade Summit LLC	11,579,086	0.3
S & G Summerlinn LLC	10,747,367	0.3
RO1C Robinwood LLC	10,304,026	0.3
Total	\$ 213,494,254	6.1%

Source: Clackamas County Assessor's Office.

TABLE 15
PROPERTY TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS
RATE PER \$1,000 OF ASSESSED VALUE

CITY RATES				OVERLAPPING RATES						Total Direct and Overlapping
Fiscal Year	Permanent Tax Rate	Bonded Debt Tax Rate	Total direct	West Linn Wilsonville SD	Clackamas County	Clackamas Community College	Edu. Service District	Tualatin Valley Fire & Rescue	Other	
2008	\$2.12	\$0.3117	\$2.4317	\$9.24	\$2.80	\$0.74	\$0.36	\$1.87	\$0.61	\$18.05
2009	2.12	0.3784	2.4984	9.05	2.81	0.74	0.36	1.84	0.57	17.88
2010	2.12	0.3293	2.4493	9.18	3.30	0.72	0.36	1.89	0.62	18.52
2011	2.12	0.3322	2.4522	9.34	3.29	0.70	0.36	1.78	0.70	18.62
2012	2.12	0.2980	2.4180	9.36	3.28	0.68	0.36	1.78	0.62	18.50
2013	2.12	0.4429	2.5629	9.38	3.29	0.70	0.36	1.91	0.50	18.71
2014	2.12	0.4390	2.5590	9.32	3.18	0.71	0.37	1.91	0.54	18.58
2015	2.12	0.4289	2.5489	9.25	3.19	0.71	0.37	1.89	0.53	18.48
2016	2.12	0.4186	2.5386	9.24	3.19	0.74	0.37	2.11	0.46	18.64
2017	2.12	0.4186	2.5386	9.23	3.19	0.74	0.37	2.10	0.47	18.63
2018	2.12	0.4175	2.5375	9.07	3.20	0.75	0.37	2.08	0.55	18.57

Source: Clackamas County Assessor's Office.

Property Tax Exemption Programs. Oregon statutes authorize a wide variety of full and partial property tax exemptions, including exemptions for property owned or used by cities, counties, schools and other local governments, property of the federal government, property used by religious and charitable entities, property used for low-income housing, historical property and transit oriented property.

The Oregon Enterprise Zone program is a State of Oregon economic development program that allows for property tax exemptions for three to five years. In exchange for receiving property tax exemption, participating firms are required to meet the program requirements set by State statutes and the local sponsor.

The Strategic Investments Program (“SIP”) was authorized by the Legislative Assembly in 1993 to provide tax incentives for capital investments by “traded-sector” businesses, including manufacturing. SIP recipients receive a 15 year property tax exemption on new construction over \$25 million outside of urban areas, and over \$100 million in urban areas. The exemption value (\$25 million or \$100 million) then increases three percent per year. SIP recipients pay an annual Community Service Fee which is equal to 25 percent of the value of the tax break, which is allocated to local governments through local negotiations. The Community Service Fee is not considered a property tax and thus is outside of the Measure 5 Limit. There are no SIP Agreements within the City’s boundaries.

GASB 77. Beginning with the Fiscal Year 2017 financial statements, GASB Statement No. 77 requires local governments to disclose information related to tax abatement programs and amounts abated. Tax abatements result from agreements entered into by the reporting government, as well as those that are initiated by other governments, which reduce the reporting government’s tax revenues. In Fiscal Year 2017 two tax abatement programs managed by Clackamas County impacted the City’s property tax revenues.

Natural and Economic Forces. Natural and economic forces can affect the assessed value of taxable property in the City and the City's collection of revenues. The City is located in the Pacific Northwest, a region subject to periodic significant earthquakes. Such an earthquake and/or tsunami could cause extensive damage to structures and infrastructure along the Pacific coast and could disrupt transportation, communications, water and sewer systems, power and gas delivery and fuel supplies along the Pacific coast and within the City. The City cannot predict how such seismic activity could impact its revenue sources, including property taxes. Other natural or man-made disasters, such as flood, fire, toxic dumping or acts of terrorism, could also cause a reduction in the assessed value of taxable property within the City or adversely affect the City's revenues. Economic and market forces, such as a downturn in the economy generally, can also affect assessed values. In addition, the total assessed value can be reduced through the reclassification of taxable property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes).

Local Government Fees

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

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

State of Oregon Funding

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

The State of Oregon also appropriates money to Oregon counties to operate the justice system, and it provides a wide variety of funding for other purposes. The State of Oregon is generally not obligated to continue to provide these revenues to local governments.

Federal Funding

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

ECONOMIC AND DEMOGRAPHIC INFORMATION

The City of West Linn is located south of the Portland metropolitan area, in northwestern Oregon. It is located in Clackamas County. Clackamas County is one of seven counties that comprise the Portland-Vancouver Metropolitan Statistical Area (the “MSA”). The City’s economy is linked with that of the metropolitan area, which is based on manufacturing, national and international trade, and the service industries.

The City of West Linn is located between the Willamette and Tualatin rivers in the northwest portion of Clackamas County. It is located approximately 30 miles northeast of the City of Salem, and 14 miles southeast of the City of Portland.

Population and Employment

The City’s 2017 population was estimated to be 25,695. Historical populations and economic statistics for the City are shown in the following table.

**TABLE 16
POPULATION ESTIMATES AND ECONOMIC STATISTICS**

Fiscal Year	West Linn Population	Personal income (in 000’s)	Per capita Personal Income	Unemployment Rate
2008	24,400	\$ 89,977	\$ 41,410	05.3 %
2009	24,400	85,103	38,565	10.7
2010	25,150	87,940	39,384	10.1
2011	25,250	93,449	41,302	09.6
2012	25,370	98,698	43,103	08.7
2013	25,425	101,210	43,728	07.8
2014	25,540	107,537	45,794	06.9
2015	25,605	115,691	48,422	05.5
2016	25,615	Not yet available	Not yet available	04.8
2017	25,695	Not yet available	Not yet available	03.7

Sources: Portland State University Center for Population Research, as of April 15, 2018; U.S. Department of Commerce Bureau of Economic Analysis, as of November 16, 2017.

The Federal Census figures, as of April 1 of the stated year, are as follows:

**TABLE 17
FEDERAL CENSUS FIGURES**

	1990	2000	2010
City of West Linn	16,389	22,261	25,109
Clackamas County	278,850	338,391	375,992
State of Oregon	2,842,321	3,421,399	3,831,074

Source: U.S. Census Bureau.

The major employers in the City and the greater Portland metro area are as follows:

**TABLE 18
MAJOR EMPLOYERS IN THE CITY (2017)**

Employer	Product or Service	2017 Estimated Employment
West Linn Wilsonville School District	Education	794
West Linn Paper Company	Paper Manufacturing	300
City of West Linn	Government	127
Safeway Inc.	Grocery	114
Market of Choice	Grocery	102
Oregon Golf Club	Golf Course	100
Rose Linn Vintage Place	Healthcare	100
Walmart Neighborhood Market	Grocery and retail variety chain	75
Tanner Springs Assisted Living	Healthcare	63
Icon Construction	Construction	30

Source: City of West Linn; City Audited Financial Statement, 2017.

**TABLE 19
MAJOR EMPLOYERS IN THE PORTLAND METRO AREA (2017)**

Employer	Product or Service	2017 Estimated Employment
Intel	Semiconductor integrated circuits	19,300
Providence Health & Services	Health care and health insurance	17,543
Oregon Health & Science University	Health care and health insurance	16,200
Legacy Health	Health care	12,955
Nike Inc.	Athletic apparel, design and	12,000
Fred Meyer	Grocery and retail variety chain	10,637
City of Portland	Government	7,043
Portland Public Schools	Education	6,780
Multnomah County	Government	6,266
Beaverton School District	Education	5,207
Vancouver Public Schools	Education	4,600
PeaceHealth	Health care	4,448
U.S. Bank	Bank	4,242
Wells Fargo	Bank	4,100
U.S. Postal Service	Government	3,838
Portland Community College	Education	3,804
New Seasons Market	Grocery	3,585
Portland State University	Education	3,512
U.S. Department of Veterans Affairs	Government	3,437
TriMet	Government - transportation	2,958

Source: "Largest Metro-Area Employers" – Portland Business Journal, July 2017.

Transportation

Interstate Highway 5, the principal north-south highway on the West Coast, passes west of the City and by-pass route Interstate 205 runs through the City. Major passenger and cargo airlines operate out of the Portland International Airport, approximately 20 miles from the City. A

general aviation airport located in Hillsboro provides private and chartered air service approximately 30 miles from the City.

In addition to Interstate Highway 5 and by-pass route Interstate 205, transportation is facilitated by a highway system that includes Interstate 405 within and around the Portland metropolitan area, and Interstate 84, the primary east-west highway which begins at Portland and heads east along the Columbia River to Idaho and beyond. The Portland metropolitan area is also served by U.S. highways 26 and 30, Oregon highways 43, 213, 217, 224, 99E, 99W, the Tualatin Valley Highway, the historic Columbia River Highway, nine bridges across the Willamette River and two bridges across the Columbia River.

The Tri-County Metropolitan Transportation District of Oregon, the regional public transit agency, provides bus service throughout the region and light rail service between downtown Portland and Gresham to the east and out to the west to the cities of Beaverton and Hillsboro.

Utilities

Natural Gas; Electric; Garbage. NW Natural supplies natural gas to the area; electricity is provided by Portland General Electric Company. West Linn Refuse and Recycling provides garbage collection services.

Water. The City's primary water supply is from the South Fork Water Board, a wholesale water provided to the City and Oregon City, and its water treatment plant located in Oregon City. The City also has an emergency supply connection to the City of Lake Oswego's water treatment plant located at the north end of the City.

Sanitary Sewer. The City owns, operates and maintains its own sewage collection system within the urban service boundary. Sewage treatment is provided by Tri-City Water Treatment Plant in Oregon City, which is operated by Water Environmental Services, a Department of Clackamas County.

Education

The West Linn-Wilsonville School District serves the City's education needs. City residents also have access to a variety of private educational institutions in the Portland-Vancouver PMSA, including Columbia Academy for grades Pre-K to grade 6, within the City.

Marylhurst University, a four-year private liberal arts college with graduate and undergraduate students, is located just north of the City in Marylhurst. The college provides lifelong learning for students of all ages.

Clackamas Community College, located on the east side of the Willamette River in Oregon City, and Portland Community College, with a campus approximately 10 miles from the City, offers associate degrees in a variety of disciplines. Other institutions of higher education servicing the City's citizens include Pacific University in Forest Grove, and Portland State University, Reed College, Lewis and Clark College, the University of Portland, and the Oregon Health and Science University in Portland, as well as other public and private colleges located throughout the metropolitan area.

Health Care

Providence Willamette Falls Medical Center, located just east of the Willamette River, serves the health care needs of the City and both Providence and Legacy Health operate medical offices in the vicinity.

Tourism and Recreation

The City has more than 600 acres of park land, ranging from active-oriented parks with opportunities for sports, picnicking, and playing on playgrounds, to passive-oriented parks with opportunities for walking, biking, and watching wildlife. These parks are complimented by multi-use parks and special use areas, including several riverfront sites, community recreation facilities, and resource and beautification areas, which further enhance the system. The City's central location affords tourists and residents alike opportunities for a broad range of activities in the greater region from urban amenities in Portland to spectacular beach, mountain and forest recreation.

Information Sources

Historical data have been collected from generally accepted standard sources, usually from public bodies. In Oregon, data is frequently available for counties, and to a somewhat lesser degree, for cities. Because the City of West Linn is located within Clackamas County and the Portland-Vancouver MSA, this statement bases information on those areas as well as the City itself.

THE INITIATIVE PROCESS

The Oregon Constitution, Article IV, Section 1, reserves to the people of the State the initiative power to amend the State constitution or to enact State legislation by placing measures on the statewide general election ballot for consideration by the voters. Oregon law therefore permits any registered Oregon voter to file a proposed initiative with the Oregon Secretary of State's office without payment of fees or other burdensome requirements. Any elector may sign an initiative petition for any measure on which the elector is entitled to vote.

To be placed on a general election ballot, the proponents of a proposed initiative must submit to the Secretary of State initiative petitions signed by a number of qualified voters equal to a specified percentage of the total number of votes cast for all candidates for governor at the gubernatorial election at which a Governor was elected for a term of four years next preceding the filing of the petition with the Secretary of State. For the 2018 general election, the requirements are eight percent (117,578 signatures) for a constitutional amendment measure and six percent (88,184 signatures) for a statutory initiative.

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. Historically, a larger number of initiative measures have qualified to be placed on the ballot than have been approved by the electors. According to the Elections Division of the Oregon 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.

TABLE 20
STATEWIDE INITIATIVE PETITIONS THAT QUALIFIED AND PASSED
(2006-2016)

Year of General Election	Number of Initiatives that Qualified	Number of Initiatives that Passed
2006	10	3
2008	8	0
2010	4	2
2012	7	2
2014	4	2
2016	4	3

Source: Elections Division, Oregon Secretary of State.

Because many proposed initiative measures are submitted which 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.

LITIGATION

There is no pending litigation questioning the validity of the Bonds or the authority of the City to make payments on the Bonds. There is no litigation pending that would materially affect the finances of the City or affect the City's ability to meet debt service requirements on the Bonds.

LEGALITY

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

TAX MATTERS

In the opinion of Bond 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, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the Bonds is exempt from State of Oregon personal income taxation. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX C hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually

over the term of such Bonds), 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 Bonds 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 Bonds is the first price at which a substantial amount of such maturity of the Bonds 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 Bonds accrues daily over the term to maturity of such Bonds 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 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

The Bonds 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 Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, 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 Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The City has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond 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 Bond Counsel’s attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of Oregon personal income taxation, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds 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. Bond 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 on the Bonds 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. 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 Bonds. Prospective purchasers of the Bonds 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 Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond 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.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the Beneficial Owners regarding the tax-exempt status of the Bonds 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 bonds 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 Bonds 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 Bonds, and may cause the City or the Beneficial Owners to incur significant expense.

RATING

As noted on the cover page of this Official Statement, S&P Global Ratings has assigned its underlying rating of "AA+" to the Bonds. An explanation of the significance of the rating can be obtained from the rating agency. There are no assurances that the rating will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating may adversely affect the market price of the Bonds.

MUNICIPAL ADVISOR

The City has retained D.A. Davidson & Co., Portland, Oregon, as Municipal Advisor in connection with the authorization and issuance of the Bonds.

UNDERWRITING

Mesirow Financial, Inc., acting as underwriter successfully bid for the Bonds in a competitive sale on August 21, 2018. The bid provides that the underwriter will purchase all of the Bonds, if any Bonds are purchased, at a price of 101.233% of the par value of the Bonds. The Bonds will be re-offered at an average price of 100.403% of the par value of the Bonds. After the initial public offering, the public offering prices may vary from time to time.

OFFICIAL STATEMENT

At the time of the original delivery of and payment for the Bonds, the City will deliver a certificate of the Authorized Representative, addressed to the Bond purchaser to the effect that the Authorized Representative has examined the Official Statement and the financial and other data concerning the City contained herein and that, to the best of his/her knowledge and belief, (i) the Official Statement, both as of its date and as of the date of delivery of the Bonds, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and (ii) between the date of the Official Statement and the date of the delivery of the Bonds there has been no material adverse change in the affairs (financial or other), financial condition or results of operations of the City except as set forth in the Official Statement or an amendment thereto.

CONTINUING DISCLOSURE

Pursuant to SEC Rule 15c2-12, as amended (17 CFR Part 240, § 240.15c2-12) (the “Rule”), the City, as the “obligated person” within the meaning of the Rule, has agreed to execute and deliver a Continuing Disclosure Certificate substantially in the form attached hereto as APPENDIX D for the benefit of the holders of the Bonds. The City previously has executed and delivered Continuing Disclosure Certificates with respect to debt issues for which the City is the “obligated person” as defined in the Rule.

In 2015, the City discovered it failed to provide certain annual operating data for fiscal years 2011 through 2014 with respect to its Water Revenue Bonds, Series 2000 (the “2000 Water Bonds”). On November 16, 2015, the City posted the relevant operating data with respect to the 2000 Water Bonds along with a notice regarding the late filing of such information.

MISCELLANEOUS

All quotations from and summaries and explanations of provisions of law herein do not purport to be complete and reference is made to said laws for full and complete statements of their provisions.

This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City, since the date hereof.

CITY OF WEST LINN, OREGON

By: /s/ Lauren Breithaupt
Lauren Breithaupt
Finance Director

APPENDIX A
FORM OF BOND DECLARATION

BOND DECLARATION

by the

City West Linn, Oregon

Relating to

\$_[_____]
City of West Linn, Oregon
General Obligation Bonds
Series 2018

Dated August [_], 2018

Orrick, Herrington & Sutcliffe LLP

TABLE OF CONTENTS

	Page
SECTION 1	DEFINITIONS..... 1
SECTION 2	BOND ISSUANCE; APPLICATION OF PROCEEDS; FUNDS AND ACCOUNTS 3
SECTION 3	SECURITY FOR BONDS..... 4
SECTION 4	TAX COVENANTS 4
SECTION 5	BOOK ENTRY ONLY SYSTEM..... 4
SECTION 6	REDEMPTION OF BONDS 5
SECTION 7	AUTHENTICATION, REGISTRATION AND TRANSFER..... 7
SECTION 8	AMENDMENT OF BOND DECLARATION..... 8
SECTION 9	DEFAULT AND REMEDIES..... 9
SECTION 10	DEFEASANCE..... 10
SECTION 11	BOND FORM..... 10
SECTION 12	BOND REGISTRAR; PAYING AGENT 11
SECTION 13	RULES OF CONSTRUCTION 11
APPENDIX A	FORM OF BOND

THIS BOND DECLARATION, dated August [], 2018, is executed on behalf of the City of West Linn, Oregon (the “City”), by its Finance Director, acting as an “Authorized Representative” pursuant to Resolution No. 2018-15, adopted by the City Council of the City on June 25, 2018 (as further defined below, the “Resolution”). The Resolution authorizes the Authorized Representative to execute a certificate, document or agreement which contains the terms of the City’s General Obligation Bonds, Series 2018 (as further defined below, the “Bonds”) and the covenants of the City relating to those Bonds.

SECTION 1

DEFINITIONS

Unless the context clearly requires otherwise, the following terms shall have the following meanings:

“Authorized Denominations” means denominations of \$5,000 and any integral multiple thereof within a single maturity date.

“Authorized Representative” means the City Manager, the Finance Director or their designee to act on behalf of the City pursuant to the Resolution.

“Beneficial Owner” means any Person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any of the Bonds (including any Person holding Bonds through nominees, depositories or other intermediaries).

“BEO” means “book-entry-only” and refers to a system for clearance and settlement of securities transactions through electronic book-entry changes, which eliminates the need for physical movement of securities.

“Blanket Issuer Letter of Representations” means the City’s Blanket Issuer Letter of Representations dated December 1, 1998, as filed with The Depository Trust Company in New York City, New York.

“Bond Declaration” means this bond declaration, including any amendments made in accordance with Section 8 of this Bond Declaration.

“Bond Register” means the records kept for the registration of Bonds by the Registrar pursuant to Section 7.2 herein.

“Bonds” means the City’s General Obligation Bonds, Series 2018, described in Section 2 of this Bond Declaration.

“Business Day” means any day except a Saturday, a Sunday, a legal holiday, a day on which the Paying Agent or offices of banks in Oregon or New York are authorized or required by law or executive order to remain closed, or a day on which the New York Stock Exchange is closed.

“City” means the City of West Linn, Oregon located in Clackamas County, Oregon.

“Code” means the Internal Revenue Code of 1986, as amended, and the applicable regulations whether final, temporary or proposed under the Code or such successor law.

“Delivery Date” means August [], 2018.

“DTC” means The Depository Trust Company and any successor to it or any nominee of it.

“DTC Participants” means those financial institutions for whom DTC effects book-entry transfers and pledges of securities deposited with DTC, as such listing of DTC Participants exists at the time of such reference.

“Event of Default” refers to an Event of Default listed in Section 9.1 of this Bond Declaration.

“Government Obligations” means direct non-callable obligations of the United States, or obligations the principal of and interest on which are fully and unconditionally guaranteed by the United States.

“Interest Payment Date” means June 1 and December 1 of each year, commencing December 1, 2018.

“Outstanding” refers to all Bonds authorized and delivered pursuant to this Bond Declaration except Bonds that have been paid, canceled, or defeased, pursuant to Section 10 of this Bond Declaration, and Bonds that have matured but have not been presented for payment for the payment of which adequate money has been transferred to the Paying Agent.

“Owner” or “Bondowner” means the person shown on the Bond Register maintained by the Paying Agent as the registered owner of a Bond. While the Bonds are in BEO form, principal and interest payments shall be made payable to the order of “Cede & Co.” as nominee of DTC or its registered assigns, in same-day funds on each payment date.

“Paying Agent” or “Registrar” means, respectively, the paying agent and the registrar for the Bonds, which, at the time of execution of this Bond Declaration, is U.S. Bank National Association in Portland, Oregon.

“Person” shall mean any natural person, firm, joint venture, association, partnership, business, trust, corporation, public body, agency or political subdivision thereof or any other similar entity.

“Record Date” means the close of business on the last business day of the calendar month preceding an applicable Interest Payment Date.

“Resolution” means Resolution No. 2018-15, adopted by the City Council of the City on June 25, 2018, which authorizes the issuance, sale, execution and delivery of the Bonds and the execution and delivery of this Bond Declaration.

SECTION 2

BOND ISSUANCE; APPLICATION OF PROCEEDS; FUNDS AND ACCOUNTS

2.1 Bond Issuance. Pursuant to the Resolution, the City hereby issues, executes and delivers its City of West Linn, Oregon General Obligation Bonds, Series 2018, in an aggregate principal amount of \$[_____]. The Bonds shall be dated the Delivery Date, shall bear interest at the following rates per annum payable on June 1 and December 1 of each year, commencing December 1, 2018 and shall mature on the following dates in the following principal amounts:

<u>MATURITY</u> <u>DATE</u> <u>(June 1)</u>	<u>PRINCIPAL</u> <u>AMOUNT</u>	<u>INTEREST</u> <u>RATE</u>	<u>CUSIP</u> <u>NO.</u> <u>(954039)</u>
---	-----------------------------------	--------------------------------	---

The Bonds shall be issued initially only as fully registered bonds without coupons in Authorized Denominations. Interest on the Bonds shall be computed on the basis of a 360-day year comprised of twelve 30-day months.

The principal of, premium, if any, and interest on the Bonds shall be payable in lawful money of the United States of America in same-day funds and shall be payable by the Paying Agent upon presentation and surrender of the Bonds as they become due at the corporate trust operations office of the Paying Agent. Interest on the Bonds shall be payable by the Paying Agent to the registered Owners thereof by check or draft mailed on the Interest Payment Date (or the next Business Day if the payment date is not a Business Day) to such registered Owners at their addresses as they appear on the Bond Register on the Record Date. If payment is so mailed, neither the City nor the Paying Agent shall have any further liability to any party for such payment. The principal of, premium, if any, and interest payable to any person holding Bonds in the aggregate principal amount of \$1,000,000 or more will be payable, upon the written request of any such registered Owners in form and substance satisfactory to the Paying Agent, by wire

transfer of immediately available funds to an account designated by such registered Owners on or before the Record Date.

2.2 Application of Bond Proceeds. Bond proceeds shall be used to: (i) finance capital construction and capital improvements related to improvements to roads, parks and city facilities for the City; and (ii) pay bond issuance costs incidental thereto.

2.3 Funds and Accounts. The City has established a special fund of the City designated the “2018 General Obligation Bond Project Fund” and the “2018 General Obligation Bond Debt Service Fund.”

SECTION 3

SECURITY FOR BONDS

3.1 The Bonds are general obligations of the City. The full faith and credit and taxing powers of the City are pledged to the successive Owners of each of the Bonds for the punctual payment of such obligations when due. The City covenants with the Owners to levy annually a direct ad valorem tax upon all of the taxable property within the City without limitation as to rate or amount, and outside of the limitations of sections 11 and 11b, Article XI of the Oregon Constitution, after taking into consideration discounts taken and delinquencies that may occur in the payment of such taxes, to pay interest accruing and the principal maturing on the Bonds promptly when and as they become due.

3.2 This Bond Declaration shall constitute a contract with the Owners.

SECTION 4

TAX COVENANTS

The City covenants with the owners of the Bonds to use the proceeds of the Bonds and to otherwise comply with the provisions of the Code so that interest paid on the Bonds will not be includable in gross income of the Owners for federal income tax purposes.

SECTION 5

BOOK ENTRY ONLY SYSTEM

5.1 The Bonds shall be issued initially in the form of a separate single fully registered Bond for each maturity of the Bonds and shall be held in BEO form. While the Bonds are in BEO form, no physical Bonds shall be provided to the Beneficial Owners and the registration and transfer of beneficial interests in the Bonds shall be governed by the Blanket Issuer Letter of Representations and the operational procedures of DTC, as in effect from time to time. So long as the Bonds are in BEO form:

(a) DTC shall be treated as the Owner for all purposes, including payment and the giving of notices to Owners of Bonds. Bond payments shall be made, and notices shall be given, to DTC in accordance with the Blanket Issuer Letter of Representations. Any failure of DTC to advise any of its DTC Participants, or of any DTC Participant to

notify the Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of Bonds called for redemption or of any other action premised on such notice.

(b) The City and the Paying Agent shall have no responsibility or obligation to any DTC Participant or correspondent of DTC or to any Beneficial Owner on behalf of which such DTC Participants or correspondents act as agent for the Beneficial Owner with respect to:

(1) the accuracy of the records of DTC, the nominee or any participant or correspondent with respect to any Beneficial Owner's interest in the Bonds;

(2) the delivery to any DTC Participant or correspondent or any other person of the notice with respect to the Bonds, including any notice of redemption;

(3) the selection by DTC of the beneficial interest in Bonds to be redeemed prior to maturity; or

(4) the payment to any DTC Participant, correspondent, or any other person other than the registered owner of the Bonds as shown in the Bond Register maintained by the Registrar, of any amount with respect to principal, any premium or interest on the Bonds.

The provisions of this Section 6 may be modified without the consent of the Beneficial Owners in order to conform this Section to the standard practices of DTC or any successor depository for Bonds held in BEO form.

5.2 The City may discontinue maintaining the Bonds in the BEO form at any time. The City shall discontinue maintaining the Bonds in BEO form if DTC determines not to continue to act as securities depository for the Bonds, or fails to perform satisfactorily as depository, and a satisfactory substitute depository cannot reasonably be found. If the City discontinues maintaining the Bonds in BEO form at any time, the City shall cause the Registrar to authenticate and deliver replacement Bonds in fully registered form in Authorized Denominations in the names of the beneficial owners or their nominees; thereafter the provisions set forth in Section 7, below, regarding registration, transfer and exchange of Bonds shall apply.

Should the BEO system be discontinued, the Bonds shall be issued in the form of fully registered Bonds without coupons in Authorized Denominations. Such Bonds may be exchanged for Bonds of the same aggregate principal amount, but different Authorized Denominations, as provided in Section 7.3 herein.

SECTION 6

REDEMPTION OF BONDS

6.1 *Optional Redemption.* The Bonds maturing on or after June 1, 20[_] are subject to optional redemption prior to maturity at the option of the City, in whole or in part on June 1,

20[] and on any date thereafter at a price of 100% of the principal amount to be redeemed plus accrued interest to the date fixed for redemption.

6.2 Mandatory Redemption. The Bonds stated to mature on or after June 1, 20[] are term bonds subject to mandatory sinking fund redemption, in part, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest, if any, to the date fixed for redemption, on June 1 in the years and in the amounts as set forth below:

Term Bonds
Maturing on June 1, [20]

Year	Amount
------	--------

*Final Maturity

Upon any partial optional redemption of such term bond, the amount of future mandatory sinking fund redemptions with respect thereto will be reduced, as directed by the City, to take into account such partial optional redemption.

6.3 Selection of Bonds for Redemption. For as long as the Bonds are in BEO form, if fewer than all of the Bonds of a maturity are called for redemption, the selection of Bonds within such maturity to be redeemed shall be made by DTC in accordance with its operational procedures as then in effect. If the Bonds are no longer held in BEO form, the Registrar shall select the Bonds within such maturity for redemption by lot.

6.4 Notice of Redemption (Book-Entry). For as long as the bonds are in BEO only form, and unless DTC consents to a shorter period, the Paying Agent shall notify DTC of an early redemption not less than 20 days and not more than 60 days prior to the date fixed for redemption, and shall provide such information in connection therewith as required by a letter of representation submitted to DTC. Official written notice of redemption will be given by the City to the Paying Agent at least five calendar days prior to the date the notice is scheduled to be sent to DTC. The City reserves the right to rescind any redemption notice as allowed in the Bond Description.

6.5 Notice of Redemption (No Book-Entry). During any period in which the Bonds are not in the book-entry only form, unless waived by any Owner of the Bonds to be redeemed, official notice of any redemption of Bonds shall be given by the Paying Agent on behalf of the City by mailing a copy of an official redemption notice in a form generally accepted in the municipal markets by first class mail, postage prepaid, at least 30 days and not more than 60 days prior to the date fixed for redemption, to the Owners of the Bonds to be redeemed at the address shown on the Bond register or at such other address as furnished in writing by such Owner to the Paying Agent. Official written notice of redemption will be given by the City to the Paying Agent at least five calendar days prior to the date the notice is scheduled to be sent Owners of the Bonds. The City reserves the right to rescind any redemption notice is allowed in the Bond Declaration.

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

6.7 Effect of Redemption. Notice of redemption having been duly given as aforesaid, the Bonds or portions thereof so called for redemption (unless, in the case of conditional redemption, such notice is rescinded or any condition to redemption is not satisfied), shall become due and payable, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, the Bonds (or portions thereof) so called for redemption being held by the Paying Agent on the date fixed for redemption designated in such notice, interest on the Bonds so called for redemption shall cease to accrue and said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Bond Declaration (except for payment of particular Bonds for which moneys are being held by the Paying Agent and which money shall be pledged to such payment), and the Owners of said Bonds shall have no rights in respect thereof except to receive payment of said principal, premium, if any, and interest accrued to the date fixed for redemption.

If the Paying Agent does not have sufficient funds on the date fixed for redemption to pay the redemption price of all of the Bonds to be optionally redeemed for any reason, then the optional redemption shall be cancelled and any notice thereof shall be void, but such event shall not constitute an Event of Default under this Bond Declaration.

In addition, if the City shall have delivered to the Registrar no later than one (1) business day prior to the date fixed for redemption for any Bonds, written notice of its decision to rescind its prior request for redemption, then the purported optional redemption shall be canceled and any prior notice thereof shall be void.

6.8 Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the City shall execute and the Registrar shall authenticate and deliver to the Owner thereof a new Bond or Bonds of Authorized Denominations and of the same maturity, equal in aggregate principal amount the unredeemed portion of the Bond surrendered.

6.9 Open Market Purchase. The City reserves the right to purchase Bonds in the open market.

SECTION 7

AUTHENTICATION, REGISTRATION AND TRANSFER

7.1 No Bond shall be entitled to any right or benefit under this Bond Declaration unless it shall have been authenticated by an authorized officer of the Registrar. The Registrar shall authenticate all Bonds to be delivered at closing of the Bonds, and shall additionally

authenticate all Bonds properly surrendered for exchange or transfer pursuant to this Bond Declaration.

7.2 The ownership of all Bonds shall be entered in the Bond Register maintained by the Registrar, and the City, the Registrar and the Paying Agent may treat the person listed as owner in the Bond Register as the owner of the Bond for all purposes.

7.3 Bonds may be exchanged for an equal aggregate principal amount of Bonds of the same maturity that are in different Authorized Denominations, and Bonds may be transferred to other Owners if the Owner submits the following to the Registrar:

(a) written instructions for exchange or transfer satisfactory to the Registrar, signed by the Owner or attorney in fact and guaranteed or witnessed in a manner satisfactory to the Paying Agent and

(b) the Bonds to be exchanged or transferred.

7.4 The Registrar shall not be required to exchange or transfer any Bonds submitted to it during any period beginning with a Record Date and ending on the next following Interest Payment Date; however, such Bonds shall be exchanged or transferred promptly following that Interest Payment Date.

7.5 The Registrar shall note the date of authentication on each Bond. The date of authentication shall be the date on which the Owner's name is listed on the Bond Register.

7.6 For purposes of this Section 7, Bonds shall be considered submitted to the Registrar on the date the Registrar actually receives the materials described in Section 7.5, above.

7.7 In the event any Bond is mutilated, lost, stolen or destroyed, the Registrar may issue a new Bond of like maturity, interest rate and denomination if the owner of such mutilated, lost, stolen or destroyed Bond provides to the Registrar an affidavit, certificate or other reliable proof that the Registrar reasonably finds protects the City from conflicting claims for payment under the Bonds.

7.8 The City may alter these provisions regarding registration and transfer by mailing notification of the altered provisions to all Owners by first class mail, postage prepaid, at the addresses set forth on the Bond Register. The altered provisions shall take effect on the date stated in the notice, which shall not be earlier than 45 days after notice is mailed.

SECTION 8

AMENDMENT OF BOND DECLARATION

8.1 The City may amend this Bond Declaration without the consent of any Owner for any one or more of the following purposes:

(a) To cure any ambiguity or formal defect or omission in this Bond Declaration;

(b) To add to the covenants and agreements of the City in this Bond Declaration other covenants and agreements to be observed by the City that are not contrary to or inconsistent with this Bond Declaration as theretofore in effect;

(c) To confirm, as further assurance, any security interest or pledge created under this Bond Declaration or any supplemental declaration;

(d) To make any change that, in the reasonable judgment of the City, does not materially and adversely affect the rights of the Owners.

8.2 This Bond Declaration may be amended for any other purpose only upon receipt of the written consent of Owners representing not less than fifty-one percent (51%) in aggregate principal amount of the adversely affected Bonds then Outstanding; provided, however, no amendment shall be valid without the consent of Owners representing not less than one hundred percent (100%) in aggregate principal amount of Bonds then Outstanding, that:

(a) Extends the maturity of any Bonds, reduces the rate of interest upon any Bonds, extends the time of payment of interest on any Bonds, reduces the amount of principal payable on any Bonds, or reduces any premium payable on any Bonds; or

(b) Reduces the percent of Owners required to approve amendments to this Bond Declaration.

SECTION 9

DEFAULT AND REMEDIES

9.1 The occurrence of one or more of the following shall constitute an Event of Default under this Bond Declaration:

(a) Failure by the City to pay Bond principal, interest or premium, if any, when due (whether at maturity, or upon redemption after a Bond has been properly called for redemption and if conditional notice of optional redemption delivered pursuant to Section 6.5 herein has not been rescinded);

(b) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed for the benefit of Owners of Bonds, for a period of 60 days after written notice to the City by the Owners of fifty-one percent (51%) or more of the principal amount of Bonds then Outstanding specifying such failure and requesting that it be remedied; provided however, that if the failure stated in the notice cannot be corrected within such 60 day period, it shall not constitute an Event of Default so long as corrective action is instituted by the City within the 60 day period and diligently pursued, and the default is corrected as promptly as practicable after the written notice referred to in this Section 9.1(b); or

(c) The City is adjudged insolvent by a court of competent jurisdiction, admits in writing its inability to pay its debts generally as they become due, files a petition in bankruptcy, or consents to the appointment of a receiver for the installment payments.

9.2 The Owners of fifty-one percent (51%) or more of the principal amount of Bonds then Outstanding may waive any Event of Default and its consequences, except an Event of Default described in Section 9.1(a).

9.3 Upon the occurrence and continuance of any Event of Default hereunder, the Owners of fifty-one percent (51%) or more of the principal amount of Bonds then Outstanding may take whatever action may appear necessary or desirable to enforce or to protect any of the rights of the Owners of Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Bond Declaration or in aid of the exercise of any power granted in this Bond Declaration or for the enforcement of any other legal or equitable right vested in the Owners of Bonds by this Bond Declaration or by law. However, the Bonds shall not be subject to acceleration.

9.4 No remedy in this Bond Declaration conferred upon or reserved to Owners of Bonds is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Bond Declaration or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. To entitle the Owners of Bonds to exercise any remedy reserved to them, it shall not be necessary to give any notice other than such notice as may be required by the Resolution, this Bond Declaration or by law.

SECTION 10

DEFEASANCE

10.1 The City shall be obligated to pay bonds that are defeased pursuant to this Section solely from money and Government Obligations that are deposited with an escrow agent or a paying agent appointed by the City, and the City shall have no further obligation to pay the defeased Bonds from any source except the amounts deposited in the escrow. Bonds shall be deemed defeased if the City:

(a) irrevocably deposits money or non-callable Government Obligations in escrow with an independent paying agent or escrow agent that are calculated to be sufficient for the payment of Bond principal and interest and premium, if any, to maturity or prior redemption date established for the defeasance of the Bonds; and

(b) files with the escrow agent or paying agent an opinion from an independent, certified public accountant to the effect that the money and the principal and interest to be received from the Government Obligations are calculated to be sufficient without further reinvestment, to pay the principal and interest and premium, if any, on the defeased Bonds when due at maturity or prior redemption.

SECTION 11

BOND FORM

The Bonds shall be issued in substantially the form attached to this Bond Declaration as Appendix A, with any changes that are approved by an Authorized Representative of the City.

The Bond shall be executed on behalf of the City with the manual or facsimile signature of the Mayor of the City and attested to by the manual or facsimile signature of an Authorized Representative of the City. The Bonds shall be authenticated with the manual signature of the Registrar.

SECTION 12

BOND REGISTRAR; PAYING AGENT

12.1 U.S. Bank National Association, in Portland, Oregon, is hereby appointed as the initial Bond Registrar for the Bonds.

12.2 U.S. Bank National Association, in Portland, Oregon, is hereby appointed as the initial Paying Agent for the Bonds.

SECTION 13

RULES OF CONSTRUCTION

In determining the meaning of provisions of the Bond Declaration, the following rules shall apply unless the context clearly requires application of a different meaning.

- (a) References to section numbers shall be construed as references to sections of this Bond Declaration.
- (b) References to one gender shall include all genders.
- (c) References to the singular shall include the plural, and references to the plural shall include the singular.

[SIGNATURE PAGE FOLLOWS]

DATED this [] day of August 2018.

CITY OF WEST LINN, OREGON

By: _____
Lauren Breithaupt
Finance Director

**APPENDIX A
FORM OF BOND**

No. R-__

\$ _____

UNITED STATES OF AMERICA
STATE OF OREGON
CLACKAMAS COUNTY

**CITY OF WEST LINN, OREGON,
GENERAL OBLIGATION BOND
SERIES 2018**

DATED DATE	INTEREST RATE PER ANNUM	MATURITY DATE	CUSIP NO.
August [__], 2018	____%	June 1, 20__	954039

REGISTERED OWNER: -- CEDE & CO. -

PRINCIPAL AMOUNT: -- _____ DOLLARS (\$_____) --

The CITY OF WEST LINN, OREGON (the “City”), for value received, acknowledges itself indebted and hereby promises to pay to the registered owner hereof, or registered assigns, the principal amount indicated above on the above maturity date together with interest thereon from the date hereof at the rate per annum indicated above, computed on the basis of a 360-day year comprised of twelve 30-day months. Interest is payable semiannually on the 15th day of June and the 15th day of December in each year until maturity, commencing December 15, 2016, to the registered owner at the address appearing on the bond register as of the close of business on the last business day of the calendar month preceding the applicable interest payment date. The City's bond registrar and paying agent, which is currently U.S. Bank National Association, in Portland, Oregon, (the “Registrar”), will make principal and interest payments to the registered owner. Principal and interest payments, made payable to the order of “Cede & Co.,” 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.

This Bond is one of a duly authorized series of bonds designated “City of West Linn, Oregon General Obligation Bonds, Series 2018,” in the aggregate principal amount of \$[_____] (the “Bonds”), issued by the City for the purpose of providing funds to (i) finance capital construction and capital improvements related to a library for the City; and (ii) pay bond issuance costs incidental thereto. The Bonds were authorized by voters at an election held on May 15, 2018, the City’s authorizing Resolution No. 2018-15 adopted by the City Council of the City on June 25, 2018 (the “Resolution”), and a Bond Declaration dated August [__], 2018 (the “Bond Declaration”). Capitalized terms used but not defined herein have the meaning given such terms in the Bond Declaration and in the Resolution. The Bonds are issued in full and strict accordance and compliance with all of the provisions of the Constitution and Statutes of the State of Oregon.

Optional Redemption. The Bonds maturing on or after June 1, 20[] are subject to optional redemption prior to maturity at the option of the City, in whole or in part on June 1, 20[] and on any date thereafter at a price of 100% of the principal amount to be redeemed plus accrued interest to the date fixed for redemption.

Mandatory Redemption. The Bonds stated to mature on June 1, 20[] are term bonds subject to mandatory sinking fund redemption, in part, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest, if any, to the date fixed for redemption, on June 1 in the years and in the amounts as set forth below:

Term Bonds
Maturing on June 1, [20]

Year	Amount
------	--------

*Final Maturity

Upon any partial optional redemption of such term bond, the amount of future mandatory sinking fund redemptions with respect thereto will be reduced, as directed by the City, to take into account such partial optional redemption.

Selection of Bonds for Redemption. For as long as the Bonds are in BEO form, if fewer than all of the Bonds of a maturity are called for redemption, the selection of Bonds within such maturity to be redeemed shall be made by DTC in accordance with its operational procedures as then in effect. If the Bonds are no longer held in BEO form, the Registrar shall select the Bonds within such maturity for redemption by lot.

Notice of Redemption (Book-Entry). For as long as the bonds are in BEO only form, and unless DTC consents to a shorter period, the Paying Agent shall notify DTC of an early redemption not less than 20 days and not more than 60 days prior to the date fixed for redemption, and shall provide such information in connection therewith as required by a letter of representation submitted to DTC. Official written notice of redemption will be given by the City to the Paying Agent at least five calendar days prior to the date the notice is scheduled to be sent to DTC. The City reserves the right to rescind any redemption notice as allowed in the Bond Description.

Notice of Redemption (No Book-Entry). During any period in which the Bonds are not in the book-entry only form, unless waived by any Owner of the Bonds to be redeemed, official notice of any redemption of Bonds shall be given by the Paying Agent on behalf of the City by mailing a copy of an official redemption notice in a form generally accepted in the municipal markets by first class mail, postage prepaid, at least 30 days and not more than 60 days prior to the date fixed for redemption, to the Owners of the Bonds to be redeemed at the address shown on the Bond register or at such other address as furnished in writing by such Owner to the Paying Agent. Official written notice of redemption will be given by the City to the Paying Agent at least five calendar days prior to the date the notice is scheduled to be sent Owners of the Bonds. The City reserves the right to rescind any redemption notice as allowed in the Bond Declaration.

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

Effect of Redemption. Notice of redemption having been duly given as aforesaid, the Bonds or portions thereof so called for redemption (unless, in the case of conditional redemption, such notice is rescinded or any condition to redemption is not satisfied), shall become due and payable, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, the Bonds (or portions thereof) so called for redemption being held by the Paying Agent on the date fixed for redemption designated in such notice, interest on the Bonds so called for redemption shall cease to accrue and said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Bond Declaration (except for payment of particular Bonds for which moneys are being held by the Paying Agent and which money shall be pledged to such payment), and the Owners of said Bonds shall have no rights in respect thereof except to receive payment of said principal, premium, if any, and interest accrued to the date fixed for redemption.

If the Paying Agent does not have sufficient funds on the date fixed for redemption to pay the redemption price of all of the Bonds to be optionally redeemed for any reason, then the optional redemption shall be cancelled and any notice thereof shall be void, but such event shall not constitute an Event of Default under this Bond Declaration.

In addition, if the City shall have delivered to the Registrar no later than one (1) business day prior to the date fixed for redemption for any Bonds, written notice of its decision to rescind its prior request for redemption, then the purported optional redemption shall be canceled and any prior notice thereof shall be void.

The Bonds are initially issued as a book-entry-only security issue with no certificates provided to the Beneficial Owners. Records of Bond ownership will be maintained by the Registrar and DTC and its participants.

Should the book-entry-only security system be discontinued, the Bonds shall be issued in the form of fully registered Bonds without coupons in Authorized Denominations. Such Bonds may be exchanged for Bonds of the same aggregate principal amount, but different Authorized Denominations, as provided in the Bond Declaration.

Any transfer of this Bond must be registered, as provided in the Bond Declaration, upon the Bond Register kept for that purpose at the principal corporate trust office of the Registrar. Upon registration, a new registered Bond or Bonds, of the same maturity and in the same aggregate principal amount shall be issued to the transferee as provided in the Resolution and the

Bond Declaration. The City and the Registrar may treat the person in whose name this Bond is registered as its absolute owner for all purposes, as provided in the Bond Declaration.

The Bondowner may exchange or transfer this Bond 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 Bond Declaration.

Unless this certificate is presented by an authorized representative of The Depository Trust Company to the City or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

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 issuance of this Bond have existed, have happened, and have been performed in due time, form, and manner as required by the Constitution and Statutes of the State of Oregon; that the issue of which this Bond is a part, and all other obligations of the City, are within every debt limitation and other limit prescribed by such Constitution and Statutes; and that the City has covenanted to levy annually a direct ad valorem tax upon all of the taxable property within the City without limitation as to rate or amount, and outside of the limitations of Sections 11 and 11b, Article XI of the Oregon Constitution, after taking into consideration discounts taken and delinquencies that may occur in the payment of such taxes, to pay interest accruing on and the principal maturing on the Bonds promptly when and as they become due.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Declaration until the Certificate of Authentication hereon shall have been manually signed by the Registrar.

IN WITNESS WHEREOF, the City Council of the City has caused this Bond to be signed by the facsimile signature of its Mayor and attested to by the facsimile signature of an Authorized Representative of the City as of the date indicated above.

CITY OF WEST LINN, OREGON

By: _____
Mayor

ATTEST:

By: _____
Authorized Representative

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

AUTHENTICATION DATE: August [], 2018.

CERTIFICATE OF AUTHENTICATION

This is one of the City of West Linn, Oregon General Obligation Bonds, Series 2018, dated August [], 2018, issued pursuant to the Resolution and Bond Declaration described herein.

U.S. BANK NATIONAL ASSOCIATION, as Registrar

By: _____
Authorized Officer

This Bond 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 hereby sells, assigns and transfer unto:

Name of Transferee: _____

Address: _____

Tax Identification No. _____

the within Bond and hereby irrevocably constitutes and appoints _____

_____ to transfer said Bond on the books

kept for registration thereof with full power of substitution in the premises.

Registered Owner

NOTE: The signature on this Assignment must correspond with the name of the Registered Owner as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

Dated:

SIGNATURE GUARANTEED:

Bank, Trust Company or Member
Firm of the New York Stock Exchange

Authorized Officer

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

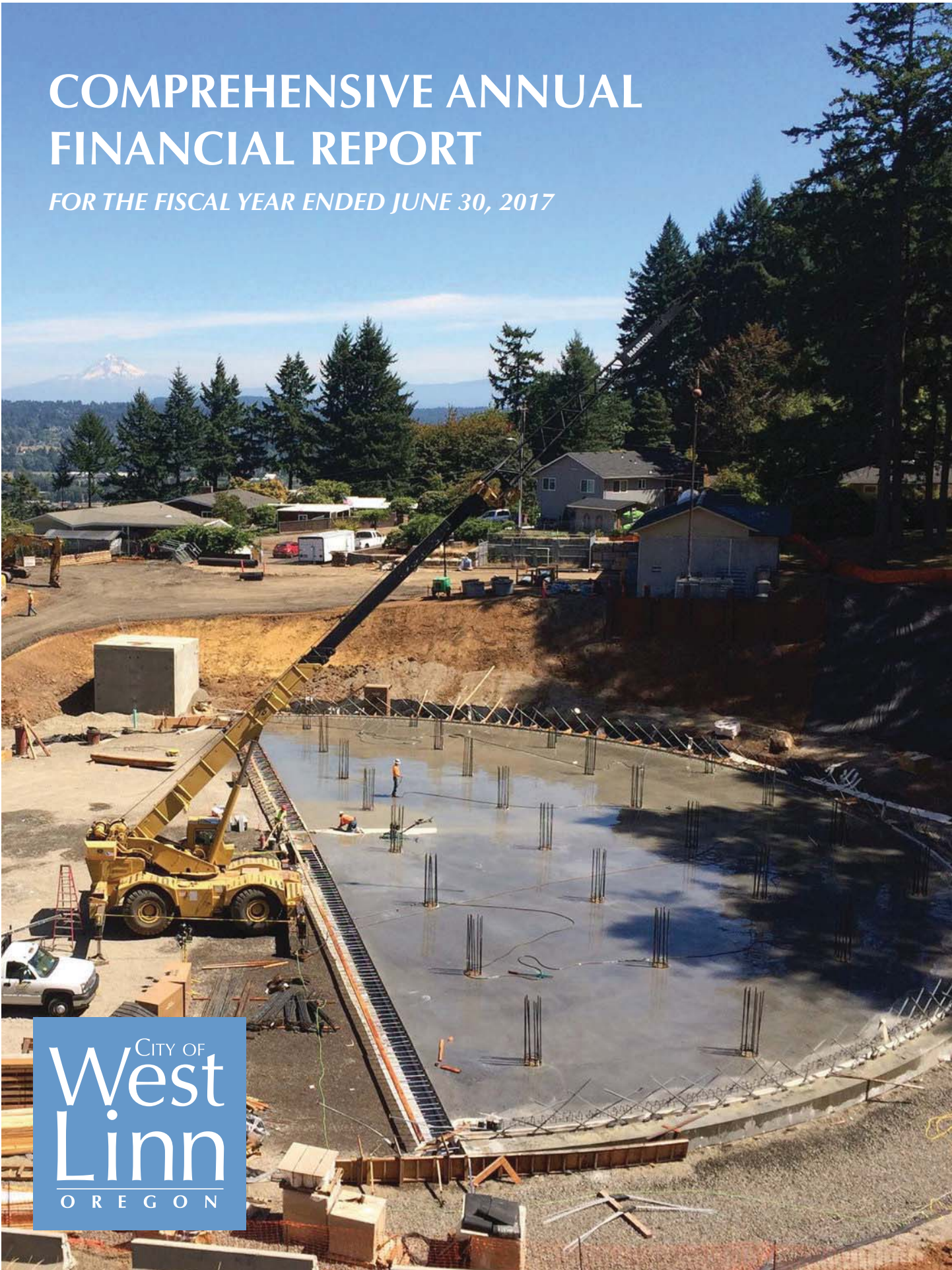
- TEN COM -- as tenants in common UNIF TRFS MIN ACT (Cust) (Minor)
- TEN ENT -- as tenants by the entireties under Uniform Transfer to Minors Act (State)
- JT TEN -- as joint tenants with right of survivorship and not as tenants in common

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

APPENDIX B
COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR
ENDED JUNE 30, 2017

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2017



CITY OF
**West
Linn**
OREGON

CITY OF WEST LINN, OREGON
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2017

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, 2017

TABLE OF CONTENTS

	Page
I. INTRODUCTORY SECTION	
Letter of Transmittal	1
Certificate of Achievement for Excellence in Financial Reporting	6
Elected and Appointed Officials	7
Organizational Chart	8
Audit Committee	9
II. FINANCIAL SECTION	
Independent Auditor's Report	12
Management's Discussion and Analysis	15
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	28
Statement of Activities	29
Fund Financial Statements	
Balance Sheet – Governmental Funds	30
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	31
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	32
Statement of Net Position – Proprietary Funds	33
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	34
Statement of Cash Flows – Proprietary Funds	35
Notes to Basic Financial Statements	36
Required Supplementary Information	
Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	
General Fund	63
Public Safety Fund	64
Parks and Recreation Fund	65
Library Fund	66
Street Fund	67
Schedule of Funding Progress – Other Postemployment Benefits Plan	68
Schedule of the City's Proportionate Share of the Net Pension (Asset)/Liability	69
Schedule of City Pension Plan Contributions	70
Notes to Required Supplementary Information	71

CITY OF WEST LINN, OREGON

Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2017

TABLE OF CONTENTS, CONTINUED

	Page
Supplementary Information	
Combining and Individual Fund Financial Statements and Schedules	
Schedule of Revenues, Expenditures and Changes in Fund Balances –	
Budget and Actual – Major Governmental Fund – Capital Projects	
Systems Development Charges Fund	76
Combining Balance Sheet – Nonmajor Governmental Funds	78
Combining Statement of Revenues, Expenditures and Changes in Fund Balances –	
Nonmajor Governmental Funds	79
Combining Balance Sheet – Nonmajor Special Revenue Funds	80
Combining Statement of Revenues, Expenditures and Changes in	
Fund Balances (Deficit) – Nonmajor Special Revenue Funds	81
Schedules of Revenues, Expenditures and Changes in Fund Balances (Deficit) –	
Budget and Actual – Nonmajor Governmental Funds	
Building Inspections Fund	82
Planning Fund	83
Debt Service Fund	84
Park Bond Construction Fund	85
Schedules of Revenues, Expenditures and Changes in Fund Balances –	
Budget and Actual – Proprietary Funds	
Water Fund	87
Environmental Services Fund	88
Other Financial Schedules	
Schedule of Future Debt Service Requirements	90
Schedule of Property Tax Transactions and Outstanding Balances	91
Schedule of Accountability of Independently Elected Officials	92

CITY OF WEST LINN, OREGON

Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2017

TABLE OF CONTENTS, CONTINUED

	Page
III. STATISTICAL SECTION	
Net Position by Component	95
Changes in Net Position	96
Governmental Activities Tax Revenues by Source	98
Fund Balances of Governmental Funds	99
Changes in Fund Balances of Governmental Funds	100
Assessed Value and Estimated Real Market Value of Taxable Property	101
Property Tax Rates – Direct and Overlapping Governments	102
Principal Property Taxpayers	103
Property Tax Levies and Collections	104
Ratios of Outstanding Debt by Type	105
Ratios of General Bonded Debt Outstanding	106
Direct and Overlapping Governmental Activities Debt	107
Legal Debt Margin Information	108
Pledged-Revenue Coverage	109
Demographic and Economic Statistics	110
Principal Employers	111
Full-time Equivalent City Government Employees by Function	112
Operating Indicators by Function	113
Capital Asset Statistics by Function	114
IV. COMPLIANCE SECTION	
Independent Auditor’s Report on Compliance and on Internal Control Over Financial Reporting on an Audit of Financial Statements Performed in Accordance with Oregon State Regulations	117

This page intentionally left blank

CITY OF WEST LINN, OREGON
COMPREHENSIVE ANNUAL FINANCIAL REPORT

SECTION I

INTRODUCTORY SECTION

This page intentionally left blank



CITY OF
West Linn

November 30, 2017

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, 2017 is hereby submitted.

This report presents the financial position of the City as of June 30, 2017 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.

Merina & Company LLP, Certified Public Accountants, have issued an unmodified or "clean" opinion on the City's financial statements for the fiscal year ended June 30, 2017. 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 25,615. 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 2016-2017 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, 2017, a five percent rate increase for water, sewer, and surface water management fees was approved. Effective July 1, 2017, a five percent rate increase was approved for the parks and residential street fees. Effective January 1, 2018, 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 \$9.6 million outstanding in three general obligation bond issues and \$6.3 million outstanding in two full faith and credit obligations, for a total of \$15.9 million in long-term debt outstanding as of June 30, 2017.

City's Credit Ratings

On November 23, 2015, Standard & Poor's Ratings Services raised its long-term rating to 'AA+' from 'AA' on the City's general obligation bonds and full faith and credit obligations outstanding due to the city's improved budgetary performance. The rating agency cited very strong economic characteristics, budgetary flexibility and strong management with "good" financial policies.

On February 23, 2017, Moody's Investors Services raised its long-term rating to 'Aa2' from 'Aa3' on the City's full faith and credit obligations Series 2010 outstanding due to an overall review undertaken by Moody's in conjunction with the publication on December 16, 2016 of the US Local Government General Obligation Debt Methodology.

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 2016-2017 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: hiring a new city manager, refining the Arch Bridge Area master planning process, researching the feasibility of a West Linn fiber network, becoming an active regional partner on transportation issues, addressing community development code and comprehensive plan changes, resolving the best uses for underutilized city properties and prioritizing community outreach.

The Citizens' Budget Committee continued with biennial budgeting and approved the City's fourth 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, 2017, the actual results reflect the second year of the biennium. Additionally, the City's Audit Committee, consisting of Councilors Brenda Perry and Richard Sakelik, 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.

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, 2016. This was the eighth 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.

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, 2015. 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,



Lauren Breithaupt, CPA CMA CGMA
Finance Director

This page intentionally left blank

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, 2016

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.



Nancy L. Ziehl

President

Jeffrey R. Emer

Executive Director

CITY OF WEST LINN, OREGON
Elected and Appointed Officials

Elected Officials	Term Expires
Russ Axelrod, Mayor	December 31, 2020
Teri Cummings, Councilor	December 31, 2020
Bob Martin, Councilor	December 31, 2018
Brenda Perry, Council President	December 31, 2018
Richard Sakelik, Councilor	December 31, 2020
Rhett Bernstein, Municipal Court Judge	December 31, 2018

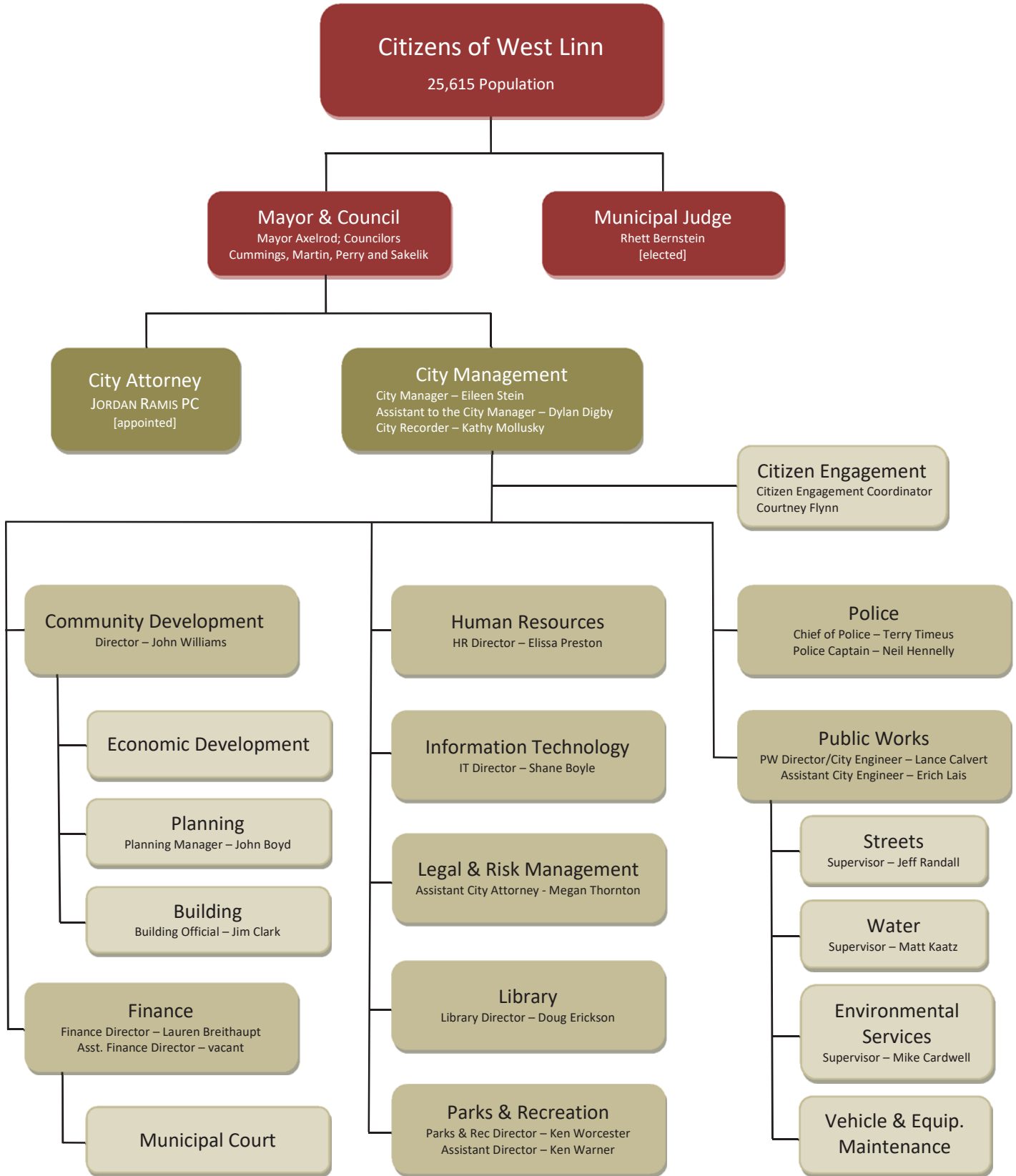
Appointed Officials	Position
Eileen Stein	City Manager
JORDAN RAMIS PC	Legal Counsel/City Attorney

Management Team:

Shane Boyle	Information Tech. Director
Lauren Breithaupt, CPA CMA	Finance Director
Lance Calvert, PE	Public Works Director
Doug Erickson	Library Director
Neil Hennelly	Interim Chief of Police
Kathy Mollusky, CMC	City Recorder
Elissa Preston	Human Resources Director
Megan Thornton	Assistant City Attorney
John Williams	Community Dev. Director
Ken Worcester	Parks and Recreation Director

PERSONNEL

ORGANIZATIONAL CHART



CITY OF WEST LINN, OREGON
Audit Committee

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, 2017
Richard Sakelik, Councilor	December 31, 2018
Citizen Member:	
Nathan Reagan, CPA	December 31, 2017

This page intentionally left blank

**CITY OF WEST LINN, OREGON
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

SECTION II

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of 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, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of West Linn, Oregon's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City of West Linn, Oregon's 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 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.

Opinions

In our opinion, 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 of West Linn, Oregon, as of June 30, 2017, 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.

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 and 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 have applied certain limited procedures to the management's discussion and analysis, the schedule of funding progress – other postemployment benefits plan, schedule of the city's proportionate share of the net pension (assets)/liability, and schedule of city's pension plan contributions, as listed in the table of contents, 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.

The schedules of revenues, expenditures and changes in fund balances, as listed in the table of contents under required supplementary information, are the responsibility of management and were 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 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. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of West Linn, Oregon's basic financial statements. The introductory section, supplementary information, other financial schedules, and statistical section, 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, as listed in the table of contents, 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 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. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, other financial schedules, 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.

Reports on Other Legal and Regulatory Requirements

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2017 on our consideration of the City of West Linn, Oregon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The

purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is issued separately and is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of West Linn, Oregon's internal control over financial reporting and compliance.

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 30, 2017, on our consideration of the City of West Linn, Oregon'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.



For Merina & Company, LLP
West Linn, Oregon
November 30, 2017

CITY OF WEST LINN, OREGON

Management's Discussion and Analysis

For the fiscal year ended June 30, 2017

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, 2017. 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

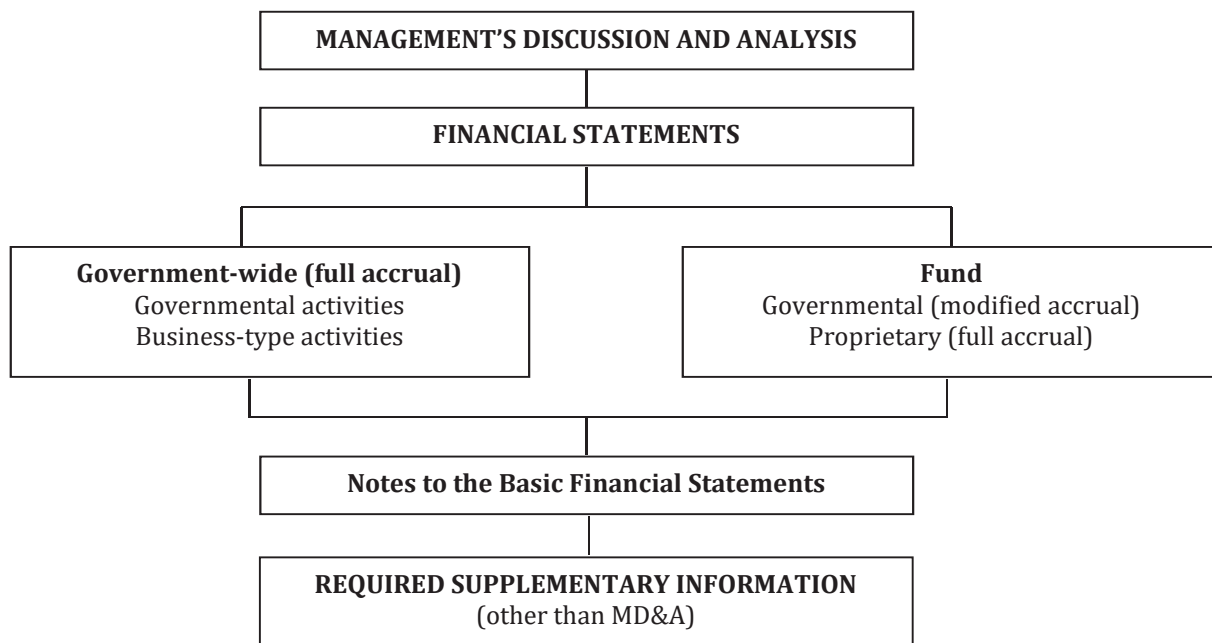
- The City's assets and deferred outflows of resources totaled \$320.1 million at June 30, 2017, consisting of \$282.8 million in capital assets, \$9.3 million in unrestricted cash and investments, \$5.3 million in restricted cash and investments, and \$22.7 million in investment in joint venture, other assets and deferred outflows of resources. Total assets and deferred outflows of resources increased by \$10.1 million from the previous fiscal year.
- The City's liabilities and deferred inflows of resources totaled \$38.6 million at June 30, 2017 consisting of \$31.3 million in long-term liabilities and \$6.4 million in accounts payable and other liabilities, and \$0.9 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 \$281.5 million at the close of fiscal year 2016-17. Unrestricted net position totaled \$9.8 million with the remainder of the City's net position invested in capital assets (\$266.4 million) and restricted for endowment, capital projects and debt service (\$5.3 million).
- For its governmental activities, the City generated \$14.7 million in charges for services and received \$6.2 million in operating and capital grants and contributions. Direct expenses, including interest on long-term debt for governmental activities were \$28.9 million for the year, resulting in a net direct expense of \$8.0 million. \$10.6 million of general revenues received resulted in a change in net position of \$2.6 million.
- For its business-type activities, the City generated \$8.5 million in charges for services and capital grants and contributions to fund direct expenses of \$7.2 million.
- Fund balance in the City's governmental funds was \$9.9 million at June 30, 2017, a decrease of \$0.2 million from June 30, 2016.

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



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 \$281.5 million at June 30, 2017.

By far, the largest portion of the City's net position (95 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	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 14.2	\$ 12.8	\$ 15.2	\$ 19.6	\$ 29.4	\$ 32.4
Capital assets	239.5	238.0	43.3	38.0	282.8	276.0
Total assets	253.7	250.8	58.5	57.6	312.2	308.4
Deferred outflows of resources	7.0	1.3	0.9	0.2	7.9	1.5
Long-term liabilities	27.1	20.9	4.2	3.4	31.3	24.3
Other liabilities	4.8	4.0	1.6	2.0	6.4	6.0
Total liabilities	31.9	24.9	5.8	5.4	37.7	30.3
Deferred inflows of resources	0.8	1.8	0.1	0.2	0.9	2.0
Net position:						
Net investment in capital assets	225.6	222.4	40.8	35.4	266.4	257.8
Restricted for:						
Library endowment	0.2	0.2	-	-	0.2	0.2
Debt service	0.2	0.2	-	-	0.2	0.2
Capital projects	4.9	4.4	-	2.8	4.9	7.2
Unrestricted	(2.8)	(1.8)	12.6	14.0	9.8	12.2
Total net position	\$ 228.1	\$ 225.4	\$ 53.4	\$ 52.2	\$ 281.5	\$ 277.6

A portion of the City's net position (\$5.3 million or about two percent) represents resources that are subject to external restrictions on how they may be used. The balance of *unrestricted net position* (\$9.8 million or about three percent) may be used to meet the City's ongoing obligations to citizens and creditors.

As of June 30, 2017, 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 business-type activities. For its governmental activities, the City has a negative balance in the unrestricted category of net position.

Total net position increased by \$3.9 million during the fiscal year. The City undertook several major capital projects during the fiscal year, including the Bolton Reservoir and the Cedaroak Boat Ramp, which accounts for a majority of this increase.

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)

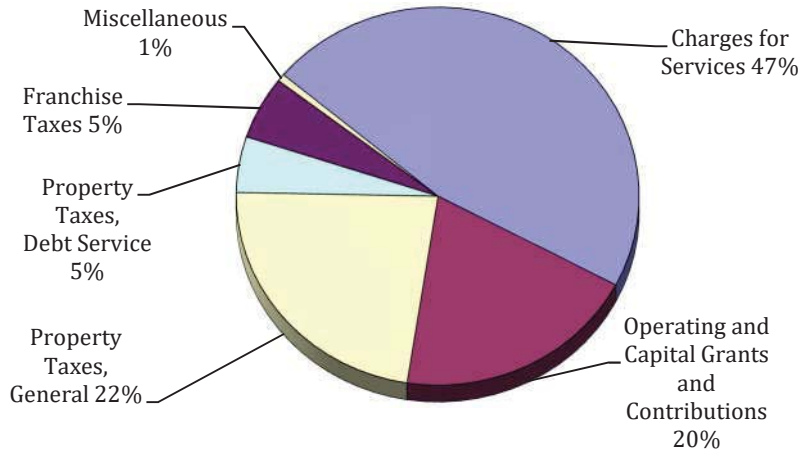
	Governmental Activities		Business-type Activities		Total	
	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
Revenues						
Program revenues						
Charges for services	\$ 14.7	\$ 14.2	\$ 8.1	\$ 7.7	\$ 22.8	\$ 21.9
Operating grants and contributions	6.2	4.2	-	-	6.2	4.2
Capital grants and contributions	-	0.1	0.4	1.2	0.4	1.3
General revenues						
Property taxes	8.7	8.4	-	-	8.7	8.4
Franchise taxes	1.7	1.7	-	-	1.7	1.7
Grants and contributions not restricted to specific programs	0.2	0.4	-	-	0.2	0.4
Intergovernmental	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	31.5	29.0	8.5	8.9	40.0	37.9
Expenses						
Governmental activities						
General government	8.2	10.3	-	-	8.2	10.3
Culture and recreation	7.0	7.1	-	-	7.0	7.1
Public safety	8.8	10.3	-	-	8.8	10.3
Highways and streets	4.5	4.3	-	-	4.5	4.3
Interest on long-term debt	0.4	0.6	-	-	0.4	0.6
Business-type activities						
Water	-	-	3.9	4.2	3.9	4.2
Environmental services	-	-	3.3	3.2	3.3	3.2
Total expenses	28.9	32.6	7.2	7.4	36.1	40.0
Change in net position before transfers	2.6	(3.6)	1.3	1.5	3.9	(2.1)
Transfers	-	-	-	-	-	-
Change in net position	2.6	(3.6)	1.3	1.5	3.9	(2.1)
Net position - beginning	225.4	229.0	52.2	50.7	277.6	279.7
Net position - ending	<u>\$ 228.0</u>	<u>\$ 225.4</u>	<u>\$ 53.5</u>	<u>\$ 52.2</u>	<u>\$ 281.5</u>	<u>\$ 277.6</u>

Governmental Activities

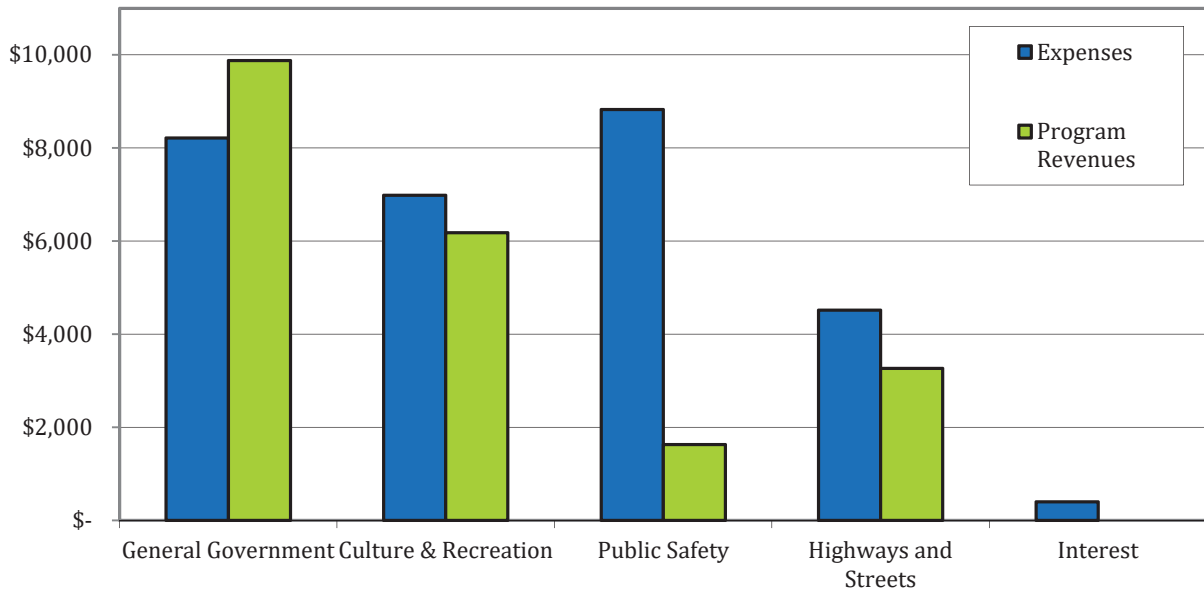
Governmental activities increased the City's net position by \$2.6 million in fiscal year 2016-17, as compared to a decrease of \$3.6 million in the prior fiscal year. Revenue increased by \$2.5 million and expenses, excluding transfers, decreased by \$3.7 million. Key elements of these changes, as illustrated in Table 2 above, are primarily the results of an increase to operating grants and contributions and a decrease in the net pension expense due to the second year of the implementation of GASB Statement 68.

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)

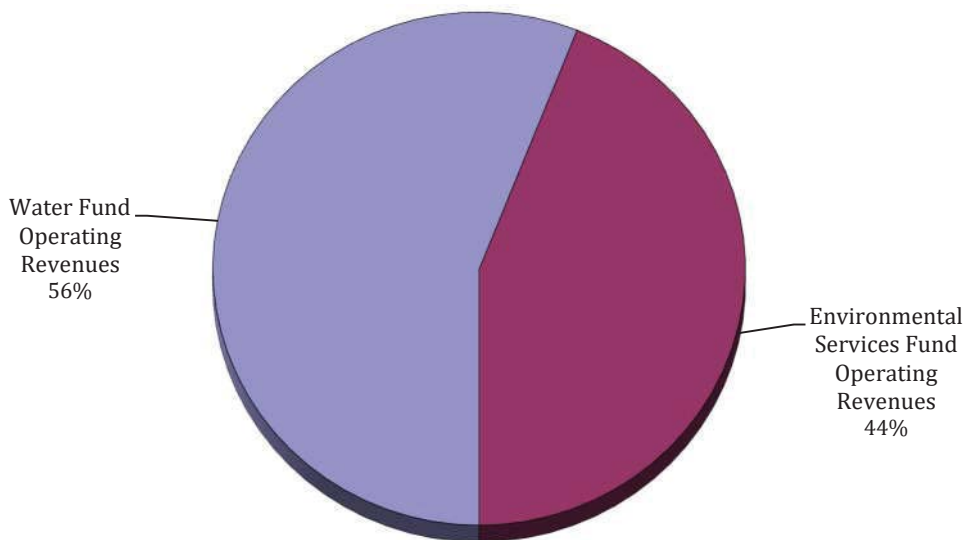


Business-type Activities

Water fund revenues represent approximately 56 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 44 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, 2017, the City's governmental funds reported a combined ending fund balance of \$9.9 million, a decrease of \$0.3 million when compared to the prior year. Unassigned fund balance combined with committed fund balance as of June 30, 2017, was \$4.5 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, 2017, total fund balance was \$2.9 million, reflecting an increase of \$0.7 million from the prior year. Within the general fund ending balance, \$2.8 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 remained the same from the prior year at \$7.9 million. Expenditures in the general fund decreased by \$0.2 million from \$7.3 million in the prior year to \$7.1 million in the current year. Key components of this decrease include prior year expenditures related to the successful implementation of the City's new accounting software package, professional services related to economic development initiatives and vacant positions going unfilled.

Public Safety Fund

This special revenue fund accounts for police, 911 dispatch, and overall safety activities within city limits. Revenues increased to \$7.2 million from \$7.1 million in the prior year attributed to an increase in property taxes. Expenditures in the public safety fund decreased slightly to \$7.4 million as expenditures stayed consistent from the prior year.

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 \$4.9 million in the current year. Overall expenditures increased to \$5.9 million resulting in an overall fund balance decrease of \$1.0 million. The increase in expenditures was due to capital outlay related to the CedarOak Boat Ramp construction. 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 increased to \$2.4 million from \$2.2 million in the prior year attributed to an increase in property taxes. Overall expenditures increased slightly to \$2.6 million. Overall fund balance decreased slightly to \$0.3 million.

Street Fund

This special revenue fund accounts for the operation and maintenance of the City's street and sidewalk systems, including medians. Revenue decreased slightly to \$3.5 million from \$3.7 million in the prior year. Overall street expenditures decreased to \$3.7 million from \$4.0 million in the prior year due to the timing of planned capital improvements. The street fund had an overall decrease in fund balance of \$0.2 million for the fiscal year ended June 30, 2017.

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 remained the same from the prior year at \$1.4 million. Expenditures in the systems development charges fund decreased to \$0.9 million from \$1.8 million in the 2016-17 fiscal year. Major projects included street improvements and the Bolton Reservoir project.

GENERAL FUND BUDGETARY HIGHLIGHTS

Original budget compared to final budget. The original appropriated budget was increased by \$1.1 million through a supplemental budget. The final appropriated budget amounts to \$17.6 million, which includes \$0.6 million for contingencies. The changes were due to a payment of refunded bonds and \$60,000 for the City to join the Willamette Falls Task Force.

General Fund Appropriated Budget	Original Budget	Final Budget	Difference
Expenditures	\$ 15,273,000	\$ 15,333,000	\$ 60,000
Transfers to other funds	623,000	623,000	-
Pmt. for refunded bonds	-	1,100,000	1,100,000
Contingency	650,000	590,000	(60,000)
	<u>\$ 16,546,000</u>	<u>\$ 17,646,000</u>	<u>\$ 1,100,000</u>

Final budgeted revenues compared to actual revenues. The most significant differences between estimated revenues that were budgeted in the second year of the biennium and actual revenues were as follows:

General Fund Estimated Revenues	Biennium Estimated Revenues	Less FY 2016 Estimated Revenues	FY 2017 Estimated Revenues	FY 2017 Actual Revenues	Difference
Muni Court Fines	\$ 861,000	\$ (424,000)	\$ 437,000	\$ 513,046	\$ 76,046
Intergovernmental	278,000	(139,000)	139,000	-	(139,000)

Revenues from muni court fines have exceeded our second year estimates by \$76,000 or about 17 percent. This is due to a large increase in the volume of tickets processed through our court system as well as an increased focus in collection efforts on past due tickets. Intergovernmental revenue was budgeted at \$139,000 and no funds were received.

Final budgeted expenditures compared to actual expenditures. The most significant differences between estimated revenues that were budgeted in the second year of the biennium and actual revenues were as follows:

General Fund Estimated Expenditures	Biennium Estimated Expenditures	Less FY 2016 Estimated Expenditures	FY 2017 Estimated Expenditures	FY 2017 Actual Expenditures	Difference
City Management	\$ 2,572,000	\$ (1,258,000)	\$ 1,314,000	\$ 944,732	\$ 369,268
Public Works Support	2,373,000	(1,161,000)	1,212,000	1,034,002	177,998
Finance	1,955,000	(993,000)	962,000	797,309	164,691

Expenditures in the City Management department of the general fund came in \$369,000 under second year estimates. Expenditures in the Public Works Support Services department of the general fund came in \$178,000 under second year estimates. Expenditures in the Finance department of the general fund came in \$165,000 under second year estimates. These variance are all due to vacancies in staff positions.

As FY 2017 completes the second year of the biennium, there are no other notable differences between the actual revenues or expenditures in the second year of the biennium against estimated revenues or expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2017, the City had invested \$282.8 million in capital assets, net of depreciation as reflected in the following table. This represents a net increase (additions, deductions and depreciation) of \$6.8 million in fiscal year 2016-17. Governmental capital assets totaled \$239.5 million while business-type capital assets totaled \$43.3 million.

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land and easements	\$ 192.9	\$ 192.1	\$ 0.5	\$ 0.5	\$ 193.4	\$ 192.6
Buildings and improvements	21.6	22.4	0.5	0.5	22.1	22.9
Vehicles and equipment	2.1	1.9	0.8	0.8	2.9	2.7
Infrastructure	22.0	21.0	29.9	29.9	51.9	50.9
Construction in progress	0.9	0.6	11.6	6.3	12.5	6.9
Capital assets, net	<u>\$ 239.5</u>	<u>\$ 238.0</u>	<u>\$ 43.3</u>	<u>\$ 38.0</u>	<u>\$ 282.8</u>	<u>\$ 276.0</u>

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 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
Beginning balance	\$ 238.0	\$ 237.6	\$ 38.0	\$ 34.2	\$ 276.0	\$ 271.8
Additions	5.2	4.0	6.8	5.3	12.0	9.3
Reductions and adjustments	(0.1)	(0.1)	-	-	(0.1)	(0.1)
Depreciation	(3.6)	(3.5)	(1.5)	(1.5)	(5.1)	(5.0)
Ending balance	<u>\$ 239.5</u>	<u>\$ 238.0</u>	<u>\$ 43.3</u>	<u>\$ 38.0</u>	<u>\$ 282.8</u>	<u>\$ 276.0</u>

Assets utilized in governmental activities increased by a net \$1.5 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 45 of this report.

Debt Outstanding

As of the end of the fiscal year, the City had \$15.9 million in long-term bonded debt obligations outstanding – an increase of two 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 47 of this report.

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

	<u>2017</u>	<u>2016</u>
Governmental Activities:		
General obligation bonds	\$ 9.6	\$ 10.7
Full faith and credit obligations	3.9	4.4
Sub-total	<u>13.5</u>	<u>15.1</u>
Business-type Activities:		
Water revenue bonds	-	-
Full faith and credit obligations	<u>2.4</u>	<u>2.6</u>
Total	<u><u>\$ 15.9</u></u>	<u><u>\$ 17.7</u></u>

During fiscal year 2015-16, \$5.3 million of full faith and credit obligation bonds were issued to refund a prior issue and raise an additional \$2 million to complete the funding of the Bolton Reservoir project. With this bond issue which closed in December 2015, Standard and Poor’s increased the City’s bond rating from AA to AA+.

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 \$9.6 million in general obligation debt applicable to this limit is well below the City’s \$140.7 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 75 percent; therefore, real market values would have to decrease by approximately 25 percent before the City’s property tax revenues would be negatively impacted.

The largest resource used for governmental activities, at 47 percent, consisted of charges for service, including permits, licenses, recreation charges, and system development charges. Property tax revenue, the next largest revenue source, provided 27 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 increased slightly due to the increase in interest rates.

The business-type activities are funded with utility fees and charges. Utility 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. These annual five percent rate increases are consistent with financial proformas and are necessary to maintain revenue coverage ratios. 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 Finance Director at City of West Linn, 22500 Salamo Road, West Linn, Oregon 97068 or e-mail lbreithaupt@westlinnoregon.gov.

This page intentionally left blank

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, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and investments	\$ 4,697,942	\$ 4,642,099	\$ 9,340,041
Restricted cash and investments	5,287,017	-	5,287,017
Property taxes receivable	548,373	-	548,373
Accounts receivable, net of allowance	3,532,893	1,388,334	4,921,227
Prepaid expenses	136,064	-	136,064
Capital assets not being depreciated:			
Land and easements	192,929,093	482,625	193,411,718
Construction in progress	862,694	11,611,354	12,474,048
Capital assets net of accumulated depreciation:			
Buildings and improvements	21,589,329	503,657	22,092,986
Vehicles and equipment	2,098,110	868,582	2,966,692
Infrastructure	22,003,932	29,819,554	51,823,486
Investment in joint venture	-	9,150,922	9,150,922
TOTAL ASSETS	253,685,447	58,467,127	312,152,574
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred charge on refunding	43,171	5,490	48,661
Deferred outflows of resources - pension	6,988,445	849,650	7,838,095
TOTAL DEFERRED OUTFLOWS OF RESOURCES	7,031,616	855,140	7,886,756
LIABILITIES:			
Accounts payable	1,869,166	1,314,118	3,183,284
Accrued salaries and payroll taxes payable	217,494	17,523	235,017
Accrued interest payable	30,267	6,183	36,450
Deposits and other liabilities	555,326	-	555,326
Noncurrent liabilities:			
Due within one year	2,079,203	254,765	2,333,968
Due in more than one year	27,110,280	4,183,886	31,294,166
TOTAL LIABILITIES	31,861,736	5,776,475	37,638,211
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows of resources - pension	817,471	99,387	916,858
TOTAL DEFERRED INFLOWS OF RESOURCES	817,471	99,387	916,858
NET POSITION:			
Net investment in capital assets	225,587,851	40,845,772	266,433,623
Restricted for:			
Library endowment, nonexpendable	157,300	-	157,300
Debt service	214,332	-	214,332
Capital projects	4,904,097	-	4,904,097
Unrestricted	(2,825,724)	12,600,633	9,774,909
TOTAL NET POSITION	\$ 228,037,856	\$ 53,446,405	\$ 281,484,261

The notes to 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, 2017

FUNCTION / PROGRAM	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES:							
General government	\$ 8,215,983	\$ 9,596,474	\$ 282,796	\$ -	\$ 1,663,287	\$ -	\$ 1,663,287
Culture and recreation	6,988,190	2,431,827	3,748,428	-	(807,935)	-	(807,935)
Public safety	8,830,145	948,283	685,324	-	(7,196,538)	-	(7,196,538)
Highways and streets	4,516,872	1,734,942	1,532,122	-	(1,249,808)	-	(1,249,808)
Interest on long-term debt	403,175	-	-	-	(403,175)	-	(403,175)
TOTAL GOVERNMENTAL ACTIVITIES	<u>28,954,365</u>	<u>14,711,526</u>	<u>6,248,670</u>	<u>-</u>	<u>(7,994,169)</u>	<u>-</u>	<u>(7,994,169)</u>
BUSINESS-TYPE ACTIVITIES:							
Water	3,908,388	4,655,810	-	367,534	-	1,114,956	1,114,956
Environmental services	3,244,098	3,428,409	-	5,109	-	189,420	189,420
TOTAL BUSINESS-TYPE ACTIVITIES	<u>7,152,486</u>	<u>8,084,219</u>	<u>-</u>	<u>372,643</u>	<u>-</u>	<u>1,304,376</u>	<u>1,304,376</u>
TOTAL ACTIVITIES	<u>\$ 36,106,851</u>	<u>\$ 22,795,745</u>	<u>\$ 6,248,670</u>	<u>\$ 372,643</u>	<u>(7,994,169)</u>	<u>1,304,376</u>	<u>(6,689,793)</u>
GENERAL REVENUES:							
Property taxes, levied for general purposes					7,205,267	-	7,205,267
Property taxes, levied for debt service					1,475,976	-	1,475,976
Franchise taxes					1,738,158	-	1,738,158
Grants and contributions not restricted to specific programs					202,446	-	202,446
Unrestricted investment earnings					14,775	-	14,775
Loss on disposition of capital assets					-	(7,735)	(7,735)
TOTAL GENERAL REVENUES					<u>10,636,622</u>	<u>(7,735)</u>	<u>10,628,887</u>
CHANGE IN NET POSITION					2,642,453	1,296,641	3,939,094
NET POSITION - beginning					<u>225,395,403</u>	<u>52,149,764</u>	<u>277,545,167</u>
NET POSITION - ending					<u>\$ 228,037,856</u>	<u>\$ 53,446,405</u>	<u>\$ 281,484,261</u>

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

CITY OF WEST LINN, OREGON

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2017

	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	\$ 2,723,214	\$ 163,106	\$ -	\$ 217,935	\$ 1,245,755	\$ -	\$ 347,932	\$ 4,697,942
Restricted cash and investments	-	-	-	157,300	-	4,924,746	204,971	5,287,017
Property taxes receivable	-	315,114	82,925	60,811	-	-	89,523	548,373
Accounts receivable	1,208,468	149,733	1,625,317	-	375,320	-	114,055	3,472,893
Prepaid expenditures	136,064	-	-	-	-	-	-	136,064
TOTAL ASSETS	\$ 4,067,746	\$ 627,953	\$ 1,708,242	\$ 436,046	\$ 1,621,075	\$ 4,924,746	\$ 756,481	\$ 14,142,289
LIABILITIES:								
Accounts payable	\$ 351,089	\$ 37,041	\$ 1,219,911	\$ 15,643	\$ 82,101	\$ 20,649	\$ 82,732	\$ 1,809,166
Accrued salaries and payroll taxes	74,794	76,754	25,385	20,445	7,625	-	12,491	217,494
Deposits and other liabilities	429,644	-	-	-	87,895	-	37,787	555,326
TOTAL LIABILITIES	855,527	113,795	1,245,296	36,088	177,621	20,649	133,010	2,581,986
DEFERRED INFLOWS OF RESOURCES:								
Unavailable revenue - court fines	228,680	-	-	-	-	-	-	228,680
Unavailable revenue - grant revenue	-	-	900,000	-	-	-	-	900,000
Unavailable revenue - property taxes	-	282,164	74,254	54,453	-	-	80,162	491,033
TOTAL DEFERRED INFLOWS	228,680	282,164	974,254	54,453	-	-	80,162	1,619,713
FUND BALANCES:								
Non-spendable	136,064	-	-	157,300	-	-	-	293,364
Restricted	-	-	-	-	-	4,904,097	214,332	5,118,429
Committed	-	231,994	(511,308)	188,205	1,443,454	-	330,777	1,683,122
Unassigned	2,847,475	-	-	-	-	-	(1,800)	2,845,675
TOTAL FUND BALANCES	2,983,539	231,994	(511,308)	345,505	1,443,454	4,904,097	543,309	9,940,590
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 4,067,746	\$ 627,953	\$ 1,708,242	\$ 436,046	\$ 1,621,075	\$ 4,924,746	\$ 756,481	

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. 239,483,158

Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:

Deferred charge on refunding \$ 43,171
 Deferred outflows of resources - pension 6,988,445 7,031,616

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 228,680
 Unavailable revenue - grant revenue 900,000
 Unavailable revenue - property taxes 491,033
 Accrued compensated absences (852,506)
 Accrued interest (30,267)
 Net pension liability (13,321,991)
 Long-term bonded debt obligations (13,500,000)
 Bond premium (395,307)
 Deferred inflows of resources - pension (817,471)
 Net other postemployment benefit obligations (1,119,679) (28,417,508)

Net position of governmental activities \$ 228,037,856

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

CITY OF WEST LINN, OREGON

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	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	\$ -	\$ 5,032,067	\$ 1,297,912	\$ 851,802	\$ -	\$ -	\$ 1,471,062	\$ 8,652,843
Intergovernmental	-	625,324	1,313,078	1,535,350	1,532,122	-	282,796	5,288,670
Franchise taxes	-	1,367,458	-	-	132,471	-	238,229	1,738,158
Fines and forfeitures	513,046	12,778	-	49,167	-	-	-	574,991
Licenses and permits	243,014	21,680	-	-	-	-	894,832	1,159,526
Charges for services	7,100,000	75,000	2,382,660	-	1,734,942	-	315,000	11,607,602
Systems development charges	-	-	-	-	-	1,384,954	-	1,384,954
Investment earnings	14,504	-	-	-	-	271	-	14,775
Miscellaneous	52,356	18,106	2,980	9,053	117,270	-	2,681	202,446
TOTAL REVENUES	7,922,920	7,152,413	4,996,630	2,445,372	3,516,805	1,385,225	3,204,600	30,623,965
EXPENDITURES:								
Current:								
General government	6,399,769	-	-	-	-	59,449	884,963	7,344,181
Cultural and recreation	-	-	3,339,783	2,552,000	-	-	-	5,891,783
Public safety	-	7,264,875	-	-	-	-	738,027	8,002,902
Highways and streets	-	-	-	-	1,962,717	-	-	1,962,717
Debt service:								
Principal	326,250	-	23,750	-	95,000	-	1,155,000	1,600,000
Interest	78,155	-	13,298	-	46,346	-	269,475	407,274
Capital outlay	319,119	134,073	2,606,655	53,765	1,616,258	870,162	26,705	5,626,737
TOTAL EXPENDITURES	7,123,293	7,398,948	5,983,486	2,605,765	3,720,321	929,611	3,074,170	30,835,594
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	799,627	(246,535)	(986,856)	(160,393)	(203,516)	455,614	130,430	(211,629)
NET CHANGE IN FUND BALANCES	799,627	(246,535)	(986,856)	(160,393)	(203,516)	455,614	130,430	(211,629)
FUND BALANCES - beginning	2,183,912	478,529	475,548	505,898	1,646,970	4,448,483	412,879	10,152,219
FUND BALANCES - ending	\$ 2,983,539	\$ 231,994	\$ (511,308)	\$ 345,505	\$ 1,443,454	\$ 4,904,097	\$ 543,309	\$ 9,940,590

The notes to 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, 2017

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

Net change in fund balances - total governmental funds (page 31)		\$	(211,629)
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	\$	5,626,737	
Depreciation expense		<u>(3,656,397)</u>	1,970,340
The net effect of transactions involving capital assets (i.e., sales, trade-ins, donations, and transfers) is to decrease net position.			(449,162)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.			912,854
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.			
Deferred charge on refunding		50,367	
Principal repayments on long-term bonded debt		<u>1,600,000</u>	1,650,367
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		(7,057)	
Accrued interest payable		4,099	
Net other postemployment benefit obligations		(14,392)	
Net pension liability		(1,217,136)	
Amortization of deferred charge on refunding		(53,965)	
Amortization of bond premium		<u>58,134</u>	<u>(1,230,317)</u>
Change in net position of governmental activities (page 29)			<u>\$ 2,642,453</u>

CITY OF WEST LINN, OREGON

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2017

	Business-type Activities - Enterprise Funds		
	Water Fund	Environmental Services Fund	Total
ASSETS:			
Current assets:			
Cash and investments	\$ 2,468,615	\$ 2,173,484	\$ 4,642,099
Accounts receivable, net of allowance for doubtful accounts	605,700	782,634	1,388,334
Total current assets	<u>3,074,315</u>	<u>2,956,118</u>	<u>6,030,433</u>
Noncurrent assets:			
Capital assets not being depreciated	10,526,807	1,567,172	12,093,979
Capital assets, net of accumulated depreciation	11,693,898	19,497,895	31,191,793
Investment in joint venture	9,150,922	-	9,150,922
Total noncurrent assets	<u>31,371,627</u>	<u>21,065,067</u>	<u>52,436,694</u>
TOTAL ASSETS	<u>34,445,942</u>	<u>24,021,185</u>	<u>58,467,127</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred charge on refunding	5,490	-	5,490
Deferred outflows of resources - pension	535,342	314,308	849,650
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>540,832</u>	<u>314,308</u>	<u>855,140</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	648,361	665,757	1,314,118
Accrued salaries and payroll taxes payable	8,476	9,047	17,523
Accrued compensated absences payable	31,335	18,430	49,765
Accrued interest payable	6,183	-	6,183
Bonds payable - due within one year	205,000	-	205,000
Total current liabilities	<u>899,355</u>	<u>693,234</u>	<u>1,592,589</u>
Noncurrent liabilities:			
Bonds payable	2,374,167	-	2,374,167
Net pension liability	1,020,516	599,161	1,619,677
Accrued compensated absences payable	33,946	19,966	53,912
Net other postemployment benefit obligations	85,772	50,358	136,130
Total noncurrent liabilities	<u>3,514,401</u>	<u>669,485</u>	<u>4,183,886</u>
TOTAL LIABILITIES	<u>4,413,756</u>	<u>1,362,719</u>	<u>5,776,475</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows of resources - pension	62,621	36,766	99,387
NET POSITION:			
Net investment in capital assets	19,780,705	21,065,067	40,845,772
Unrestricted	10,729,692	1,870,941	12,600,633
TOTAL NET POSITION	<u>\$ 30,510,397</u>	<u>\$ 22,936,008</u>	<u>\$ 53,446,405</u>

CITY OF WEST LINN, OREGON

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Business-type Activities - Enterprise Funds		
	Water Fund	Environmental Services Fund	Total
OPERATING REVENUES:			
Charges for services	\$ 4,159,815	\$ 3,256,343	\$ 7,416,158
Systems development charges	43,119	90,166	133,285
Other operating revenues	98,933	81,900	180,833
TOTAL OPERATING REVENUES	4,301,867	3,428,409	7,730,276
OPERATING EXPENSES:			
Salaries and wages	728,434	730,260	1,458,694
Materials and supplies	2,596,751	1,543,643	4,140,394
Depreciation	508,995	970,195	1,479,190
TOTAL OPERATING EXPENSES	3,834,180	3,244,098	7,078,278
OPERATING INCOME	467,687	184,311	651,998
NONOPERATING INCOME (EXPENSE):			
Net gain on investment in joint venture	353,943	-	353,943
Loss on disposal of capital assets	(7,735)	-	(7,735)
Interest expense	(74,208)	-	(74,208)
TOTAL NONOPERATING INCOME (EXPENSE)	272,000	-	272,000
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	739,687	184,311	923,998
CAPITAL CONTRIBUTIONS	367,534	5,109	372,643
CHANGE IN NET POSITION	1,107,221	189,420	1,296,641
NET POSITION - beginning	29,403,176	22,746,588	52,149,764
NET POSITION - ending	\$ 30,510,397	\$ 22,936,008	\$ 53,446,405

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

CITY OF WEST LINN, OREGON

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Business-type Activities - Enterprise Funds		
	Water Fund	Environmental Services Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users of services	\$ 4,305,511	\$ 3,370,741	\$ 7,676,252
Payments to suppliers for goods and services	(2,837,060)	(1,689,604)	(4,526,664)
Payments to employees for services	(651,261)	(692,911)	(1,344,172)
NET CASH FROM OPERATING ACTIVITIES	<u>817,190</u>	<u>988,226</u>	<u>1,805,416</u>
CASH FLOWS FROM (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal paid on capital debt	(207,732)	-	(207,732)
Interest paid on capital debt	(73,336)	-	(73,336)
Acquisition and construction of capital assets	(4,134,273)	(2,265,327)	(6,399,600)
NET CASH FROM (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(4,415,341)</u>	<u>(2,265,327)</u>	<u>(6,680,668)</u>
NET INCREASE IN CASH AND INVESTMENTS	(3,598,151)	(1,277,101)	(4,875,252)
CASH AND INVESTMENTS - beginning	6,066,766	3,450,585	9,517,351
CASH AND INVESTMENTS - ending	<u>\$ 2,468,615</u>	<u>\$ 2,173,484</u>	<u>\$ 4,642,099</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:			
Operating income	\$ 467,687	\$ 184,311	\$ 651,998
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation expense	508,995	970,195	1,479,190
Pension expense (income)	93,238	54,738	147,976
Decrease (increase) in accounts receivable	3,644	(57,668)	(54,024)
Increase (decrease) in accounts payable	(240,310)	(143,098)	(383,408)
Increase (decrease) in accrued salaries and payroll taxes payable	(17,707)	(21,217)	(38,924)
Increase (decrease) in accrued compensated absences payable	540	318	858
Increase (decrease) in net other postemployment benefit obligations	1,103	647	1,750
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 817,190</u>	<u>\$ 988,226</u>	<u>\$ 1,805,416</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Contributions of capital assets	\$ 367,534	\$ 5,109	\$ 372,643

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

CITY OF WEST LINN, OREGON

Notes to Basic Financial Statements

June 30, 2017

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 acquisition 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 <u>(in years)</u>
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 two types of deferred outflows that qualifies for reporting in this category. They relate to deferred charge on refundings and the City’s pension plan consisting 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, 2017, the City's cash and investments were comprised of the following:

Cash on hand	\$ 1,375
Deposits with financial institutions	10,293,519
Oregon State Treasurer's Local Government Investment Pool	4,332,164
Total cash and investments	<u>\$ 14,627,058</u>

	Governmental Activities	Business-type Activities	Total
Cash and investments	\$ 4,768,564	\$ 4,642,099	\$ 9,410,663
Restricted cash and investments	5,216,395	-	5,216,395
Total cash and investments	<u>\$ 9,984,959</u>	<u>\$ 4,642,099</u>	<u>\$ 14,627,058</u>

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 \$10,293,519 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, 2017, 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, 2017, 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	\$ 5,037,227
Allowance for uncollectible accounts	<u>(116,000)</u>
Total accounts receivable	<u>\$ 4,921,227</u>
Accounts receivable - governmental activities	\$ 3,532,893
Accounts receivable - business-type activities	<u>1,388,334</u>
Total accounts receivable	<u>\$ 4,921,227</u>

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 \$353,943 from a net gain in fiscal year 2016-17. 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 \$9.2 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, 2017, was as follows:

	Beginning balance as of June 30, 2016	Additions	Reductions and adjustments	Ending balance as of June 30, 2017
Governmental activities:				
Capital assets not being depreciated:				
Land and easements	\$ 192,113,825	\$ 815,268	\$ -	\$ 192,929,093
Construction in progress	559,023	4,113,114	(3,809,443)	862,694
Total capital assets not being depreciated	<u>192,672,848</u>	<u>4,928,382</u>	<u>(3,809,443)</u>	<u>193,791,787</u>
Capital assets being depreciated:				
Buildings and improvements	37,121,517	-	314,982	37,436,499
Vehicles and equipment	3,472,776	325,711	(150,208)	3,648,279
Infrastructure	66,105,990	-	3,255,423	69,361,413
Total capital assets being depreciated	<u>106,700,283</u>	<u>325,711</u>	<u>3,420,197</u>	<u>110,446,191</u>
Less accumulated depreciation for:				
Buildings and improvements	(14,711,858)	(1,135,312)	-	(15,847,170)
Vehicles and equipment	(1,583,821)	(279,073)	312,725	(1,550,169)
Infrastructure	(45,115,472)	(2,242,009)	-	(47,357,481)
Total accumulated depreciation	<u>(61,411,151)</u>	<u>(3,656,394)</u>	<u>312,725</u>	<u>(64,754,820)</u>
Total capital assets being depreciated, net	<u>45,289,132</u>	<u>(3,330,683)</u>	<u>3,732,922</u>	<u>45,691,371</u>
Total capital assets, net	<u>\$ 237,961,980</u>	<u>\$ 1,597,699</u>	<u>\$ (76,521)</u>	<u>\$ 239,483,158</u>
	Beginning balance as of June 30, 2016	Additions	Reductions and adjustments	Ending balance as of June 30, 2017
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 482,625	\$ -	\$ -	\$ 482,625
Construction in progress	6,315,532	6,480,527	(1,184,705)	11,611,354
Total capital assets not being depreciated	<u>6,798,157</u>	<u>6,480,527</u>	<u>(1,184,705)</u>	<u>12,093,979</u>
Capital assets being depreciated:				
Buildings and improvements	1,605,673	-	-	1,605,673
Vehicles and equipment	1,880,411	240,297	(38,676)	2,082,032
Infrastructure	66,037,068	51,415	1,184,705	67,273,188
Total capital assets being depreciated	<u>69,523,152</u>	<u>291,712</u>	<u>1,146,029</u>	<u>70,960,893</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,069,903)	(32,113)	-	(1,102,016)
Vehicles and equipment	(1,115,433)	(128,958)	30,941	(1,213,450)
Infrastructure	(36,135,519)	(1,318,115)	-	(37,453,634)
Total accumulated depreciation	<u>(38,320,855)</u>	<u>(1,479,186)</u>	<u>30,941</u>	<u>(39,769,100)</u>
Total capital assets being depreciated, net	<u>31,202,297</u>	<u>(1,187,474)</u>	<u>1,176,970</u>	<u>31,191,793</u>
Total capital assets, net	<u>\$ 38,000,454</u>	<u>\$ 5,293,053</u>	<u>\$ (7,735)</u>	<u>\$ 43,285,772</u>

Depreciation expense for governmental activities in the amount of \$3,656,397 and for business-type activities the amount of \$1,479,189 was charged to functions/programs as follows:

	Governmental Activities	Business-type Activities	Total
General government	\$ 115,987	\$ -	\$ 115,987
Culture and recreation	943,107	-	943,107
Public safety	302,959	-	302,959
Highways and streets	2,294,344	-	2,294,344
Water	-	508,995	508,995
Environmental services	-	970,194	970,194
Depreciation expense	<u>\$ 3,656,397</u>	<u>\$ 1,479,189</u>	<u>\$ 5,135,586</u>

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, 2017, 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.

Long-term Debt Obligations

In the following sections, long-term debt information is presented separately with respect to governmental and business-type activities. Any liability for claims, judgments, compensated absences, net pension obligations or net other postemployment benefit obligations are generally liquidated by the general fund.

The following table presents current year changes in all long-term debt obligations and the current portions due for each issue.

Long-term Debt Obligations (continued):

	Beginning balance as of June 30, 2016	Additions	Reductions	Ending balance as of June 30, 2017	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	\$ 1,440,000	\$ -	\$ (570,000)	\$ 870,000	\$ 590,000
Series 2010-A Library Refundings, interest at 2.0-3.0%, original issue of \$3,900,000, due 2021	1,670,000	-	(290,000)	1,380,000	310,000
Series 2012 Police Station, interest at 1.0-2.75%, original issue of \$8,500,000, due 2032	7,625,000	-	(295,000)	7,330,000	310,000
Full Faith and Credit obligations					
Series 2009-B Streets/Parks, interest at 3.0-4.35%, original issue of \$4,035,000, due 2029	365,000	-	(180,000)	185,000	185,000
Series 2010-B City Hall Refunding, interest at 3.0-4.0%, original issue of \$4,300,000, due 2021	1,375,000	-	(255,000)	1,120,000	265,000
Series 2015 Streets/Parks Refunding, interest at 2.0-4.0%, original issue of \$2,625,000, due 2035	2,625,000	-	(10,000)	2,615,000	10,000
Plus: bond issuance premium	453,441	-	(58,134)	395,307	-
Long-term bonded debt obligations	15,553,441	-	(1,658,134)	13,895,307	1,670,000
Compensated absences	845,449	856,176	(849,119)	852,506	409,203
Net pension liability	5,454,943	7,867,048	-	13,321,991	-
Net other postemployment benefit obligations	1,105,287	14,392	-	1,119,679	-
Total governmental activities	22,959,120	8,737,616	(2,507,253)	29,189,483	2,079,203
Business-type activities:					
Full Faith and Credit obligations					
Series 2015 Water Refunding, interest at 2.0-4.0%, original issue of \$2,640,000, due 2035	2,640,000	-	(200,000)	2,440,000	205,000
Plus: bond issuance premium	146,899	-	(7,732)	139,167	-
Long-term bonded debt obligations	2,786,899	-	(207,732)	2,579,167	205,000
Compensated absences	102,819	104,123	(103,265)	103,677	49,765
Net pension liability	663,208	956,469	-	1,619,677	-
Net other postemployment benefit obligations	134,380	1,750	-	136,130	-
Total business-type activities	3,687,306	1,062,342	(310,997)	4,438,651	254,765
Total long-term debt obligations					
General Obligation bonds	10,735,000	-	(1,155,000)	9,580,000	1,210,000
Full Faith and Credit obligations	7,005,000	-	(645,000)	6,360,000	665,000
Plus: bond issuance premium	600,340	-	(65,866)	534,474	-
Long-term bonded debt obligations	18,340,340	-	(1,865,866)	16,474,474	1,875,000
Compensated absences	948,268	960,299	(952,384)	956,183	458,968
Net pension liability	6,118,151	8,823,517	-	14,941,668	-
Net other postemployment benefit obligations	1,239,667	16,142	-	1,255,809	-
Total long-term debt obligations	\$ 26,646,426	\$ 9,799,958	\$ (2,818,250)	\$ 33,628,134	\$ 2,333,968

Future Principal and Interest. Future maturities of bond principal and interest at June 30, 2017, are as follows:

Year	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 1,670,000	\$ 357,900	\$ 205,000	\$ 74,200	\$ 1,875,000	\$ 432,100
2019	1,420,000	300,575	210,000	68,050	1,630,000	368,625
2020	1,205,000	265,626	215,000	61,750	1,420,000	327,376
2021	1,270,000	233,025	230,000	55,300	1,500,000	288,325
2022	620,000	202,362	90,000	48,400	710,000	250,762
2023-2027	3,605,000	774,081	505,000	198,000	4,110,000	972,081
2028-2032	3,710,000	277,537	590,000	112,850	4,300,000	390,387
2033-2035	-	-	395,000	23,850	395,000	23,850
	<u>\$ 13,500,000</u>	<u>\$ 2,411,106</u>	<u>\$ 2,440,000</u>	<u>\$ 642,400</u>	<u>\$ 15,940,000</u>	<u>\$ 3,053,506</u>

Credit Rating Upgraded. On February 23, 2017, Moody's Investors Services raised its long-term rating to 'Aa2' from 'Aa3' on the City's full faith and credit obligations Series 2010 outstanding due to an overall review undertaken by Moody's in conjunction with the publication on December 16, 2016 of the US Local Government General Obligation Debt Methodology.

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. Under current law, the cap on the COLA in fiscal year 2016 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.

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, 2015 actuarial valuation. 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, 2017 were 16.86 percent for OPERS and 8.10 percent for OPSRP – general employees, and 12.90 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, 2017, were approximately \$1,070,000. 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 70 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, 2017 and 2016, the City reported a pension liability of \$14,941,668 and \$6,118,151, respectively for its proportionate share of the plan pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 and rolled forward to June 30, 2016. 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, 2017 and 2016, the City's proportion was 0.09952936 and 0.10656086 percent respectively.

For the year ended June 30, 2017 and 2016, the City recognized pension expense of \$1,365,112 and pension income of \$4,711,973, respectively. At June 30, 2017 and 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Balance as of June 30, 2017</u>		<u>Balance as of June 30, 2016</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 494,336	\$ -	\$ 329,922	\$ -
Change of assumptions	3,186,699	-	-	-
Net difference between projected and actual earnings on pension plan investments	2,951,847	-	-	1,282,503
Changes in proportion and differences between City contributions and proportionate share of contributions	135,331	916,859	-	708,844
City contributions subsequent to the measurement date	<u>1,069,881</u>	<u>-</u>	<u>1,124,255</u>	<u>-</u>
Net Deferred Outflows/Inflows of Resources	<u>\$ 7,838,094</u>	<u>\$ 916,859</u>	<u>\$ 1,454,177</u>	<u>\$ 1,991,347</u>

\$1,069,881 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Year ended June 30:		
2018	\$ 1,207,911	\$ 258,553
2019	1,207,909	258,553
2020	2,296,223	237,826
2021	1,779,458	135,519
2022	276,712	26,408
	<u>\$ 6,768,213</u>	<u>\$ 916,859</u>

Actuarial Valuations. The employer contribution rates effective July 1, 2015, through June 30, 2017, 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, 2014 rolled forward to June 30, 2016
- Experience Study Report 2014, published September 2015
- 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 Market value of assets

- Asset valuation method
- Actuarial assumptions
 - Inflation rate 2.50 percent
 - Investment rate of return 7.50 percent
 - Projected salary increases 3.50 percent
 - Cost of Living Adjustments Blend of 2.00% COLA and graded COLA (1.25%/.15%) in accordance with Moro decision; blend based on service

- Mortality
 - Healthy retirees and beneficiaries:
RP-2000 Sex-distinct, generational per Scale BB 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 (70% for males, 95% for females) of the RP-2000 sex-distinct, generational per Scale BB, disabled mortality 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 2014 Experience Study which reviewed experience for the four year period ending on December 31, 2014.

Discount Rate. The discount rate used to measure the total pension liability was 7.50 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.

Depletion Date Projection. GASB Statement 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate

under GASB Statement 68 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB Statement 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for Oregon PERS:

- Oregon PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumptions.
- GASB Statement 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan’s funded position.

Based on these circumstances, it is OPERS Board’s independent actuary’s opinion that the detailed depletion date projections outlined in GASB Statement 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following represents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the City’s share of the net pension liability 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 (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City’s proportionate share of net pension liability	\$ 24,125,812	\$ 14,941,668	\$ 7,265,331

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:

Asset Class	Target Allocation		
	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
			<u>100.0 %</u>

Asset Class	Target Allocation	Compound Annual Return (Geometric)
Core Fixed Income	8.00 %	4.00 %
Short-Term Bonds	8.00	3.61
Intermediate-Term Bonds	3.00	5.42
High Yield Bonds	1.00	6.20
Large/Mid Cap US Equities	15.75	6.70
Small Cap US Equities	1.30	6.99
Micro Cap US Equities	1.30	7.01
Developed Foreign Equities	13.13	6.73
Emerging Foreign Equities	4.12	7.25
Non-US Small Cap Equities	1.88	7.22
Private Equities	17.50	7.97
Real Estate (Property)	10.00	5.84
Real Estate (REITS)	2.50	6.69
Hedge Fund of Funds - Diversified	2.50	4.64
Hedge Fun - Event-Driven	0.63	6.72
Timber	1.88	5.85
Farmland	1.88	6.37
Infrastructure	3.75	7.13
Commodities	<u>1.88</u>	4.58
	100.00%	

Assumed Inflation - Mean

2.50

Payable to OPERS. At June 30, 2017, the City had no payable due to OPERS for defined benefit contributions. This amount represents legally required contributions to the plan for services incurred in the current fiscal year.

Changes in Plan Provisions During the Measurement Period. There are no changes subsequent to the June 30, 2016 measurement date that require disclosure.

Changes in Plan Provisions Subsequent to the Measurement Date. On July 28, 2017, subsequent to the June 30, 2016 measurement date, the OSPERS Board lowered the assumed rate to 7.2 percent. The current assumed rate is 7.5 percent and has been in effect for member transactions since January 1, 2016. The new rate will take effect January 1, 2018. The effect on the City has not been determined.

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 \$559,000 for the year ended June 30, 2017.

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, 2017, 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, 2017.

	Medical		Dental	
	HealthNet	Kaiser	CIS-MODA	Kaiser
Employee	\$ 730	\$ 595	\$ 51	\$ 83
Employee + child(ren)	1,313	1,070	147	124
Employee + spouse	1,442	1,189	90	144
Employee + family	2,022	1,784	169	267

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	\$ 82,272
Amortization of UAAL with interest	104,900
Annual Required Contribution (ARC)	<u>187,172</u>
Interest on prior year net OPEB obligation	43,388
Adjustment to ARC	<u>(149,059)</u>
Annual OPEB cost	81,501
Less contribution (amounts paid during year for OPEB)	-
Less implicit benefit payments	<u>(65,359)</u>
Increase in net OPEB obligation	16,142
OPEB obligation at beginning of fiscal year	<u>1,239,667</u>
OPEB obligation at end of fiscal year	<u><u>\$ 1,255,809</u></u>

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
6/30/2017	\$ 81,501	80%	\$ 1,255,809
6/30/2016	162,570	56%	1,239,667
6/30/2015	216,949	36%	1,167,643

Funded Status and Funding Progress. As of July 1, 2016, representing the date of the most recent actuarial valuation, funded status of the plan was as follows:

Actuarial accrued liability (AAL)	\$ 872,418
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 872,418</u></u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (annual payroll of active members)	\$ 9,390,000
UAAL as a percentage of covered payroll	9%

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 July 1, 2016 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a general inflation rate of 2.50 percent per year, a 3.50 percent investment reduced incrementally to an ultimate rate of 5.00 percent. The UAAL is being amortized using the

level percentage of payroll over an open period of ten years rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7.00 percent,

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 0.53 percent of annual covered payroll for Tier 1/Tier 2, and 0.45 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, 2017, 2016 and 2015 were approximately \$55,400, \$54,200, and \$48,800 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, 2017, employees contributed \$449,046 and the City contributed \$71,884.

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.

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 May 2016 for dispatch of public safety services and has been renewed through fiscal year 2020-21.
- 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:

<u>Fiscal Year</u>	<u>Annual Contract Amt</u>
2017-18	501,000
2018-19	515,623
2019-20	530,581
2020-21	547,988

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, 2015	\$ 78,624
Claims incurred	72,420
Claims payments	(60,530)
Changes to prior year estimates	<u>(51,638)</u>
Liability - June 30, 2016	38,876
Claims incurred	78,971
Claims payments	(12,257)
Changes to prior year estimates	<u>(38,876)</u>
Liability - June 30, 2017	<u><u>\$ 66,714</u></u>

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, 2017:

	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	\$ 136,064	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 136,064
Library endowment	-	-	-	157,300	-	-	-	157,300
	<u>136,064</u>	<u>-</u>	<u>-</u>	<u>157,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>293,364</u>
Restricted								
Systems development	-	-	-	-	-	4,904,097	-	4,904,097
Debt service	-	-	-	-	-	-	214,332	214,332
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,904,097</u>	<u>214,332</u>	<u>5,118,429</u>
Committed								
Police services	-	131,994	-	-	-	-	-	131,994
Recreation services	-	-	(511,308)	-	-	-	-	(511,308)
Library services	-	-	-	288,205	-	-	-	288,205
Street services	-	-	-	-	1,443,454	-	-	1,443,454
Planning services	-	-	-	-	-	-	330,777	330,777
	<u>-</u>	<u>131,994</u>	<u>(511,308)</u>	<u>288,205</u>	<u>1,443,454</u>	<u>-</u>	<u>330,777</u>	<u>1,683,122</u>
Assigned	-	-	-	-	-	-	-	-
Unassigned	2,847,475	-	-	-	-	-	(1,800)	2,845,675
	<u>\$ 2,983,539</u>	<u>\$ 131,994</u>	<u>\$ (511,308)</u>	<u>\$ 445,505</u>	<u>\$ 1,443,454</u>	<u>\$ 4,904,097</u>	<u>\$ 543,309</u>	<u>\$ 9,940,590</u>

At the fiscal year end, the Parks and Recreation Fund had a deficit fund balance of \$511,308. This is due to timing of grant revenue from the Cedaroak Boat Ramp project. The project was substantially completed as of June 30, 2017, however grant revenue of \$900,000 is not expected to be received until December 2017. Since the revenue is not collected within 60 days of the end of the current fiscal period, the City does not consider it available and therefore, it is recorded as an unavailable revenue deferred inflow. The City expects the fund balance to become positive in the next fiscal year through the receipt of the grant funds.

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, 2017

	Budget for the 2016-2017 Biennium		Actual			Variance with Final Budget
	Original	Final	1st Year FY 2015-16	2nd Year FY 2016-17	Total	
REVENUES:						
Intergovernmental	\$ 278,000	\$ 278,000	\$ 88,600	\$ -	\$ 88,600	\$ (189,400)
Fines and forfeitures	861,000	861,000	550,017	513,046	1,063,063	202,063
Licenses and permits	516,000	516,000	266,052	243,014	509,066	(6,934)
Investment earnings	10,000	10,000	15,618	14,504	30,122	20,122
Miscellaneous	214,000	214,000	145,241	52,356	197,597	(16,403)
TOTAL REVENUES	1,879,000	1,879,000	1,065,528	822,920	1,888,448	9,448
EXPENDITURES:						
City council	413,000	413,000	199,410	212,526	411,936	1,064
City management	2,572,000	2,572,000	1,238,157	944,732	2,182,889	389,111
Economic development	506,000	506,000	240,360	210,713	451,073	54,927
Human resources	962,000	962,000	456,184	470,970	927,154	34,846
Finance	1,955,000	1,955,000	920,677	797,309	1,717,986	237,014
Information technology	2,493,000	2,493,000	1,211,852	1,266,814	2,478,666	14,334
Facility services	1,115,000	1,115,000	511,194	548,772	1,059,966	55,034
Municipal court	829,000	829,000	343,921	384,184	728,105	100,895
Public works support services	2,373,000	2,373,000	1,045,463	1,034,002	2,079,465	293,535
Vehicle and equipment maintenance	757,000	757,000	306,638	303,170	609,808	147,192
Nondepartmental	1,298,000	1,298,000	615,214	560,101	1,175,315	122,685
Contingency	650,000	590,000	-	-	-	590,000
TOTAL EXPENDITURES	15,923,000	15,863,000	7,089,070	6,733,293	13,822,363	2,040,637
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(14,044,000)	(13,984,000)	(6,023,542)	(5,910,373)	(11,933,915)	2,050,085
OTHER FINANCING SOURCES (USES):						
Transfers from other funds	13,980,000	13,980,000	6,880,000	7,100,000	13,980,000	-
Transfers to other funds	(623,000)	(623,000)	(233,000)	(390,000)	(623,000)	-
Refunding bonds issued	-	1,100,000	984,375	-	984,375	(115,625)
Bond premium on issuance of debt	-	-	86,094	-	86,094	86,094
Payment to refunded bond escrow agent	-	(1,160,000)	(1,051,582)	-	(1,051,582)	108,418
TOTAL OTHER FINANCING SOURCES (USES)	13,357,000	13,297,000	6,665,887	6,710,000	13,375,887	78,887
NET CHANGE IN FUND BALANCES	(687,000)	(687,000)	642,345	799,627	1,441,972	2,128,972
FUND BALANCES - beginning	1,663,000	1,663,000	1,541,567	2,183,912	1,541,567	(121,433)
FUND BALANCES - ending	\$ 976,000	\$ 976,000	\$ 2,183,912	\$ 2,983,539	\$ 2,983,539	\$ 2,007,539

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, 2017

	Budget for the 2016-2017 Biennium		Actual			Variance with Final Budget
	Original	Final	1st Year FY 2015-16	2nd Year FY 2016-17	Total	
REVENUES:						
Property taxes	\$ 9,966,000	\$ 9,966,000	\$ 5,022,532	\$ 5,032,067	\$ 10,054,599	\$ 88,599
Intergovernmental	1,330,000	1,330,000	575,041	625,324	1,200,365	(129,635)
Franchise taxes	3,035,000	3,035,000	1,373,782	1,367,458	2,741,240	(293,760)
Fines and forfeitures	87,000	87,000	20,441	12,778	33,219	(53,781)
Licenses and permits	77,000	77,000	23,825	21,680	45,505	(31,495)
Miscellaneous	117,000	117,000	34,443	18,106	52,549	(64,451)
TOTAL REVENUES	14,612,000	14,612,000	7,050,064	7,077,413	14,127,477	(484,523)
EXPENDITURES:						
Personnel services	9,261,000	10,061,000	4,969,411	4,833,500	9,802,911	258,089
Materials and services	1,693,000	1,693,000	741,394	749,375	1,490,769	202,231
Capital outlay	300,000	300,000	123,303	134,073	257,376	42,624
Contingency	850,000	50,000	-	-	-	50,000
TOTAL EXPENDITURES	12,104,000	12,104,000	5,834,108	5,716,948	11,551,056	552,944
EXCESS OF REVENUES OVER EXPENDITURES	2,508,000	2,508,000	1,215,956	1,360,465	2,576,421	68,421
OTHER FINANCING SOURCES (USES):						
Transfers from other funds	75,000	75,000	-	75,000	75,000	-
Transfers to other funds	(3,356,000)	(3,356,000)	(1,674,000)	(1,682,000)	(3,356,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(3,281,000)	(3,281,000)	(1,674,000)	(1,607,000)	(3,281,000)	-
NET CHANGE IN FUND BALANCES	(773,000)	(773,000)	(458,044)	(246,535)	(704,579)	68,421
FUND BALANCES - beginning	1,239,000	1,239,000	936,573	478,529	936,573	(302,427)
FUND BALANCES - ending	\$ 466,000	\$ 466,000	\$ 478,529	\$ 231,994	\$ 231,994	\$ (234,006)

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, 2017

	Budget for the 2016-2017 Biennium		Actual			Variance with Final Budget
	Original	Final	1st Year FY 2015-16	2nd Year FY 2016-17	Total	
REVENUES:						
Property taxes	\$ 2,352,000	\$ 2,352,000	\$ 1,254,614	\$ 1,297,912	\$ 2,552,526	\$ 200,526
Intergovernmental	2,801,000	3,301,000	-	1,313,078	1,313,078	(1,987,922)
Charges for services	4,243,000	4,243,000	2,156,612	2,382,660	4,539,272	296,272
Miscellaneous	61,000	61,000	3,375	2,980	6,355	(54,645)
TOTAL REVENUES	9,457,000	9,957,000	3,414,601	4,996,630	8,411,231	(1,545,769)
EXPENDITURES:						
Personnel services	3,405,000	3,405,000	1,572,456	1,572,379	3,144,835	260,165
Materials and services	1,715,000	1,715,000	854,631	843,404	1,698,035	16,965
Debt service	76,000	476,000	73,895	37,048	110,943	365,057
Capital outlay	2,771,000	3,271,000	561,258	2,606,655	3,167,913	103,087
Contingency	415,000	415,000	-	-	-	415,000
TOTAL EXPENDITURES	8,382,000	9,282,000	3,062,240	5,059,486	8,121,726	1,160,274
EXCESS OF REVENUES OVER EXPENDITURES	1,075,000	675,000	352,361	(62,856)	289,505	(385,495)
OTHER FINANCING SOURCES (USES):						
Transfers to other funds	(1,777,000)	(1,777,000)	(853,000)	(924,000)	(1,777,000)	-
Refunding bonds issued	-	400,000	328,125	-	328,125	(71,875)
Bond premium on issuance of debt	-	-	28,698	-	28,698	28,698
Payment to refunded bond escrow agent	-	-	(350,528)	-	(350,528)	(350,528)
TOTAL OTHER FINANCING SOURCES (USES)	(1,777,000)	(1,377,000)	(846,705)	(924,000)	(1,770,705)	(393,705)
NET CHANGE IN FUND BALANCES	(702,000)	(702,000)	(494,344)	(986,856)	(1,481,200)	(779,200)
FUND BALANCES - beginning	1,004,000	1,004,000	969,892	475,548	969,892	(34,108)
FUND BALANCES - ending	\$ 302,000	\$ 302,000	\$ 475,548	\$ (511,308)	\$ (511,308)	\$ (813,308)

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, 2017

	Budget for the 2016-2017 Biennium		Actual			Variance with Final Budget
	Original	Final	1st Year FY 2015-16	2nd Year FY 2016-17	Total	
REVENUES:						
Property taxes	\$ 1,880,000	\$ 1,880,000	\$ 720,051	\$ 851,802	\$ 1,571,853	\$ (308,147)
Intergovernmental	2,984,000	2,984,000	1,481,034	1,535,350	3,016,384	32,384
Fines and forfeitures	138,000	138,000	57,118	49,167	106,285	(31,715)
Miscellaneous	32,000	32,000	9,573	9,053	18,626	(13,374)
TOTAL REVENUES	5,034,000	5,034,000	2,267,776	2,445,372	4,713,148	(320,852)
EXPENDITURES:						
Personnel services	2,935,000	2,935,000	1,331,073	1,430,649	2,761,722	173,278
Materials and services	464,000	464,000	225,163	225,351	450,514	13,486
Capital outlay	258,000	258,000	89,355	53,765	143,120	114,880
Contingency	307,000	307,000	-	-	-	307,000
TOTAL EXPENDITURES	3,964,000	3,964,000	1,645,591	1,709,765	3,355,356	608,644
EXCESS OF REVENUES OVER EXPENDITURES	1,070,000	1,070,000	622,185	735,607	1,357,792	287,792
OTHER FINANCING USES:						
Transfers to other funds	(1,712,000)	(1,712,000)	(816,000)	(896,000)	(1,712,000)	-
NET CHANGE IN FUND BALANCES	(642,000)	(642,000)	(193,815)	(160,393)	(354,208)	287,792
FUND BALANCES - beginning	703,000	703,000	699,713	505,898	699,713	(3,287)
FUND BALANCES - ending	\$ 61,000	\$ 61,000	\$ 505,898	\$ 345,505	\$ 345,505	\$ 284,505

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, 2017

	Budget for the 2016-2017 Biennium		Actual			Variance with Final Budget
	Original	Final	1st Year FY 2015-16	2nd Year FY 2016-17	Total	
REVENUES:						
Intergovernmental	\$ 2,982,000	\$ 2,982,000	\$ 1,735,130	\$ 1,532,122	\$ 3,267,252	\$ 285,252
Franchise taxes	258,000	258,000	113,143	132,471	245,614	(12,386)
Charges for services	3,175,000	4,075,000	1,659,419	1,734,942	3,394,361	(680,639)
Miscellaneous	329,000	329,000	228,340	117,270	345,610	16,610
TOTAL REVENUES	6,744,000	7,644,000	3,736,032	3,516,805	7,252,837	(391,163)
EXPENDITURES:						
Personnel services	1,229,000	1,229,000	553,510	587,290	1,140,800	88,200
Materials and services	1,117,000	1,117,000	494,240	530,427	1,024,667	92,333
Debt service	304,000	304,000	112,190	141,346	-	50,464
Capital outlay	3,700,000	4,600,000	2,126,407	1,616,258	3,742,665	857,335
Contingency	600,000	600,000	-	-	-	600,000
TOTAL EXPENDITURES	6,950,000	7,850,000	3,286,347	2,875,321	6,161,668	1,688,332
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(206,000)	(206,000)	449,685	641,484	1,091,169	1,297,169
OTHER FINANCING SOURCES (USES):						
Transfers to other funds	(1,617,000)	(1,617,000)	(772,000)	(845,000)	(1,617,000)	-
Refunding bonds issued	-	-	1,312,500	-	1,312,500	1,312,500
Bond premium on issuance of debt	-	-	114,793	-	114,793	114,793
Payment to refunded bond escrow agent	-	-	(1,402,110)	-	(1,402,110)	(1,402,110)
TOTAL OTHER FINANCING SOURCES (USES)	(1,617,000)	(1,617,000)	(746,817)	(845,000)	(1,591,817)	25,183
NET CHANGE IN FUND BALANCES	(1,823,000)	(1,823,000)	(297,132)	(203,516)	(500,648)	1,322,352
FUND BALANCES - beginning	2,059,000	2,059,000	1,944,102	1,646,970	1,944,102	(114,898)
FUND BALANCES - ending	\$ 236,000	\$ 236,000	\$ 1,646,970	\$ 1,443,454	\$ 1,443,454	\$ 1,207,454

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
8/1/2007	\$ -	\$ -	\$ -	- %	\$ -	- %
8/1/2008 ²	-	1,422,086	1,422,086	-	7,622,000	19
8/1/2009	-	-	-	-	-	-
8/1/2010 ³	-	1,535,710	1,535,710	-	8,092,000	19
8/1/2011	-	-	-	-	-	-
8/1/2012 ⁴	-	1,444,381	1,444,381	-	8,652,000	17
8/1/2013	-	-	-	-	-	-
8/1/2014 ⁵	-	1,364,421	1,364,421	-	8,275,000	16
8/1/2015	-	-	-	-	-	-
8/1/2016 ⁶	-	872,418	872,418	-	9,390,000	9

¹ Actuarial valuations are performed every two years, and therefore, results are unavailable for odd-numbered years.

² 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%.

³ 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%.

⁴ 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%.

⁵ 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.

⁶ Effective with 8/1/2016 valuation, the trend in health care costs was changed to 7% and declining thereafter.

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 ¹	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
2008 ²	- %	\$ -	\$ 7,153,000	- %	- %
2009 ²	-	-	7,622,000	-	-
2010 ²	-	-	7,897,000	-	-
2011 ²	-	-	8,092,000	-	-
2012 ²	-	-	8,240,000	-	-
2013 ²	-	-	8,652,000	-	-
2014 ³	0.12328639	6,291,000	8,085,000	77.81	n/a
2015 ³	0.12328639	(2,794,000)	8,275,000	(33.76)	103.590
2016 ³	0.10656086	6,118,000	9,189,000	66.58	91.875
2017 ³	0.09952936	14,942,000	9,390,000	159.13	80.526

¹ Amounts presented for each fiscal year were determined as of December 31.

² Actuarial information for these earlier fiscal years is not available.

³ 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
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
2016 ²	1,124,255	(1,124,255)	-	9,189,000	12.23
2017 ²	1,069,881	(1,069,881)	-	9,390,000	11.39

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.

CITY OF WEST LINN, OREGON

Notes to Required Supplementary Information

June 30, 2017

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 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 2016-2017 biennium, there was one supplemental budget adjustment revising appropriations through June 30, 2017, which was adopted by City Council on December 12, 2016. There was also one budget adjustment revising appropriations through June 30, 2017, which was adopted by City Council on June 19, 2017.

Over Expenditure

For the biennium ended June 30, 2017, there were two budget appropriation categories which had excess expenditures over appropriations. The over expenditure in the Water Fund was for the design and reconstruction of the Bolton Reservoir which received a budget adjustment in June 2017; however, this budget adjustment underestimated the actual expenditures through June 2017. Due to favorable weather conditions, project timelines were moved up, causing the over expenditures in the Water and Environmental Services Fund.

	<u>Appropriation</u>	<u>Actual Expenditures</u>	<u>Over Appropriation</u>
Water fund - capital outlay	\$6,971,000	\$7,334,720	(\$363,720)
Env. Svc. fund - capital outlay	\$2,670,000	\$3,110,610	(\$440,610)

Change of Benefit Terms – Pension

Senate Bill 822 was enacted during the 2013 Oregon regular legislative session to lower the cap on the cost-of-living adjustment (COLA) from 2 percent to 1.5 percent for 2013, and eliminated the tax remedy benefit for recipients who do not pay Oregon state income taxes because they do not reside in Oregon. Senate Bill 861 was enacted during the 2013 Oregon special legislative session, further lowering 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. The combined impact of these Senate Bills are reflected in the June 30, 2014 total pension liability, resulting in a net pension asset reported by the City for fiscal year 2015.

The Oregon Supreme Court (Court) ruled in *Moro v. State of Oregon* on April 30, 2015 that certain provisions of Senate Bill 822 and Senate Bill 861 were unconstitutional. The Court ruled that benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. OPERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire. The impact of the Court's decision is reflected in the June 30, 2015 total pension liability, which contributes to the net pension liability reported by the City for fiscal year 2016.

Change of Assumptions – Pension

The PERS Board adopted assumption changes that were used to measure the June 30, 2016 total pension liability, which contributes to the net pension liability reported by the City for fiscal year 2017. The changes include the lowering of the long-term expected rate of return to 7.50 percent and lowering the assumed inflation to 2.50 percent. In addition, the health mortality assumption was changed to reflect an updated mortality improvement scale for all groups, and assumptions were updated for merit increases, unused sick leave, and vacation pay.

This page intentionally left blank

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, 2017

	Budget for the 2016-2017 Biennium		1st Year Actual
	Original	Final	FY 2015-16
REVENUES:			
Systems development charges:			
Street - systems development charges	\$ 540,000	\$ 540,000	\$ 339,625
Surface water - systems development charges	22,000	22,000	10,031
Water - systems development charges	940,000	850,000	346,566
Sewer - systems development charges	215,000	215,000	111,364
Parks - systems development charges	646,000	646,000	525,233
Bike/Pedestrian - systems development charges	142,000	142,000	83,137
Investment earnings	-	-	704
TOTAL REVENUES	2,505,000	2,415,000	1,416,660
EXPENDITURES:			
Materials and services	348,000	348,000	110,044
Capital outlay	4,805,000	4,155,000	1,648,187
Contingency	1,500,000	1,500,000	-
TOTAL EXPENDITURES	6,653,000	6,003,000	1,758,231
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,148,000)	(3,588,000)	(341,571)
OTHER FINANCING USES:			
Transfers to other funds	(50,000)	(50,000)	(24,896)
NET CHANGE IN FUND BALANCES	(4,198,000)	(3,638,000)	(366,467)
FUND BALANCES - beginning	5,416,000	4,856,000	4,814,950
FUND BALANCES - ending	\$ 1,218,000	\$ 1,218,000	\$ 4,448,483

Continued on next page

2nd Year Actual FY 2016-17							Actual	Variance with
Street	Surface Water	Water	Sewer	Parks	Bike/ Pedestrian	Total	Total Biennium	Final Budget
\$ 328,225	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 328,225	\$ 667,850	\$ 127,850
-	12,029	-	-	-	-	12,029	22,060	60
-	-	448,303	-	-	-	448,303	794,869	(55,131)
-	-	-	134,908	-	-	134,908	246,272	31,272
-	-	-	-	381,718	-	381,718	906,951	260,951
-	-	-	-	-	79,771	79,771	162,908	20,908
152	-	-	119	-	-	271	975	975
<u>328,377</u>	<u>12,029</u>	<u>448,303</u>	<u>135,027</u>	<u>381,718</u>	<u>79,771</u>	<u>1,385,225</u>	<u>2,801,885</u>	<u>296,885</u>
10,702	3,196	-	6,408	36,983	2,160	59,449	169,493	178,507
-	2,862	367,533	2,248	454,480	43,039	870,162	2,518,349	1,636,651
-	-	-	-	-	-	-	-	1,500,000
<u>10,702</u>	<u>6,058</u>	<u>367,533</u>	<u>8,656</u>	<u>491,463</u>	<u>45,199</u>	<u>929,611</u>	<u>2,687,842</u>	<u>3,315,158</u>
317,675	5,971	80,770	126,371	(109,745)	34,572	455,614	114,043	3,702,043
-	-	-	-	-	-	-	(24,896)	25,104
317,675	5,971	80,770	126,371	(109,745)	34,572	455,614	89,147	3,727,147
<u>707,187</u>	<u>786,598</u>	<u>(14,440)</u>	<u>1,513,065</u>	<u>934,561</u>	<u>521,512</u>	<u>4,448,483</u>	<u>4,814,950</u>	<u>(41,050)</u>
<u>\$1,024,862</u>	<u>\$ 792,569</u>	<u>\$ 66,330</u>	<u>\$1,639,436</u>	<u>\$ 824,816</u>	<u>\$ 556,084</u>	<u>\$4,904,097</u>	<u>\$ 4,904,097</u>	<u>\$ 3,686,097</u>

Continued from previous page

CITY OF WEST LINN, OREGON
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2017

	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
ASSETS:				
Cash and investments	\$ 347,932	\$ -	\$ -	\$ 347,932
Restricted cash and investments	-	204,971	-	204,971
Property taxes receivable	-	89,523	-	89,523
Accounts receivable	114,055	-	-	114,055
	<u>\$ 461,987</u>	<u>\$ 294,494</u>	<u>\$ -</u>	<u>\$ 756,481</u>
TOTAL ASSETS				
LIABILITIES:				
Accounts payable	\$ 82,732	\$ -	\$ -	\$ 82,732
Accrued salaries and payroll taxes	12,491	-	-	12,491
Deposits payable	37,787	-	-	37,787
	<u>133,010</u>	<u>-</u>	<u>-</u>	<u>133,010</u>
TOTAL LIABILITIES				
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - property taxes	-	80,162	-	80,162
FUND BALANCES:				
Restricted	-	214,332	-	214,332
Committed	330,777	-	-	330,777
Unassigned	(1,800)	-	-	(1,800)
	<u>328,977</u>	<u>214,332</u>	<u>-</u>	<u>543,309</u>
TOTAL FUND BALANCES				
TOTAL LIABILITIES AND FUND BALANCES				
	<u>\$ 461,987</u>	<u>\$ 294,494</u>	<u>\$ -</u>	<u>\$ 756,481</u>

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, 2017

	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
REVENUES:				
Property taxes	\$ -	\$ 1,471,062	\$ -	\$ 1,471,062
Intergovernmental	282,796	-	-	282,796
Franchise taxes	238,229	-	-	238,229
Licenses and permits	894,832	-	-	894,832
Charges for services	315,000	-	-	315,000
Miscellaneous	2,681	-	-	2,681
TOTAL REVENUES	1,733,538	1,471,062	-	3,204,600
EXPENDITURES:				
Current:				
General government	884,963	-	-	884,963
Public safety	738,027	-	-	738,027
Debt service:				
Principal	-	1,155,000	-	1,155,000
Interest	-	269,475	-	269,475
Capital outlay	26,705	-	-	26,705
TOTAL EXPENDITURES	1,649,695	1,424,475	-	3,074,170
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND NET CHANGE IN FUND BALANCES	83,843	46,587	-	130,430
FUND BALANCES - beginning	245,134	167,745	-	412,879
FUND BALANCES - ending	<u>\$ 328,977</u>	<u>\$ 214,332</u>	<u>\$ -</u>	<u>\$ 543,309</u>

CITY OF WEST LINN, OREGON
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017

	Building Inspections Fund	Planning Fund	Total
ASSETS:			
Cash and investments	\$ 86,678	\$ 261,254	\$ 347,932
Accounts receivable	-	114,055	114,055
	<u>86,678</u>	<u>375,309</u>	<u>461,987</u>
TOTAL ASSETS	\$ 86,678	\$ 375,309	\$ 461,987
LIABILITIES:			
Accounts payable	\$ 82,064	\$ 668	\$ 82,732
Accrued salaries and payroll taxes	4,914	7,577	12,491
Deposits payable	1,500	36,287	37,787
	<u>88,478</u>	<u>44,532</u>	<u>133,010</u>
TOTAL LIABILITIES	88,478	44,532	133,010
FUND BALANCES:			
Committed	-	330,777	330,777
Unassigned	(1,800)	-	(1,800)
	<u>(1,800)</u>	<u>330,777</u>	<u>328,977</u>
TOTAL FUND BALANCES (DEFICIT)	(1,800)	330,777	328,977
TOTAL LIABILITIES AND FUND BALANCES	\$ 86,678	\$ 375,309	\$ 461,987

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, 2017

	Building Inspections Fund	Planning Fund	Total
REVENUES:			
Intergovernmental	\$ -	\$ 282,796	\$ 282,796
Franchise taxes	-	238,229	238,229
Licenses and permits	748,825	146,007	894,832
Charges for services	90,000	225,000	315,000
Miscellaneous	511	2,170	2,681
	<u>839,336</u>	<u>894,202</u>	<u>1,733,538</u>
EXPENDITURES:			
Current:			
General government	-	884,963	884,963
Public safety	738,027	-	738,027
Capital outlay	26,705	-	26,705
	<u>764,732</u>	<u>884,963</u>	<u>1,649,695</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND NET CHANGE IN FUND BALANCES	74,604	9,239	83,843
FUND BALANCES (DEFICIT) - beginning	<u>(76,404)</u>	<u>321,538</u>	<u>245,134</u>
FUND BALANCES (DEFICIT) - ending	<u>\$ (1,800)</u>	<u>\$ 330,777</u>	<u>\$ 328,977</u>

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, 2017

	Budget for the 2016-2017 Biennium		Actual			Variance with Final Budget
	Original	Final	1st Year FY 2015-16	2nd Year FY 2016-17	Total	
REVENUES:						
Licenses and permits	\$ 1,472,000	\$ 1,472,000	\$ 672,645	\$ 748,825	\$ 1,421,470	\$ (50,530)
Miscellaneous	2,000	2,000	-	511	511	(1,489)
TOTAL REVENUES	1,474,000	1,474,000	672,645	749,336	1,421,981	(52,019)
EXPENDITURES:						
Personnel services	905,000	895,000	375,481	378,994	754,475	140,525
Materials and services	65,000	70,000	28,043	37,033	65,076	4,924
Capital outlay	23,000	28,000	-	26,705	26,705	1,295
Contingency	50,000	50,000	-	-	-	50,000
TOTAL EXPENDITURES	1,043,000	1,043,000	403,524	442,732	846,256	196,744
EXCESS OF REVENUES OVER EXPENDITURES	431,000	431,000	269,121	306,604	575,725	144,725
OTHER FINANCING SOURCES (USES):						
Transfers from other funds	223,000	223,000	133,000	90,000	223,000	-
Transfers to other funds	(626,000)	(626,000)	(304,000)	(322,000)	(626,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(403,000)	(403,000)	(171,000)	(232,000)	(403,000)	-
NET CHANGE IN FUND BALANCES	28,000	28,000	98,121	74,604	172,725	144,725
FUND BALANCES (DEFICIT) - beginning	3,000	3,000	(174,525)	(76,404)	(174,525)	(177,525)
FUND BALANCES (DEFICIT) - ending	\$ 31,000	\$ 31,000	\$ (76,404)	\$ (1,800)	\$ (1,800)	\$ (32,800)

CITY OF WEST LINN, OREGON

PLANNING FUND

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budget for the 2016-2017 Biennium		Actual			Variance with Final Budget
	Original	Final	1st Year FY 2015-16	2nd Year FY 2016-17	Total	
REVENUES:						
Intergovernmental	\$ 515,000	\$ 515,000	\$ 252,015	\$ 282,796	\$ 534,811	\$ 19,811
Franchise taxes	404,000	404,000	205,507	238,229	443,736	39,736
Licenses and permits	526,000	526,000	230,989	146,007	376,996	(149,004)
Miscellaneous	52,000	52,000	7,165	2,170	9,335	(42,665)
TOTAL REVENUES	1,497,000	1,497,000	695,676	669,202	1,364,878	(132,122)
EXPENDITURES:						
Personnel services	1,145,000	1,145,000	457,756	496,211	953,967	191,033
Material and services	106,000	106,000	35,862	20,752	56,614	49,386
Contingency	100,000	100,000	-	-	-	100,000
TOTAL EXPENDITURES	1,351,000	1,351,000	493,618	516,963	1,010,581	340,419
EXCESS OF REVENUES OVER EXPENDITURES	146,000	146,000	202,058	152,239	354,297	208,297
OTHER FINANCING SOURCES (USES):						
Transfers from other funds	325,000	325,000	124,896	225,000	349,896	24,896
Transfers to other funds	(726,000)	(726,000)	(358,000)	(368,000)	(726,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(401,000)	(401,000)	(233,104)	(143,000)	(376,104)	24,896
NET CHANGE IN FUND BALANCES	(255,000)	(255,000)	(31,046)	9,239	(21,807)	233,193
FUND BALANCES - beginning	346,000	346,000	352,584	321,538	352,584	6,584
FUND BALANCES - ending	\$ 91,000	\$ 91,000	\$ 321,538	\$ 330,777	\$ 330,777	\$ 239,777

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, 2017

	Budget for the 2016-2017 Biennium		Actual			Variance with Final Budget
	Original	Final	1st Year FY 2015-16	2nd Year FY 2016-17	Total	
REVENUES:						
Property taxes	\$ 2,772,000	\$ 2,772,000	\$ 1,367,066	\$ 1,471,062	\$ 2,838,128	\$ 66,128
EXPENDITURES:						
Debt service:						
Principal	2,260,000	2,260,000	1,105,000	1,155,000	2,260,000	-
Interest	570,000	570,000	298,512	269,475	567,987	2,013
TOTAL EXPENDITURES	2,830,000	2,830,000	1,403,512	1,424,475	2,827,987	2,013
DEFICIENCY OF REVENUES UNDER EXPENDITURES AND NET CHANGE IN FUND BALANCE	(58,000)	(58,000)	(36,446)	46,587	10,141	68,141
FUND BALANCES - beginning	209,000	209,000	204,191	167,745	204,191	(4,809)
FUND BALANCES - ending	\$ 151,000	\$ 151,000	\$ 167,745	\$ 214,332	\$ 214,332	\$ 63,332

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, 2017

	Budget for the 2016-2017 Biennium		Actual		Variance with Final Budget	
	Original	Final	1st Year FY 2015-16	2nd Year FY 2016-17		Total
EXPENDITURES:						
Capital outlay	\$ 66,000	\$ 92,000	\$ 91,287	\$ -	\$ 91,287	\$ 713
DEFICIENCY OF REVENUES UNDER EXPENDITURES AND NET CHANGE IN FUND BALANCE	(66,000)	(92,000)	(91,287)	-	(91,287)	713
FUND BALANCES - beginning	66,000	92,000	91,287	-	91,287	(713)
FUND BALANCES - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**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, 2017

	Budget for the 2016-2017 Biennium		Actual			Variance with Final Budget
	Original	Final	1st Year FY 2015-16	2nd Year FY 2016-17	Total	
REVENUES:						
Water charges	\$ 7,927,000	\$ 7,927,000	\$ 4,113,907	\$ 4,159,815	\$ 8,273,722	\$ 346,722
Intergovernmental	75,000	75,000	-	-	-	(75,000)
Systems development charges	67,000	67,000	31,358	43,119	74,477	7,477
Miscellaneous	22,000	22,000	108,525	98,933	207,458	185,458
TOTAL REVENUES	8,091,000	8,091,000	4,253,790	4,301,867	8,555,657	464,657
EXPENDITURES:						
Personnel services	1,287,000	1,287,000	592,524	634,422	1,226,946	60,054
Materials and services	3,690,000	3,690,000	1,775,426	1,727,751	3,503,177	186,823
Debt service	455,000	1,255,000	841,161	280,199	1,121,360	133,640
Capital outlay	6,261,000	6,971,000	3,200,447	4,134,273	7,334,720	(363,720)
Contingency	500,000	440,000	-	-	-	440,000
TOTAL EXPENDITURES	12,193,000	13,643,000	6,409,558	6,776,645	13,186,203	456,797
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(4,102,000)	(5,552,000)	(2,155,768)	(2,474,778)	(4,630,546)	921,454
OTHER FINANCING SOURCES (USES):						
Proceeds from bonds issued	2,000,000	2,800,000	2,640,000	-	2,640,000	(160,000)
Bond premium on issuance of debt	-	-	154,631	-	154,631	154,631
Transfers to other funds	(1,855,000)	(1,855,000)	(986,000)	(869,000)	(1,855,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	145,000	945,000	1,808,631	(869,000)	939,631	(5,369)
NET CHANGE IN FUND BALANCES	(3,957,000)	(4,607,000)	(347,137)	(3,343,778)	(3,690,915)	916,085
FUND BALANCES - beginning	5,944,000	6,594,000	6,108,393	5,761,256	6,108,393	(485,607)
FUND BALANCES - ending	\$ 1,987,000	\$ 1,987,000	\$ 5,761,256	2,417,478	\$ 2,417,478	\$ 430,478
RECONCILIATION TO NET POSITION - GAAP BASIS:						
Adjustment for deferred charge on refunding				5,490		
Adjustment for deferred outflows of resources being accrued				535,342		
Adjustment for net pension liability being accrued				(1,020,516)		
Adjustment for compensated absences being accrued				(65,281)		
Adjustment for OPEB liability being accrued				(85,772)		
Adjustment for deferred inflows of resources being accrued				(62,621)		
Adjustment for interest payable being accrued				(6,183)		
Adjustment for capital assets not being depreciated				10,526,807		
Adjustment for capital assets, net of accumulated depreciation				11,693,898		
Adjustment for investment in joint venture				9,150,922		
Adjustment for bonds payable - due within one year				(205,000)		
Adjustment for long term bonds payable				(2,235,000)		
Adjustment for unamortized bond premium				(139,167)		
NET POSITION - GAAP BASIS				\$ 30,510,397		

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, 2017

	Budget for the 2016-2017 Biennium		Actual			Variance with Final Budget
	Original	Final	1st Year FY 2015-16	2nd Year FY 2016-17	Total	
REVENUES:						
Sewer charges	\$ 4,504,000	\$ 4,504,000	\$ 2,274,587	\$ 2,382,646	\$ 4,657,233	\$ 153,233
Surface water charges	1,642,000	1,642,000	830,155	873,697	1,703,852	61,852
Systems development charges	172,000	172,000	61,647	90,166	151,813	(20,187)
Miscellaneous	111,000	111,000	77,357	81,900	159,257	48,257
TOTAL REVENUES	6,429,000	6,429,000	3,243,746	3,428,409	6,672,155	243,155
EXPENDITURES:						
Personnel services	1,586,000	1,586,000	675,103	674,561	1,349,664	236,336
Materials and services	1,097,000	1,097,000	299,776	349,643	649,419	447,581
Capital outlay	2,670,000	2,670,000	845,285	2,265,325	3,110,610	(440,610)
Contingency	800,000	800,000	-	-	-	800,000
TOTAL EXPENDITURES	6,153,000	6,153,000	1,820,164	3,289,529	5,109,693	1,043,307
EXCESS OF REVENUES OVER EXPENDITURES	276,000	276,000	1,423,582	138,880	1,562,462	1,286,462
OTHER FINANCING USES:						
Transfers to other funds	(2,311,000)	(2,311,000)	(1,117,000)	(1,194,000)	(2,311,000)	-
NET CHANGE IN FUND BALANCES	(2,035,000)	(2,035,000)	306,582	(1,055,120)	(748,538)	1,286,462
FUND BALANCES - beginning	2,497,000	2,497,000	3,029,851	3,336,433	3,029,851	532,851
FUND BALANCES - ending	<u>\$ 462,000</u>	<u>\$ 462,000</u>	<u>\$ 3,336,433</u>	2,281,313	<u>\$ 2,281,313</u>	<u>\$ 1,819,313</u>
RECONCILIATION TO NET POSITION - GAAP BASIS:						
Adjustment for deferred outflows of resources being accrued				314,308		
Adjustment for net pension liability being accrued				(599,161)		
Adjustment for compensated absences being accrued				(38,395)		
Adjustment for OPEB liability being accrued				(50,358)		
Adjustment for deferred inflows of resources being accrued				(36,766)		
Adjustment for capital assets not being depreciated				1,567,172		
Adjustment for capital assets, net of accumulated depreciation				19,497,895		
NET POSITION - GAAP BASIS				<u>\$ 22,936,008</u>		

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, 2017

FUTURE BOND PRINCIPAL

Fiscal year	General Obligation Bonds			Full Faith and Credit Obligation Bonds			Total
	Series 2009-A	Series 2010-A	Series 2012	Series 2009-B	Series 2010-B	Series 2015	
	Refunded Parks Jan. 21, 2009	Refunded Library Sep. 2, 2010	Police Station Jan. 25, 2012	Streets/Parks Jan. 21, 2009	Refunded City Hall Sep. 2, 2010	Str/Pks/Wtr Dec. 16, 2015	
2018	590,000	310,000	310,000	185,000	265,000	215,000	1,875,000
2019	280,000	330,000	335,000	-	275,000	410,000	1,630,000
2020	-	355,000	355,000	-	285,000	425,000	1,420,000
2021	-	385,000	375,000	-	295,000	445,000	1,500,000
2022	-	-	400,000	-	-	310,000	710,000
2023	-	-	425,000	-	-	320,000	745,000
2024	-	-	450,000	-	-	330,000	780,000
2025	-	-	475,000	-	-	345,000	820,000
2026	-	-	505,000	-	-	360,000	865,000
2027	-	-	530,000	-	-	370,000	900,000
2028	-	-	565,000	-	-	375,000	940,000
2029	-	-	595,000	-	-	390,000	985,000
2030	-	-	630,000	-	-	120,000	750,000
2031	-	-	665,000	-	-	120,000	785,000
2032	-	-	715,000	-	-	125,000	840,000
2033	-	-	-	-	-	130,000	130,000
2034	-	-	-	-	-	130,000	130,000
2035	-	-	-	-	-	135,000	135,000
	<u>\$ 870,000</u>	<u>\$ 1,380,000</u>	<u>\$ 7,330,000</u>	<u>\$ 185,000</u>	<u>\$ 1,120,000</u>	<u>\$ 5,055,000</u>	<u>\$ 15,940,000</u>

FUTURE BOND INTEREST

Fiscal year	General Obligation Bonds			Full Faith and Credit Obligation Bonds			Total
	Series 2009-A	Series 2010-A	Series 2012	Series 2009-B	Series 2010-B	Series 2015	
	Refunded Parks Jan. 21, 2009	Refunded Library Sep. 2, 2010	Police Station Jan. 25, 2012	Streets/Parks Jan. 21, 2009	Refunded City Hall Sep. 2, 2010	Str/Pks/Wtr Dec. 16, 2015	
2018	31,850	37,313	167,938	7,400	32,425	155,175	432,101
2019	5,600	29,563	161,737	-	23,000	148,725	368,625
2020	-	21,313	155,038	-	14,600	136,425	327,376
2021	-	11,550	147,937	-	5,163	123,675	288,325
2022	-	-	140,438	-	-	110,325	250,763
2023	-	-	132,437	-	-	104,125	236,562
2024	-	-	123,938	-	-	94,525	218,463
2025	-	-	114,937	-	-	81,325	196,262
2026	-	-	105,438	-	-	67,525	172,963
2027	-	-	94,706	-	-	53,125	147,831
2028	-	-	82,781	-	-	43,875	126,656
2029	-	-	69,363	-	-	34,500	103,863
2030	-	-	54,487	-	-	22,800	77,287
2031	-	-	37,950	-	-	19,200	57,150
2032	-	-	9,831	-	-	15,600	25,431
2033	-	-	-	-	-	11,850	11,850
2034	-	-	-	-	-	7,950	7,950
2035	-	-	-	-	-	4,050	4,050
	<u>\$ 37,450</u>	<u>\$ 99,739</u>	<u>\$ 1,598,956</u>	<u>\$ 7,400</u>	<u>\$ 75,188</u>	<u>\$ 1,234,775</u>	<u>\$ 3,053,508</u>

CITY OF WEST LINN, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<u>Tax Year</u>	<u>Uncollected Property Taxes as of June 30, 2016</u>	<u>Add Tax Levy Extended by Assessor</u>	<u>Deduct Adjustments and Discounts</u>	<u>Deduct Cash Collections</u>	<u>Uncollected Property Taxes as of June 30, 2017</u>
Current fiscal year 2016-17	\$ -	\$ 8,913,604	\$ (225,490)	\$ (8,493,826)	\$ 194,288
Prior fiscal years					
2015-16	209,166	-	(2,219)	(102,921)	104,026
2014-15	105,506	-	(910)	(29,612)	74,984
2013-14	71,206	-	(1,218)	(17,563)	52,425
2012-13	48,198	-	(129)	(11,769)	36,300
2011-12 & prior	92,013	-	(2,177)	(3,486)	86,350
Sub-total prior	<u>526,089</u>	<u>-</u>	<u>(6,653)</u>	<u>(165,351)</u>	<u>354,085</u>
Total	<u>\$ 526,089</u>	<u>\$ 8,913,604</u>	<u>\$ (232,143)</u>	<u>\$ (8,659,177)</u>	<u>\$ 548,373</u>

Public Safety Fund	\$ 315,114
Parks and Recreation Fund	82,925
Library Fund	60,811
Debt Service Fund	<u>89,523</u>
	<u>\$ 548,373</u>

CITY OF WEST LINN, OREGON
SCHEDULE OF ACCOUNTABILITY OF INDEPENDENTLY ELECTED OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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
Financial Trends These schedules contain trend information to help the reader understand how financial performance has changed over time.	95
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.	98
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	105
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	110
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	112

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:

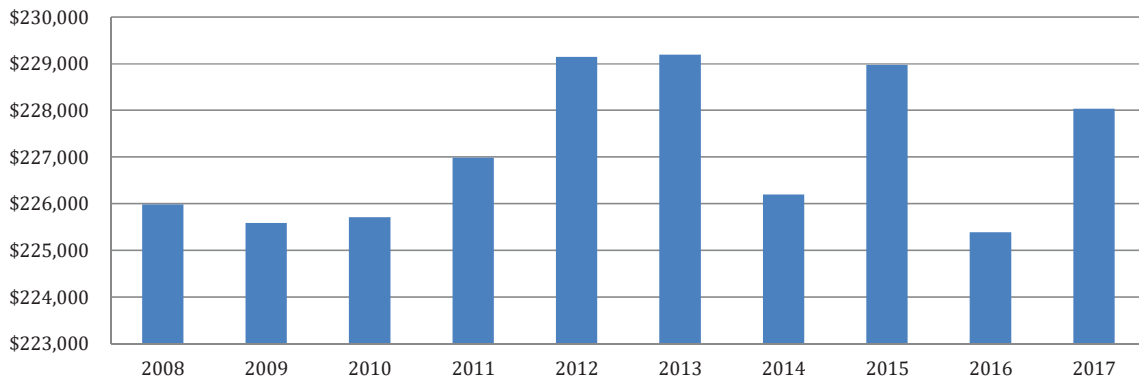
- GASB Statement 34 in fiscal year 2002-03, except for the infrastructure provisions which were implemented in fiscal year 2007-08
- GASB Statement 44 in fiscal year 2007-08
- GASB Statement 54 in fiscal year 2010-11
- GASB Statement 63 in fiscal year 2012-13
- GASB Statement 65 in fiscal year 2013-14
- GASB Statement 68 in fiscal year 2014-15

CITY OF WEST LINN, OREGON

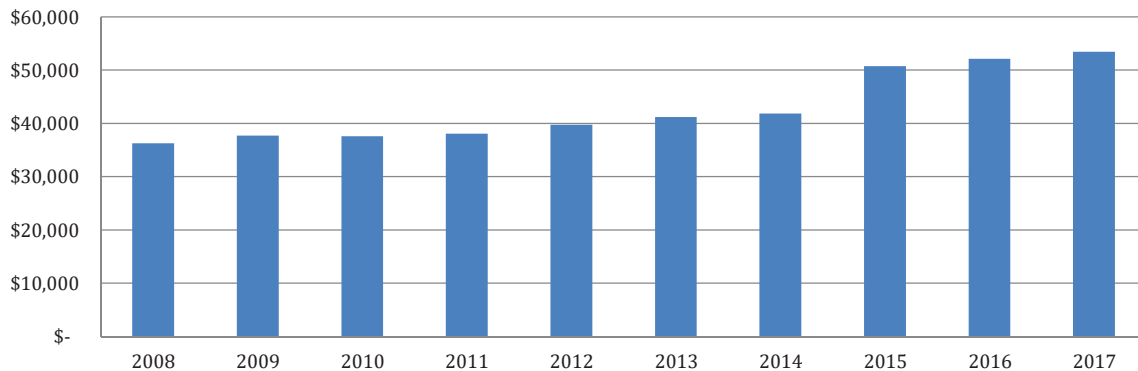
Net Position by Component
for the last ten fiscal years
(accrual basis of accounting)
(in thousands)

	Fiscal Year Ended									
	2008	2009	2010	2011	2012	2013	2014 (restated)	2015	2016	2017
Governmental activities										
Net investment in capital assets	\$ 218,998	\$ 219,277	\$ 217,988	\$ 218,578	\$ 217,951	\$ 217,876	\$ 218,327	\$ 220,683	\$ 222,408	\$ 225,588
Restricted	4,479	6,565	6,450	4,930	6,077	6,467	7,236	5,268	4,774	5,276
Unrestricted (deficit)	2,514	(248)	1,279	3,483	5,123	4,854	638	3,028	(1,787)	(2,826)
Total governmental activities net position	<u>225,991</u>	<u>225,594</u>	<u>225,717</u>	<u>226,991</u>	<u>229,151</u>	<u>229,197</u>	<u>226,201</u>	<u>228,979</u>	<u>225,395</u>	<u>228,038</u>
Business-type activities										
Net investment in capital assets	26,201	27,454	27,089	26,945	27,482	28,348	29,136	33,418	35,361	40,846
Restricted	-	155	155	155	155	155	155	4,154	2,823	-
Unrestricted	10,090	10,082	10,354	10,943	12,104	12,666	12,587	13,154	13,966	12,600
Total business-type activities net position	<u>36,291</u>	<u>37,691</u>	<u>37,598</u>	<u>38,043</u>	<u>39,741</u>	<u>41,169</u>	<u>41,878</u>	<u>50,726</u>	<u>52,150</u>	<u>53,446</u>
Primary government										
Net investment in capital assets	245,199	246,731	245,077	245,523	245,433	246,224	247,463	254,101	257,769	266,434
Restricted	4,479	6,720	6,605	5,085	6,232	6,622	7,391	9,422	7,597	5,276
Unrestricted	12,604	9,834	11,633	14,426	17,227	17,520	13,225	16,182	12,179	9,774
Total primary government net position	<u>\$ 262,282</u>	<u>\$ 263,285</u>	<u>\$ 263,315</u>	<u>\$ 265,034</u>	<u>\$ 268,892</u>	<u>\$ 270,366</u>	<u>\$ 268,079</u>	<u>\$ 279,705</u>	<u>\$ 277,545</u>	<u>\$ 281,484</u>

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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government	\$ 6,007	\$ 5,970	\$ 6,305	\$ 6,676	\$ 7,110	\$ 7,305	\$ 7,169	\$ 6,775	\$ 10,291	\$ 8,213
Culture and recreation	4,279	5,433	5,492	5,788	6,038	6,291	6,060	5,804	7,138	6,988
Public safety	5,658	6,318	6,472	6,368	6,803	7,074	7,095	6,251	10,288	8,830
Highways and streets	1,235	3,528	3,492	3,492	3,431	3,581	3,664	3,681	4,303	4,517
Interest on long-term debt	631	599	626	404	507	615	549	508	625	403
Unallocated depreciation	2,395	-	-	-	-	-	-	-	-	-
Total governmental activities expenses	<u>20,205</u>	<u>21,848</u>	<u>22,387</u>	<u>22,728</u>	<u>23,889</u>	<u>24,866</u>	<u>24,537</u>	<u>23,019</u>	<u>32,645</u>	<u>28,951</u>
Business-type activities:										
Water	2,914	3,269	3,071	3,061	3,025	3,219	3,243	3,231	4,233	3,899
Environmental services	2,814	2,704	2,560	2,640	2,721	2,756	2,906	2,822	3,232	3,249
Total business-type activities expenses	<u>5,728</u>	<u>5,973</u>	<u>5,631</u>	<u>5,701</u>	<u>5,746</u>	<u>5,975</u>	<u>6,149</u>	<u>6,053</u>	<u>7,465</u>	<u>7,148</u>
Total primary government expenses	<u>\$ 25,933</u>	<u>\$ 27,821</u>	<u>\$ 28,018</u>	<u>\$ 28,429</u>	<u>\$ 29,635</u>	<u>\$ 30,841</u>	<u>\$ 30,686</u>	<u>\$ 29,072</u>	<u>\$ 40,110</u>	<u>\$ 36,099</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 6,473	\$ 6,364	\$ 6,844	\$ 7,232	\$ 8,228	\$ 8,167	\$ 8,483	\$ 8,217	\$ 9,517	\$ 9,596
Culture and recreation	1,321	1,543	1,590	1,764	1,905	1,911	2,005	2,056	2,214	2,432
Public safety	753	664	663	693	741	612	664	897	850	948
Highways and streets	243	833	778	792	870	904	1,351	1,522	1,659	1,735
Operating grants and contributions	2,372	2,486	3,045	4,015	3,852	3,974	3,776	4,019	4,192	6,249
Capital grants and contributions	1,755	727	770	493	1,531	248	354	467	101	-
Total governmental activities program revenues	<u>12,917</u>	<u>12,617</u>	<u>13,690</u>	<u>14,989</u>	<u>17,127</u>	<u>15,816</u>	<u>16,633</u>	<u>17,178</u>	<u>18,533</u>	<u>20,960</u>
Business-type activities:										
Charges for services:										
Water	2,903	3,069	2,926	3,071	3,554	4,021	3,968	4,705	4,427	4,656
Environmental services	2,020	2,452	2,362	2,500	2,784	2,813	2,996	2,953	3,243	3,428
Capital grants and contributions	865	1,635	100	206	936	155	581	469	1,218	370
Total business-type activities program revenues	<u>5,788</u>	<u>7,156</u>	<u>5,388</u>	<u>5,777</u>	<u>7,274</u>	<u>6,989</u>	<u>7,545</u>	<u>8,127</u>	<u>8,888</u>	<u>8,454</u>
Total primary government program revenues	<u>\$ 18,705</u>	<u>\$ 19,773</u>	<u>\$ 19,078</u>	<u>\$ 20,766</u>	<u>\$ 24,401</u>	<u>\$ 22,805</u>	<u>\$ 24,178</u>	<u>\$ 25,305</u>	<u>\$ 27,421</u>	<u>\$ 29,414</u>

Continued on next page

	Fiscal Year Ended									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net (Expense) Revenue										
Governmental activities	\$ (7,288)	\$ (9,231)	\$ (8,697)	\$ (7,739)	\$ (6,762)	\$ (9,050)	\$ (7,904)	\$ (5,841)	\$ (14,112)	\$ (7,991)
Business-type activities	60	1,183	(243)	76	1,528	1,014	1,396	2,074	1,423	1,306
Total primary government expenses	<u>\$ (7,228)</u>	<u>\$ (8,048)</u>	<u>\$ (8,940)</u>	<u>\$ (7,663)</u>	<u>\$ (5,234)</u>	<u>\$ (8,036)</u>	<u>\$ (6,508)</u>	<u>\$ (3,767)</u>	<u>\$ (12,689)</u>	<u>\$ (6,685)</u>
General Revenues										
Governmental activities:										
Property taxes, levied for general purposes	\$ 5,264	\$ 5,536	\$ 5,785	\$ 5,918	\$ 6,181	\$ 6,197	\$ 6,440	\$ 6,725	\$ 7,020	\$ 7,205
Property taxes, levied for debt service	769	942	828	884	839	1,321	1,406	1,398	1,372	1,476
Franchise taxes	1,686	1,728	1,952	1,662	1,749	1,662	1,683	1,722	1,693	1,738
Unrestricted grants and contributions	263	604	361	675	303	319	337	297	428	203
Interest and investment earnings	420	51	23	18	19	10	8	15	16	15
Gain (loss) on disposition of capital assets	-	-	-	222	-	-	63	-	-	-
Transfers	(132)	(27)	(129)	(365)	(170)	(413)	(167)	(1,538)	-	-
Total governmental activities	<u>8,270</u>	<u>8,834</u>	<u>8,820</u>	<u>9,014</u>	<u>8,921</u>	<u>9,096</u>	<u>9,770</u>	<u>8,619</u>	<u>10,529</u>	<u>10,637</u>
Business-type activities:										
Intergovernmental	-	-	-	-	-	-	-	5,000	-	-
Investment earnings	109	190	7	3	-	-	-	-	-	-
Gain (loss) on disposition of capital assets	-	-	14	1	-	-	-	236	-	(8)
Transfers	132	27	129	365	170	413	167	1,538	-	-
Total business-type activities	<u>241</u>	<u>217</u>	<u>150</u>	<u>369</u>	<u>170</u>	<u>413</u>	<u>167</u>	<u>6,774</u>	<u>-</u>	<u>(8)</u>
Total primary government	<u>\$ 8,511</u>	<u>\$ 9,051</u>	<u>\$ 8,970</u>	<u>\$ 9,383</u>	<u>\$ 9,091</u>	<u>\$ 9,509</u>	<u>\$ 9,937</u>	<u>\$ 15,393</u>	<u>\$ 10,529</u>	<u>\$ 10,629</u>
Changes in Net Position										
Governmental activities	\$ 982	\$ (397)	\$ 123	\$ 1,275	\$ 2,159	\$ 46	\$ 1,866	\$ 2,778	\$ (3,583)	\$ 2,646
Business-type activities	301	1,400	(93)	445	1,698	1,427	1,563	8,848	1,423	1,298
Total primary government	<u>\$ 1,283</u>	<u>\$ 1,003</u>	<u>\$ 30</u>	<u>\$ 1,720</u>	<u>\$ 3,857</u>	<u>\$ 1,473</u>	<u>\$ 3,429</u>	<u>\$ 11,626</u>	<u>\$ (2,160)</u>	<u>\$ 3,944</u>

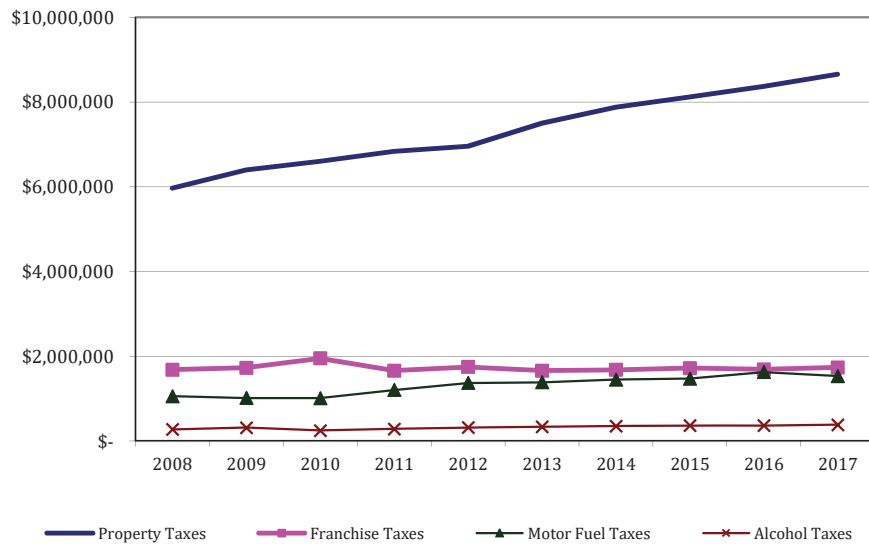
Continued from previous page

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 tax¹	Alcoholic beverage tax¹	Total
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
2016	8,364,263	1,692,432	1,629,684	367,528	12,053,907
2017	8,652,842	1,738,158	1,532,122	385,113	12,308,235

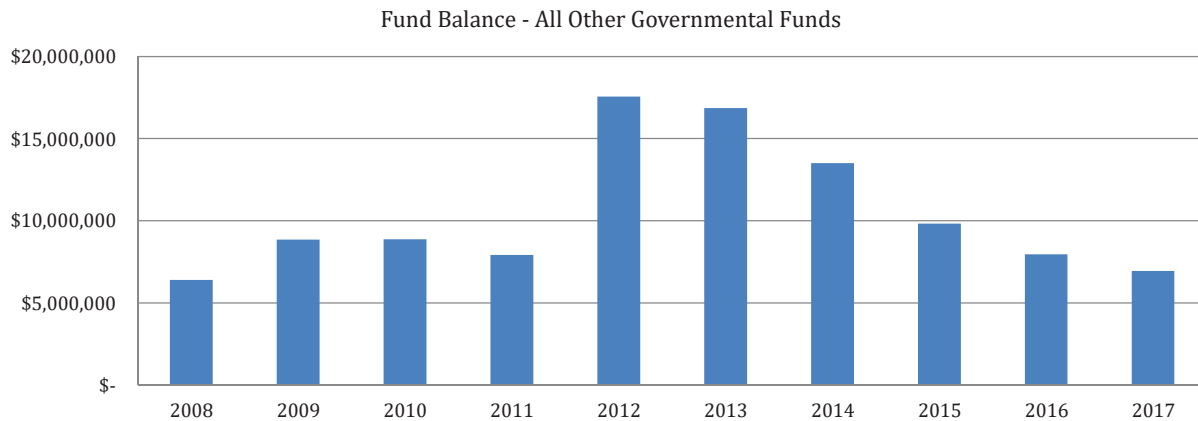
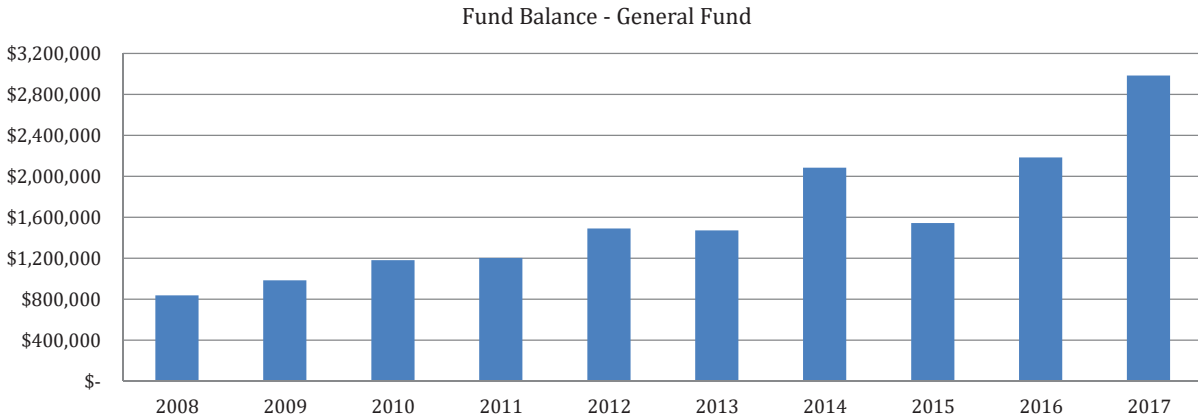
¹ Motor fuel and alcoholic beverage taxes are not directly assessed by the City of West Linn, but rather by the State of Oregon, then a portion is allocated to the City based upon population.

Trend Lines of Tax Revenues by Source



CITY OF WEST LINN, OREGON
Fund Balances of Governmental Funds
for the last ten fiscal years
(modified accrual basis of accounting)

	Fiscal Year Ended									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General fund										
Nonspendable	\$ 142,264	\$ -	\$ 36,838	\$ 150,378	\$ 164,462	\$ 169,275	\$ 150,427	\$ 188,685	\$ 134,755	\$ 136,064
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	695,299	985,405	1,144,698	1,052,484	1,325,884	1,301,083	1,932,734	1,352,882	2,049,157	2,847,475
Total general fund	\$ 837,563	\$ 985,405	\$ 1,181,536	\$ 1,202,862	\$ 1,490,346	\$ 1,470,358	\$ 2,083,161	\$ 1,541,567	\$ 2,183,912	\$ 2,983,539
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	4,322,102	6,408,089	6,292,160	4,773,436	12,922,103	12,544,353	8,651,824	5,110,428	4,616,228	5,118,429
Committed	1,683,251	2,138,630	2,331,737	3,000,053	4,482,238	4,166,120	4,705,382	4,745,564	3,271,183	1,683,122
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	240,620	156,522	101,602	-	-	-	-	(174,525)	(76,404)	(1,800)
Total all other governmental funds	\$ 6,403,273	\$ 8,860,541	\$ 8,882,799	\$ 7,930,789	\$ 17,561,641	\$ 16,867,773	\$ 13,514,506	\$ 9,838,767	\$ 7,968,307	\$ 6,957,051



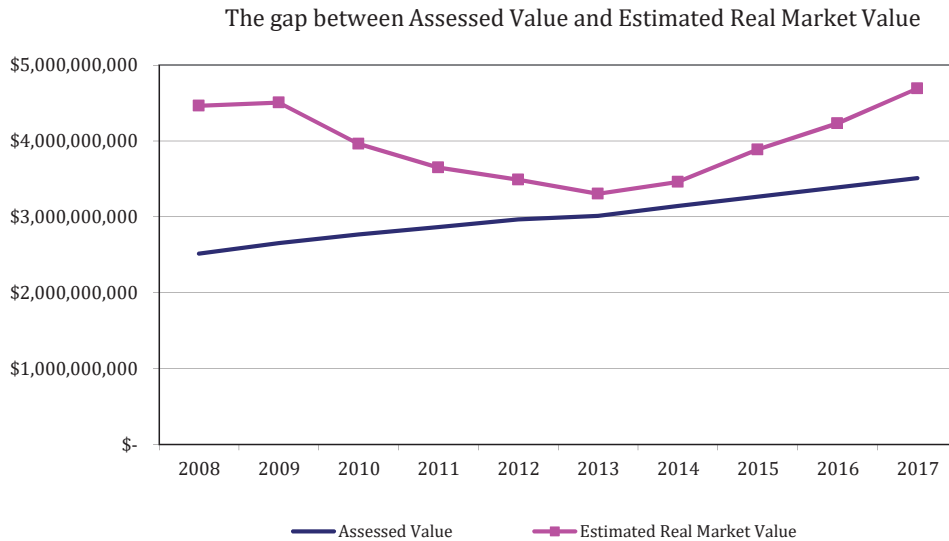
CITY OF WEST LINN, OREGON
Changes in Fund Balances of Governmental Funds
for the last ten fiscal years
(modified accrual basis of accounting)

	Fiscal Year Ended									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues:										
Property taxes	\$ 5,965,524	\$ 6,392,688	\$ 6,603,432	\$ 6,834,048	\$ 6,957,799	\$ 7,497,058	\$ 7,875,104	\$ 8,115,994	\$ 8,364,263	\$ 8,652,843
Intergovernmental	2,371,677	2,486,047	3,678,872	4,015,212	4,789,930	3,912,898	3,716,218	3,958,604	4,131,820	5,288,670
Franchise taxes	1,685,632	1,727,918	1,952,259	1,662,509	1,748,619	1,661,718	1,682,559	1,721,760	1,692,432	1,738,158
Fines and forfeitures	517,662	586,145	565,151	520,087	403,165	432,940	478,194	482,800	627,576	574,991
Licenses and fees	1,108,494	1,006,790	1,037,008	1,012,185	1,218,483	1,049,767	1,106,437	826,093	1,193,511	1,159,526
Charges for services	5,770,614	7,192,160	7,664,216	7,920,641	8,355,873	8,742,651	9,640,378	10,541,120	10,953,927	11,607,602
Systems development charges	963,567	618,819	608,727	1,027,067	1,765,887	1,367,798	1,278,072	647,616	1,415,956	1,384,954
Investment earnings	419,705	50,420	22,990	17,718	18,944	9,833	7,512	15,270	16,322	14,775
Miscellaneous	263,531	604,187	360,470	674,790	303,350	319,017	337,149	296,534	428,137	202,446
Total revenues	19,066,406	20,665,174	22,493,125	23,684,257	25,562,050	24,993,680	26,121,623	26,605,791	28,823,944	30,623,965
Expenditures:										
Current:										
General government	5,334,764	5,944,189	6,194,465	6,520,299	6,704,454	7,209,531	6,758,119	7,785,446	7,645,271	7,344,181
Culture and recreation	4,274,399	4,548,376	4,647,411	4,934,363	5,182,185	5,440,445	5,149,677	5,438,749	5,652,323	5,891,783
Public safety	5,642,339	5,940,429	6,262,603	6,261,541	6,711,910	7,041,384	6,851,540	7,184,749	8,092,329	8,002,902
Highways and streets	1,236,200	1,634,945	1,569,050	1,545,578	1,452,551	1,591,059	1,617,973	1,695,348	1,819,750	1,962,717
Debt service:										
Principal	670,000	705,000	825,000	1,070,000	1,065,000	1,245,000	1,370,000	1,440,000	1,325,780	1,600,000
Interest	626,604	472,048	741,544	418,655	427,366	651,831	552,802	513,211	660,136	407,274
Current refunding	-	4,992,519	-	5,933,478	-	-	-	-	-	-
Capital outlay	1,611,978	2,944,474	2,034,663	4,353,775	2,793,021	2,578,462	6,752,923	6,780,121	4,906,835	5,626,737
Total expenditures	19,396,284	27,181,980	22,274,736	31,037,689	24,336,487	25,757,712	29,053,034	30,837,624	30,102,424	30,835,594
Excess (deficiency) of revenues over (under) expenditures	(329,878)	(6,516,806)	218,389	(7,353,432)	1,225,563	(764,032)	(2,932,411)	(4,231,833)	(1,278,480)	(211,629)
Other financing sources (uses):										
Transfers from other funds	713,200	322,500	-	-	-	-	-	-	-	-
Transfers to other funds	(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	-	-	-	-	2,625,000	-
General obligation bonds issued	-	-	-	-	8,500,000	-	-	-	-	-
Bond premium on issuance of debt	-	171,916	-	294,861	102,688	-	-	-	229,585	-
Payment to refunded bond escrow	-	-	-	-	-	-	-	-	(2,804,220)	-
Capital lease	-	-	-	-	-	50,176	-	-	-	-
Total other financing sources (uses)	7,606	9,121,916	-	6,422,748	8,692,773	50,176	191,947	14,500	50,365	-
Net change in fund balances	\$ (322,272)	\$ 2,605,110	\$ 218,389	\$ (930,684)	\$ 9,918,336	\$ (713,856)	\$ (2,740,464)	\$ (4,217,333)	\$ (1,228,115)	\$ (211,629)
Debt service as a percentage of noncapital expenditures	7.3%	4.9%	7.7%	5.6%	6.9%	8.2%	8.6%	8.1%	7.9%	8.0%

CITY OF WEST LINN, OREGON
Assessed Value and Estimated Real Market Value of Taxable Property
for the last ten fiscal years

Fiscal year	Assessed Value					Total direct tax rate	RMV	Assessed value as a percentage of RMV
	Real property	Personal property	Manuf'd structure	Public utility	Total assessed value		Estimated real market value (RMV)	
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
2016	3,266,125,238	23,238,532	12,540	100,053,400	3,389,429,710	2.5386	4,232,095,255	80
2017	3,388,738,011	23,040,210	13,650	96,824,000	3,508,615,871	2.5386	4,691,525,851	75

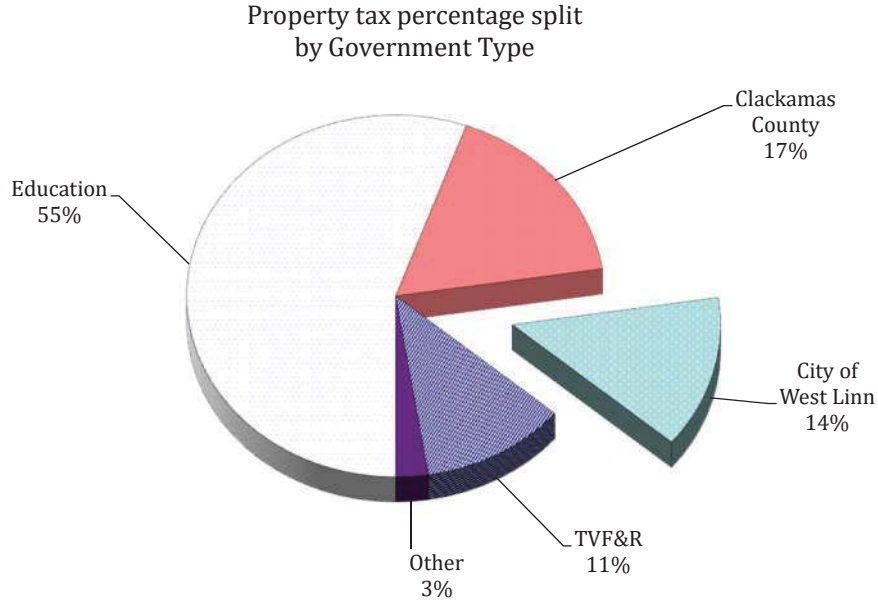
Source: Clackamas County Assessor's Office



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)

Fiscal year	City direct rates				Overlapping rates							Total direct and overlapping
	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		
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	
2016	2.1200	-	0.4186	2.5386	9.24	3.19	0.74	0.37	2.11	0.46	18.64	
2017	2.1200	-	0.4186	2.5386	9.23	3.19	0.74	0.37	2.10	0.47	18.63	

Source: Clackamas County Assessor's Office



CITY OF WEST LINN, OREGON

Principal Property Taxpayers
current year and nine years ago

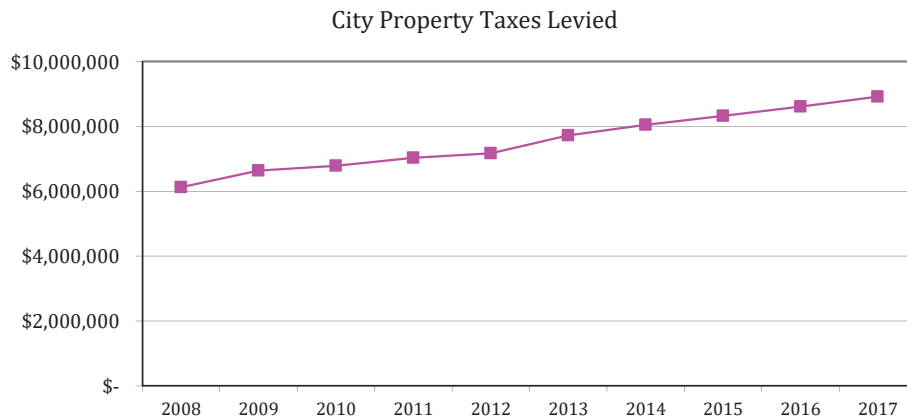
Name	2017			2008		
	Assessed value	Rank	% of total value	Assessed value	Rank	% of total value
Portland General Electric Co	\$ 56,813,406	1	1.6 %	\$ 44,155,000	1	1.8 %
Simpson Realty Group LP	28,970,256	2	0.8	22,203,290	3	0.9
West Linn Paper Company	25,105,908	3	0.7	23,368,570	2	0.9
West Linn Shopping Ctr. Assoc. LLC	21,997,257	4	0.6	14,452,350	6	0.6
Comcast Corporation	18,114,600	5	0.5			
Blackhawk Nevada LLC	17,243,348	6	0.5	14,286,261	4	0.6
NW Natural Gas Company	12,619,000	7	0.4	11,827,500	7	0.5
ROIC Cascade Summit LLC	11,579,086	8	0.3			
S & G Summerlinn LLC	10,747,367	9	0.3			
ROIC Robinwood LLC	10,304,026	10	0.3			
Cascade Summit Retail LLC				14,885,943	5	0.6
Summerlinn Apartments LLC				11,155,728	8	0.4
Blackhawk LLC				7,749,601	9	0.3
West Linn Senior Living LLC				7,425,934	10	0.3
Sub-total, top ten	<u>213,494,254</u>		<u>6.1</u>	<u>171,510,177</u>		<u>6.8</u>
All other City taxpayers	<u>3,295,121,617</u>		<u>93.9</u>	<u>2,345,227,779</u>		<u>93.2 %</u>
Total City taxpayers	<u><u>\$ 3,508,615,871</u></u>		<u><u>100.0 %</u></u>	<u><u>\$ 2,516,737,956</u></u>		<u><u>100.0 %</u></u>

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
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	239,356	6,806,885	97
2012	7,174,440	6,799,324	95	216,845	7,016,169	98
2013	7,724,400	7,283,059	94	208,105	7,491,164	97
2014	8,044,298	7,628,822	95	171,313	7,800,135	97
2015	8,327,514	7,911,683	95	139,036	8,050,719	97
2016	8,606,218	8,187,209	95	212,345	8,399,554	98
2017	8,913,604	8,493,826	95	-	8,493,826	95

Source: Annual financial statements of the City of West Linn



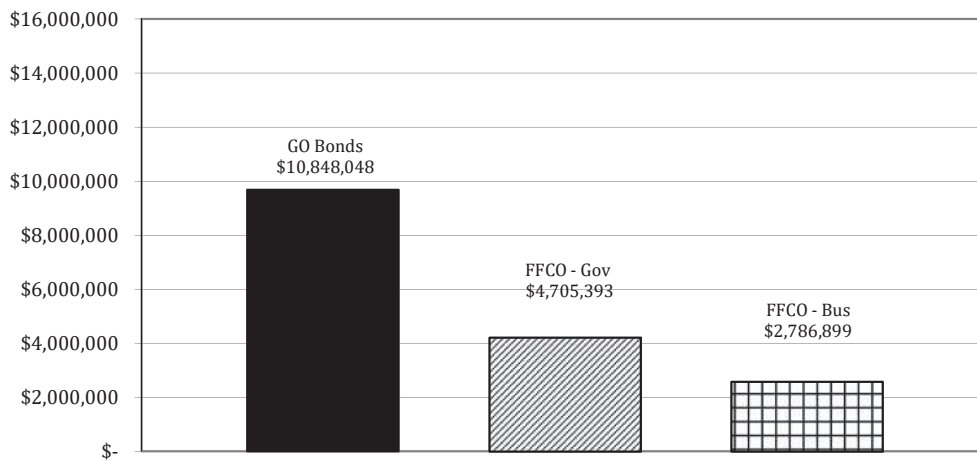
CITY OF WEST LINN, OREGON
Ratios of Outstanding Debt by Type
for the last ten fiscal years

Fiscal year	Governmental Activities		Business-type Activities	Total primary government	Percentage of personal income	Per capita
	General Obligation bonds and Capital Leases	Full Faith and Credit obligations	Full Faith and Credit obligations			
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	1,738,158	1,225,000	12,055,280	13.71	480
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	20.53	819
2014	13,039,727	5,381,558	875,000	19,296,285	17.94	759
2015	11,979,525	4,937,091	770,000	17,686,616	*	693
2016	10,848,048	4,705,393	2,786,899	18,340,340	*	716
2017	9,679,681	4,215,626	2,579,167	16,474,474	*	643

* 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 property¹	Per capita²
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
2016	10,848,048	(167,745)	10,680,303	0.32	417
2017	9,679,681	(214,332)	9,465,349	0.27	370

¹ Assessed value data of property can be found on page 101.

² Population data can be found on page 110.

CITY OF WEST LINN, OREGON
Direct and Overlapping Governmental Activities Debt
as of June 30, 2017

<u>Governmental unit</u>	<u>Real market values of overlapping districts</u>	<u>Tax-supported debt outstanding</u>	<u>Percentage overlapping¹</u>	<u>Overlapping debt applicable to the City of West Linn</u>
Debt repaid with property taxes:				
West Linn Wilsonville School District	\$ 10,066,913,409	\$ 229,668,066	46.21 %	\$ 106,132,829
Clackamas Community College	48,076,385,758	102,608,913	9.68	9,928,849
Clackamas County	65,630,370,446	155,330,136	7.15	11,103,619
Clackamas County ESD	62,476,630,354	22,820,637	7.51	1,713,647
Metro	271,838,567,528	183,510,000	1.73	3,167,016
Tualatin Valley Fire and Rescue	76,076,125,621	48,820,000	6.17	3,010,681
Lake Oswego School District No. 7J	11,481,623,450	90,618,476	0.34	311,456
Port of Portland	294,759,596,278	-	-	-
Portland Community College	<u>217,143,369,580</u>	<u>302,090,000</u>	0.02	<u>54,980</u>
Subtotal, overlapping debt	1,057,549,582,424	1,135,466,228		135,423,077
Direct debt outstanding:				
City of West Linn	<u>4,691,525,851</u>	<u>13,895,307</u>	100.00	<u>13,895,307</u>
Total direct and overlapping debt outstanding	<u>\$ 1,062,241,108,275</u>	<u>\$ 1,149,361,535</u>		<u>\$ 149,318,384</u>

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Debt maximum limitation	\$ 133,930,441	\$ 135,214,845	\$ 118,820,046	\$ 109,516,435	\$ 104,619,167
Debt applicable to maximum limit	<u>8,518,227</u>	<u>7,890,614</u>	<u>7,442,946</u>	<u>6,769,605</u>	<u>14,636,319</u>
Legal debt margin available	<u>\$ 125,412,214</u>	<u>\$ 127,324,231</u>	<u>\$ 111,377,100</u>	<u>\$ 102,746,830</u>	<u>\$ 89,982,848</u>
Debt applicable to the maximum limit as a percentage of debt limitation	6.36%	5.84%	6.26%	6.18%	13.99%

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Debt maximum limitation	\$ 99,156,253	\$ 103,829,361	\$ 116,551,080	\$ 126,962,858	\$ 140,745,776
Debt applicable to maximum limit	<u>13,764,310</u>	<u>12,706,459</u>	<u>11,775,334</u>	<u>10,680,303</u>	<u>9,465,349</u>
Legal debt margin available	<u>\$ 1,738,158</u>	<u>\$ 1,532,122</u>	<u>\$ 385,113</u>	<u>\$ 116,282,555</u>	<u>\$ 131,280,427</u>
Debt applicable to the maximum limit as a percentage of debt limitation	13.88%	12.24%	10.10%	8.41%	6.73%

Legal debt margin calculation for the fiscal year ended June 30, 2017:

Total property real market value	\$ 4,691,525,851
	3%
Debt maximum limitation (3% of total property real market value) ¹	<u>140,745,776</u>
Amount of debt applicable to debt limit:	
Total bonded debt outstanding	16,474,474
Less debt excluded from debt limit:	
Full faith and credit obligations - governmental activities	(4,215,626)
Full faith and credit obligations - business-type activities	(2,579,167)
Less funds applicable to the payment of principal in the debt service fund per ORS 287.004	<u>(214,332)</u>
Net amount of debt applicable to limit	<u>9,465,349</u>
Legal debt margin - amount available for future indebtedness	<u>\$ 131,280,427</u>
Percentage of City's indebtedness to total allowed	6.73%

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

Fiscal year	Water Revenue Bonds					
	Utility service charges ¹	Less: operating expenses ²	Net available revenue	Debt service requirements		Coverage
				Principal	Interest	
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	1,738,158	1,532,122	385,113	68,608	3.38
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
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-

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.

Note: The Water Revenue Bonds were refunded by Full Faith and Credit Obligations in 2016 with no pledged-revenue debt service coverage requirements going forward.

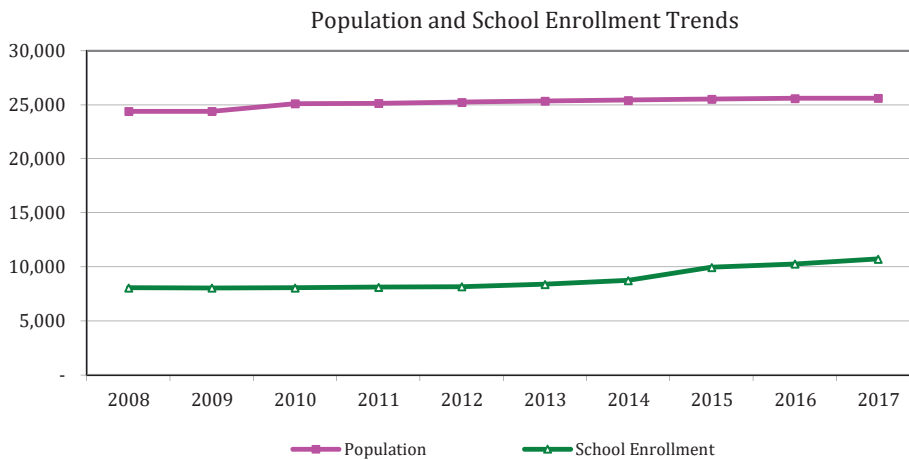
Source: Annual financial statements of the City of West Linn

CITY OF WEST LINN, OREGON
Demographic and Economic Statistics
for the last ten fiscal years

<u>Fiscal year</u>	<u>Population</u>	<u>Personal income (in millions)</u>	<u>Per capita personal income</u>	<u>School enrollment</u>	<u>Unemployment rate</u>
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	107,537	45,794	8,746	6.9
2015	25,540	115,691	48,422	9,967	5.5
2016	25,605	*	*	10,280	4.8
2017	25,615	*	*	10,730	3.7

* 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*

<u>Employer</u>	<u>2017</u>			<u>2008</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of total City employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of total City employment</u>
West Linn Wilsonville SD	794	1	6.25 %	750	1	5.77 %
West Linn Paper Company	300	2	2.36	250	3	1.92
City of West Linn	127	3	1.00	130	6	1.00
Safeway Inc.	114	4	0.90	170	4	1.31
Market of Choice	102	5	0.80	*		
Oregon Golf Club	100	6	0.79	80	9	0.62
Rose Linn Vintage Place	100	7	0.79	80	8	0.62
Walmart Neighborhood Market	75	8	0.59	100	7	0.77
Tanner Springs Assisted Living	63	9	0.50	250	2	1.92
Icon Construction	30	10	0.24	*		
Technocom Inc. (ESP Tech)				140	5	1.08
Albertson's				100	7	0.77
Pond Maintenance Services				100	10	0.77
Total	<u>1,805</u>		<u>14.21 %</u>			

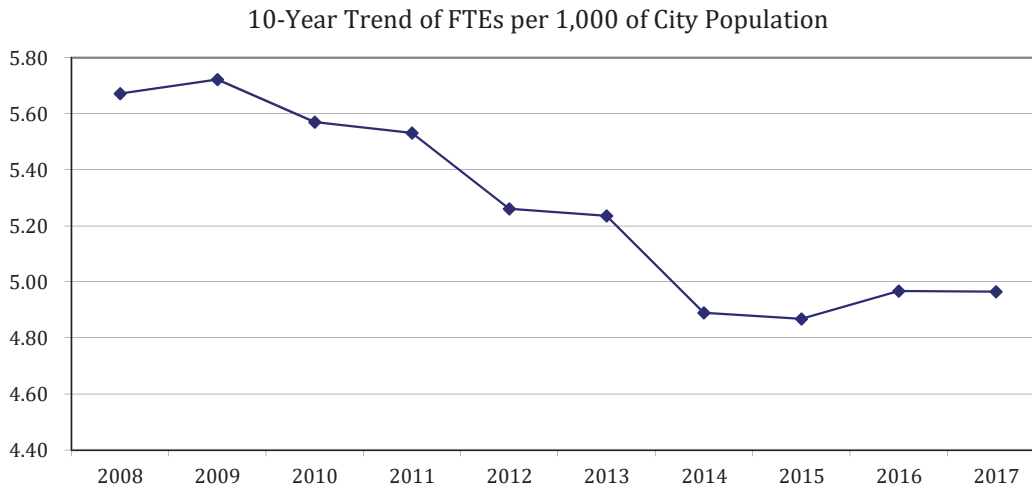
* Historical number of employees information unavailable for this fiscal year nine years ago.

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

Function/Program	Fiscal Year Ended									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government	17.00	16.60	19.60	19.60	17.80	17.80	16.30	16.30	17.40	17.40
Public safety	44.60	45.50	43.25	43.00	42.50	42.50	39.00	39.00	40.50	37.00
Culture and recreation	39.20	40.43	40.43	40.43	39.03	39.03	36.78	36.78	37.28	37.28
Community development	5.50	5.50	6.50	6.50	6.50	6.50	5.75	5.75	5.50	9.00
Highways and streets	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	6.50	5.00
Water	6.00	6.00	6.00	6.00	5.00	5.00	5.00	5.00	5.00	5.00
Sewer and surface water	7.00	6.00	5.00	5.00	5.00	5.00	6.50	6.50	6.50	6.50
Public works	12.10	12.60	12.10	11.60	10.00	10.00	8.00	8.00	8.50	10.00
Total full-time equivalent (FTE)	138.40	139.63	139.88	139.13	132.83	132.83	124.33	124.33	127.18	127.18
City population	24,400	24,400	25,109	25,150	25,250	25,370	25,425	25,540	25,605	25,615
FTEs per 1,000 of population	5.67	5.72	5.57	5.53	5.26	5.24	4.89	4.87	4.97	4.97

Source: City of West Linn's Finance department



CITY OF WEST LINN, OREGON
Operating Indicators by Function
for the last ten fiscal years

Function/Program	Fiscal Year Ended									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
Public safety										
Citations:										
Traffic	2,153	2,556	2,772	2,584	1,735	1,875	2,460	2,451	2,845	2,239
Criminal	74	157	248	159	258	261	227	313	458	424
Parking	922	1,094	532	541	334	312	455	635	558	741
City ordinance/non-traffic	189	100	68	53	69	72	46	81	125	38
Impound hearing	1	1	1	1	-	-	-	-	-	-
Culture and recreation										
Library volunteer hours	5,803	5,896	6,353	6,254	5,588	5,972	6,005	4,580	5,107	4,015
Library - average items circulated per capita	25.75	28.65	28.58	30.87	29.04	27.02	25.78	24.91	25.47	23.51
Community development										
Residential building permits issued	67	54	52	38	96	56	56	33	45	57
Land use applications processed	-	-	131	101	103	117	108	105	101	129
Business-type activities: ¹										
Water										
Service connections	8,322	8,428	8,514	8,592	8,698	8,716	8,773	8,850	8,852	8,920
Average daily consumption (in thousands of gallons)	2,445	2,550	2,718	2,665	2,598	2,620	2,635	3,427	3,450	2,726
Sanitary sewer										
Service connections	5,412	5,392	5,404	5,502	5,495	5,509	5,525	8,672	8,675	8,678
Average daily sewage treatment (in thousands of gallons)	5,200	5,314	4,957	5,012	5,050	5,079	5,085	5,172	5,185	5,170

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

<u>Function/Program</u>	<u>2017</u>	<u>2008</u>
Governmental activities:		
General government		
City-owned building facilities	8	5
Public safety		
Police stations	1	1
Patrol units	13	10
Culture and recreation		
Park and open space acreage	608	620
Baseball/softball fields	7	2
Community development		
Value of new building construction (in thousands)	\$57,362	\$50,772
Highways and streets		
Miles of streets	215	102
Miles of bikeways	70 *	70
Surface water catch basins	2,900	2,300
Miles of sidewalk	120 *	90
Business-type activities:		
Water		
Water mains (miles)	121	214
Maximum daily capacity (in thousands of gallons)	6,500	16,000
Sanitary sewer		
Sanitary sewer (miles)	145	186
Maximum daily treatment capacity (in thousands of gallons)	7,500	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 Merina & Company, LLP is contained in this section:

- Independent Auditor's Report Required by Oregon State Regulations

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH OREGON STATE REGULATION**

Honorable Mayor and City Council
City of West Linn, Oregon

We have audited the basic financial statements of the City of West Linn, Oregon, as of and for the year ended June 30, 2017 and have issued our report thereon dated November 30, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minimum Standards of Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of West Linn, Oregon'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 the Oregon Administrative Rules 162 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:

- Deposits of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions, and repayments.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- 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, and 279C).
- Accountability for collecting or receiving money by elected officials. The City does not have any elected officials collecting or receiving money.

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. In connection with our testing, nothing came to our attention that caused us to believe the City of West Linn, Oregon was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations* except as follows:

1. Deficit fund balance in the Parks and Recreation Fund of \$511,308
2. Deficit fund balance in the Building Inspections Fund of \$1,800

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the City of West Linn, Oregon's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of West Linn, Oregon's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of West Linn, Oregon's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Minimum Standards of Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State, in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



For Merina & Company, LLP
West Linn, Oregon
November 30, 2017



This is the **fifth** publication in a biennial series of financial communications tools:

Biennial Budget

Five Year Financial Forecast

Six Year Capital Improvement Plan

Budget Overview

FY 2017 Comprehensive Annual Financial Report

FY 2017 Popular Annual Financial Report

FY 2018 Comprehensive Annual Financial Report

FY 2018 Popular Annual Financial Report

Five Year Financial Forecast

Lauren Breithaupt, CPA CMA CGMA

Finance Director

lbreithaupt@westlinnoregon.gov

Cathy Brucker, CPFO

Interim Finance Director

FDirector@westlinnoregon.gov

Josh Kam, CPA

Accounting Manager

jkam@westlinnoregon.gov

City of West Linn, Oregon | 22500 Salamo Road, West Linn, Oregon 97068
Phone: 503-657-0331 | Fax: 503-650-9041 | <http://westlinnoregon.gov/finance>



West Linn Sustainability
Printed on recycled paper

APPENDIX C
FORM OF LEGAL OPINION

August [__], 2018

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

\$_[_____]
City of West Linn, Oregon
General Obligation Bonds, Series 2018

Ladies and Gentlemen:

We have acted as bond counsel to the City of West Linn (the "Issuer") in connection with issuance of \$[_____] aggregate principal amount of City of West Linn, Oregon General Obligation, Series 2018 Bonds (the "Bonds"), issued pursuant to Resolution No. 2018-15, adopted by the City Council of the Issuer on June 25, 2018 (the "Bond Resolution") and a Bond Declaration, dated the date hereof (the "Bond Declaration"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Bond Resolution.

In such connection, we have reviewed the Bond Resolution, the Bond Declaration, the Tax Certificate, dated the date hereof (the "Tax Certificate"), executed by the Issuer, certificates of the Issuer, and U.S. Bank National Association, as the paying agent and registrar, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

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 Bonds has concluded with their issuance, 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 Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents and of the legal conclusions contained in the opinions, referred to in the second and third paragraphs hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Bond Resolution, the Bond Declaration 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 interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Bond Resolution, the Bond Declaration 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. 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 Bonds 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 Bonds constitute the valid and binding general obligations of the Issuer.
2. The Bond Resolution was duly adopted by the Issuer, and constitutes the valid and binding obligation of, the Issuer.
3. The Issuer has pledged its full faith and credit and taxing powers to the payment of the principal of and interest on the Bonds. In addition, the Issuer has the power and is obligated to levy annually a direct *ad valorem* tax upon all of the taxable property within the boundaries of the Issuer in an amount that is sufficient, when added to other amounts available, to pay the principal of and interest on the Bonds.
4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of Oregon personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX D
FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

CITY OF WEST LINN, OREGON GENERAL OBLIGATION BONDS SERIES 2018

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 General Obligation Bonds, Series 2018 (the “Bonds”). The Bonds are being issued pursuant to Resolution No. 2018-15 adopted by the City Council of the City on June 25, 2018 (the “Resolution”). 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 Bonds 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 Resolution, 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 Bonds (including persons holding Bonds 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 August [], 2018, prepared and distributed in connection with the initial sale of the Bonds.

“Owner” shall mean the person in whose name the Bonds are registered.

“Participating Underwriter” shall mean the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“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, 2018, 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 Bonds 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 Bonds 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 Bonds, 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 Bonds or other material events affecting the tax status of the Bonds;
- (2) Modifications to rights of Bond holders;
- (3) Optional, unscheduled or contingent Bond calls;

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

(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 Bonds pursuant to the Resolution.

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 Bonds. If such termination occurs prior to the final maturity of the Bonds, 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 Bonds, 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 Bonds, 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 Bonds.

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 Bonds 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 Bonds, and shall create no rights in any other person or entity.

Date: August [], 2018.

CITY OF WEST LINN, OREGON

By: _____
Lauren Breithaupt
Finance Director

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: \$[_____] City of West Linn, General Obligation Bonds,
Series 2018

Date of Issuance: August [], 2018

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds 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 _____

APPENDIX E BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds 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 certificate will be issued for each series of the Bonds, each in the aggregate principal amount of such series, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2018 Bond (“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 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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.

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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents relating to the Bonds. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds 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 Certificate Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a series 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments represented by the Bonds 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 the City or the Paying 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, the Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying 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.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the

event that a successor depository is not obtained, certificates are required to be printed and delivered.

To the extent permitted by law, the City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC.

THE ABOVE INFORMATION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE CITY BELIEVES TO BE RELIABLE, BUT THE CITY TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF. NEITHER THE CITY NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES OR BENEFICIAL OWNERS WITH RESPECT TO DTC'S RECORD KEEPING, PAYMENTS BY DTC OR PARTICIPANTS, NOTICES TO BE DELIVERED BY DTC, OR ANY OTHER ACTION TAKEN BY DTC AS REGISTERED OWNER OF THE Bonds.

So long as Cede & Co. is the registered owner of the Bonds, as nominee for DTC, references herein to the holders or registered owners of the Bonds (other than under the caption "TAX MATTERS") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Bonds. When reference is made to any action, which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given the City or the Paying Agent shall send them to DTC only.

For every transfer and exchange of the Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.