

Moody's Rating: Aa3
 Standard & Poor's Rating: AA-
 (See "Ratings" herein)

**New Issue – Competitive Sale
 Book-Entry Only**

In the opinion of Preston Gates & Ellis LLP, Bond Counsel, under existing law and assuming compliance by the City with certain tax covenants described herein, interest on the 1999 Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of determining the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the 1999 Bonds is exempt from present personal income tax imposed by the State of Oregon. The City has designated the 1999 Bonds as "qualified tax-exempt obligations" as defined in Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). See "Tax Exemption" herein for a description of this designation.

\$3,600,000
City of West Linn
Clackamas County, Oregon
General Obligation Bonds, Series 1999

DATED: October 1, 1999

DUE: January 1, as shown below

The 1999 Bonds will be issued as fully registered bonds in denominations of \$5,000, or integral multiples thereof, and will be registered in the name of Cede & Co., as bond owner and nominee for The Depository Trust Company ("DTC"). DTC will act as securities depository for the 1999 Bonds. Purchasers will not receive certificates representing their interest in the 1999 Bonds purchased. Interest on the 1999 Bonds will be paid on July 1, 2000 and semiannually thereafter on January 1 and July 1 of each year to the maturity or earlier redemption of the 1999 Bonds. The principal of and interest on the 1999 Bonds will be payable by the City's Paying Agent, currently U.S. Bank Trust National Association, Portland, Oregon, to DTC which, in turn, will remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the 1999 Bonds. The DTC Participants shall credit interest on the 1999 Bonds to the Owners. Principal of and interest on the 1999 Bonds will be payable to the persons in whose names such 1999 Bonds are registered, at the address appearing upon the registration books on the 15th day of the month preceding a payment date.

<u>Due</u>	<u>Amounts</u>	<u>Interest Rates</u>	<u>Price or Yields</u>	<u>Due</u>	<u>Amounts</u>	<u>Interest Rates</u>	<u>Price or Yields</u>
2001	\$ 70,000	4.25%	4.10%	2010	\$180,000	5.00%	5.00%
2002	120,000	4.25	4.20	2011	190,000	5.00	5.05
2003	130,000	4.30	4.33	2012	205,000	5.05	5.10
2004	135,000	4.40	4.43	2013	215,000	5.15	5.20
2005	140,000	4.50	4.55	2014	225,000	5.20	5.25
2006	150,000	4.60	4.65	2015	240,000	5.20	5.27
2007	155,000	4.70	4.75	2016	255,000	5.20	5.30
2008	165,000	4.80	4.85	2017	270,000	5.30	5.40
2009	170,000	4.85	4.90				

\$585,000 5.45% Term Bond due January 1, 2019 @ 5.50%
 (Plus accrued interest from the Dated Date)

The 1999 Bonds are subject to redemption prior to their stated maturities as further described herein.

The City has designated the 1999 Bonds as "qualified tax-exempt obligations" for banks, thrift institutions and other financial institutions. See "Tax Exemption" herein for a discussion of this designation.

The 1999 Bonds constitute valid and legally binding obligations of the City. The full faith and credit of the City is pledged for the punctual payment of the principal of and interest on the 1999 Bonds. The City has pledged and is obligated by law to provide for the levy and collection annually of ad valorem taxes without limitation as to rate or amount on all taxable property in the City to pay the principal of and interest on the 1999 Bonds. The 1999 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 1999 Bonds were sold to U.S. Bancorp Piper Jaffray pursuant to a competitive sale held at 10:00 a.m. (PDT) on September 28, 1999, as further described in the Notice of Sale attached hereto.

The 1999 Bonds are offered for sale to the original purchaser subject to the final approving legal opinion of Preston Gates & Ellis LLP, Portland, Oregon ("Bond Counsel"). It is expected that the 1999 Bonds will be available for delivery at the facilities of DTC in New York, New York on or about October 12, 1999.

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

Dated: September 28, 1999

City of West Linn, Oregon
22825 Willamette Drive
mailing address: PO Box 29
West Linn, Oregon 97068
(503) 657-0331

City Council

Jill Thorn
Dee Burch
Mike McFarland
Tom Neff
John Steele

Mayor
President
Councilor
Councilor
Councilor

Administration

Scott Burgess
William Gin

City Manager
Finance Director

Bond Counsel

Preston Gates & Ellis LLP
Portland, Oregon
(503) 228-3200

Financial Advisor

Seattle-Northwest Securities Corporation
Portland, Oregon
(503) 275-8300

Paying Agent

U.S. Bank Trust National Association
Portland, Oregon
(503) 275-5708

This Official Statement does not constitute an offer to sell the 1999 Bonds in any jurisdiction in which or to a person to whom it is unlawful to make such an offer. No dealer, salesperson or other person has been authorized by the City, the Financial Advisor or the Underwriter to give any information or to make any representations, other than those contained herein, in connection with the offering of the 1999 Bonds and, if given or made, such information or representations must not be relied upon. The information set forth herein has been obtained from sources which are believed to be current and reliable, but it is not guaranteed as to accuracy or completeness and it is not to be construed as a representation by the Financial Advisor or the Underwriter. Estimates and opinions are included and should not be interpreted as statements of fact. Summaries of documents do not purport to be complete statements of the provisions. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the City since the date hereof.

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Official Notice of Bond Sale

\$3,600,000
City of West Linn
Clackamas County, Oregon
General Obligation Bonds
Series 1999

NOTICE IS HEREBY GIVEN that sealed bids will be received on behalf of the City of West Linn, Clackamas County, Oregon (the "City"), for the purchase of its General Obligation Bonds, Series 1999 (the "Bonds"), until 10:00 o'clock a.m. (Pacific Time) on September 28, 1999, at the offices of Preston Gates & Ellis LLP, Bond Counsel, 1400 KOIN Center, 222 S.W. Columbia Street, Portland, Oregon 97201, at which time they will be publicly opened and announced.

The bids shall be considered and acted upon by the City within four hours.

ISSUE: The issue shall be in the aggregate principal amount of Three Million Six Hundred Thousand Dollars (\$3,600,000), consisting of registered Bonds in denominations of Five Thousand Dollars (\$5,000) or integral multiples thereof, all dated October 1, 1999.

BIDDING CONSTRAINTS: All bids must be for not less than all the Bonds hereby offered for sale, and for not less than ninety-nine percent (99%) of the par value thereof and accrued interest to the date of delivery. The maximum interest rate shall not exceed a true interest cost of seven percent (7%) per annum. Interest is payable semiannually on January 1 and July 1 of each year until maturity or prior redemption, commencing July 1, 2000. Bidders must specify the interest rate or rates which the Bonds hereby offered for sale shall bear. The bids shall comply with the following conditions: (1) each interest rate specified in any bid must be a multiple of 1/8th or 1/20th of one percent (1%); (2) no Bond shall bear more than one rate of interest; (3) each Bond shall bear interest from its date to its stated maturity date at the interest rate specified in the bid; (4) all Bonds maturing at any one time shall bear the same rate of interest; (5) no rate of interest may exceed six and fifty hundredths percent (6.5%); (6) the difference between the highest and lowest rate bid shall not exceed 3%; and (7) zero rates shall not be bid.

MATURITIES: The Bonds shall mature on January 1 of each year as follows:

<i>Date</i> <i>(January 1)</i>	<i>Amount</i>	<i>Date</i> <i>(January 1)</i>	<i>Amount</i>
2001	\$70,000	2011	\$190,000
2002	120,000	2012	205,000
2003	130,000	2013	215,000
2004	135,000	2014	225,000
2005	140,000	2015	240,000
2006	150,000	2016	255,000
2007	155,000	2017	270,000
2008	165,000	2018	285,000
2009	170,000	2019	300,000
2010	180,000		

OPTIONAL DESIGNATION OF TERM BONDS AND MANDATORY REDEMPTION: The successful bidder may designate one or more term Bonds, which consist of two or more consecutive maturities, which mature on the maturity date of the last of the consecutive maturities in an amount equal to the sum of the consecutive maturities, and which are subject to mandatory redemption at par and by lot in amounts equal to the consecutive maturities which were combined into term Bonds.

Section 1.1. OPTIONAL REDEMPTION: The Bonds shall be subject to redemption, in whole or in part, at the option of the City, on January 1, 2009 and on any business day thereafter at par plus accrued interest to the date of redemption upon prior written notice as hereinafter provided.

NOTICE OF REDEMPTION: Notice of any call for redemption, unless waived by the holders of the Bonds to be redeemed, shall be given as required by the Blanket Issuer Letter of Representations to The Depository Trust Company or shall be mailed not less than thirty days and not more than sixty days prior to such call to the registered owners of the Bonds, and otherwise given as required by the authorizing Bond Resolution and by law; however, any failure to give notice shall not invalidate the redemption of the Bonds. All Bonds called for redemption shall cease to bear interest from the date designated in the notice.

BOOK ENTRY ONLY: The Bonds are to be issued in registered, book-entry form only and all bidders of the Bonds must be participants of The Depository Trust Company, New York, New York, or affiliated with its participants. The certificates will be on deposit with The Depository Trust Company. The Depository Trust Company will be responsible for maintaining a book-entry system for recording the interest of its participants for the transfer of the interests among its participants. The participants will be responsible for maintaining records regarding the beneficial ownership interest in the Bonds on behalf of the individual purchasers. Individual purchases may be made in the principal amount of \$5,000, or any multiple thereof through book entries made on the books and records of The Depository Trust Company and its participants.

REGISTRATION: The Bonds will be issued in fully registered form, and may be exchanged at the expense of the City for similar Bonds of different authorized denominations. Bonds may not be converted to bearer form.

PAYMENT: Principal and interest are payable, either at maturity or upon earlier redemption, by check or draft through the principal corporate trust office of the registrar and paying agent of the City, which is U.S. Bank National Association, in Portland, Oregon.

PURPOSE: The Bonds are being issued to acquire, construct and reconstruct park and recreational facilities and pay all costs related thereto, and to pay all costs incidental thereto. The Bonds were authorized at a special election held within the City on November 3, 1998.

SECURITY: The Bonds are general obligations of the City. The City has covenanted to levy an ad valorem tax annually without limit as to rate or amount, which, with other available funds, will be sufficient to pay Bond principal and interest as they come due.

BOND INSURANCE: Application will be made for qualification of the Bonds for debt service insurance. If the Bonds qualify for municipal bond insurance, any purchase of such policy shall be at the sole option and expense of the bidder. Failure of the Bonds to be so insured or of any such policy to be issued shall not in any manner relieve the successful bidder of its contractual obligations arising from the acceptance of its proposal for the purchase of the Bonds.

LEGAL OPINION: The approving opinion of Preston Gates & Ellis LLP, Bond Counsel, of Portland, Oregon, will be provided at no cost to the purchaser.

TAX-EXEMPT STATUS: In the opinion of Bond Counsel, under existing law and conditioned on the City complying with certain covenants relating to the tax-exempt status of the Bonds, interest on the Bonds is excluded from gross income for federal income tax purposes (except for certain taxes on corporations). The Bonds are not "private activity bonds" under Section 141 of the Internal Revenue Code of 1986, as amended (the "Code").

In the opinion of Bond Counsel, the interest on the Bonds is exempt from personal income taxation by the State of Oregon under present state law.

Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the Bonds.

CERTIFICATE REGARDING ISSUE PRICE: To provide the City with information required to enable it to comply with certain conditions of the Code relating to the exclusion of the interest on the Bonds from the gross income of their owners, the successful bidder will be required to complete, execute and deliver to Bond Counsel (on or before three business days prior to the date of delivery of the Bonds) a certification provided by Bond Counsel as to the "issue price" of each maturity of the Bonds. In the event the successful bidder has (1) purchased the Bonds for its own portfolio without intention to resell the Bonds, or (2) made a bona fide private placement of the Bonds, such certificate may be modified in a manner provided by Bond Counsel. Each bidder, by submitting its bid, agrees to complete, execute and deliver such a certificate, if its bid is accepted by the City. In addition, the successful bidder shall provide the City's financial advisor, Seattle-Northwest Securities Corporation, with the reoffering prices and yields within twenty-four hours after award of the bid. The reoffering prices and yields so provided will be printed on the cover of the final official statement. Failure to provide the reoffering prices and yields, or the certificate

satisfactory to Bond Counsel, may result in cancellation of the sale and forfeiture of the successful bidder's good faith deposit.

DELIVERY: Closing will occur in Portland, Oregon. Delivery of the Bonds will be made, at no cost to the purchaser, to The Depository Trust Company, New York, New York, on or about October 12, 1999. Payment for the Bonds must be made in funds immediately available.

BEST BID: The Bonds will be awarded to the responsible bidder whose proposal will result in the lowest true interest cost to the City. True interest cost will be determined by doubling the semiannual interest rate necessary to discount the debt service to October 1, 1999, and the price bid for the Bonds. Each bidder is requested to supply the total interest cost and the true interest cost that the City will pay upon the issue if the bid is accepted. The purchaser must pay accrued interest, computed on a 360-day basis, from the date of the Bonds to the date of delivery.

FORM OF BID: Bids must be for all Bonds, and for not less than the minimum bid price, plus accrued interest to the date of delivery. Each bid must be signed and may be submitted on the optional bid form enclosed in the preliminary official statement. Bids may be telecopied or delivered to the City in care of its Bond Counsel, Preston Gates & Ellis LLP, attention Margo Sharp, at fax number 503-248-9085 (confirmation number 503-226-5764). Bids which are delivered must be enclosed in a sealed envelope addressed to the City, which is clearly marked as a proposal for the Bonds. The City requests that any firm planning to telecopy a bid contact the City's Financial Advisor at 503-275-8304 at least one business day prior to the sale. Bidders electing to telecopy bids bear all risk of failure of the bid to be received by Bond Counsel in a timely manner, and any inaccuracies that result from lack of clarity in the telecopied bid which Bond Counsel receives.

GOOD FAITH DEPOSIT - CHECK OR FINANCIAL SURETY BOND: Each bid must be accompanied by a good faith deposit in the amount of Seventy-Two Thousand Dollars (\$72,000.00). The good faith deposit must be in the form of a certified or cashier's check drawn on a bank doing business in the State of Oregon or a financial surety bond and payable to the order of the City. The good faith deposit will be held by the City as security against any loss resulting from the failure of the bidder to comply with the terms of its bid. The good faith deposit will be forfeited to the City as liquidated damages in case the bidder to whom the Bonds are awarded withdraws its bid or fails to complete its purchase of the Bonds in accordance with the terms thereof, including any failure to purchase the Bonds resulting from the inability of the bidder to secure delivery of an insurance policy submitted as part of its bid for the purchase of the Bonds.

If a check is used as good faith deposit, the check must accompany the bid. If a financial surety bond is used as the good faith deposit, such financial surety bond must be submitted to the City prior to the opening of the bids. The issuer of the financial surety bond must be rated in the highest rating category by Moody's Investors Service, Inc., by Standard & Poor's Corporation, or by Fitch Investors Service, Inc., and must identify the bidder whose good faith deposit is guaranteed by such financial surety bond. If the Bonds are awarded to a bidder utilizing a financial surety bond as the good faith deposit, then not later than 2:00 p.m. (Pacific Time) on September 29, 1999 the successful bidder must send by electronic wire transfer to such account as the City shall specify, immediately available funds in an amount equal to the good faith deposit. If such wire transfer is not received from the successful bidder by 2:00 p.m. on September 29, 1999 the financial surety bond may be immediately drawn upon by the City to satisfy the good faith deposit requirement.

The City reserves the right to cash the good faith deposit check of the successful bidder, or to retain any good faith deposit delivered by electronic wire transfer, immediately upon receipt thereof by the City. The City shall be entitled to retain for the sole and exclusive use and benefit of the City all investment earnings derived from the good faith deposit prior to the delivery of the Bonds, and in no event shall the successful bidder be entitled to any such investment earnings (whether by means of a credit or otherwise).

Upon delivery of the Bonds, the successful bidder will receive a credit against the purchase price of the Bonds in an amount equal to the good faith deposit. Checks representing the good faith deposits of the unsuccessful bidders will be promptly returned by the City.

BANK QUALIFIED: The City has designated the Bonds as “qualified tax-exempt obligations” pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

RIGHT OF REJECTION: The City reserves the right to reject any or all bids, and to waive any irregularities.

OFFICIAL STATEMENT AND FURTHER INFORMATION: Further information and a preliminary official statement relating to the Bonds will be provided upon request to its financial advisor, Seattle-Northwest Securities Corporation, telephone 503-275-8304.

COMPLIANCE WITH SEC RULES: The City agrees to provide the successful bidder for the Bonds with sufficient copies of the official statement for the Bonds to comply with federal regulations, in a form “deemed final” by the City at the expense of the City, and such additional copies as the successful bidder may request in its bid form at the expense of the bidder, not later than the seventh business day following the date on which bids are due. Bidders should expect that the official statements will not be available prior to the seventh business day following the date on which bids are due, and should not issue confirmations which request payment prior to that date. This provision will constitute a contract with the successful bidder upon acceptance of its bid by the City, in compliance with Section 240.15c2-12(b)(3) in Chapter II of Title 17 of the Code of Federal Regulations.

The City further covenants and agrees to enter into a written agreement or contract, constituting an undertaking to provide ongoing disclosure about the City, for the benefit of the Bondholders on or before the date of delivery of the Bonds as required by Section (b)(5)(i) of Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”), which undertaking shall be a part of the Resolution and in the form as summarized in the Preliminary Official Statement, with such changes as may be agreed to in writing by the purchaser. The City is in full compliance with each and every undertaking previously entered into by it pursuant to the Rule.

POTENTIAL BID: The financial advisor may submit a bid or participate in a bidding syndicate.

CUSIP: CUSIP numbers will be imprinted upon all Bonds of this issue at the City's expense. Failure to print, or improperly imprinted numbers will not constitute basis for the purchaser to refuse to accept delivery.

NO LITIGATION: At the time of payment for the delivery of said Bonds, the City will furnish the successful bidder a certificate that there is no litigation pending affecting the validity of the Bonds.

FURTHER INFORMATION: Additional information regarding the City and this sale may be obtained from William Gin, Finance Director, City of West Linn 2042 Eighth Avenue, West Linn, Oregon 97068, telephone 503-656-4261.

City Manager
City of West Linn, Clackamas County, Oregon

OFFICIAL STATEMENT

City of West Linn Clackamas County, Oregon

\$3,600,000 General Obligation Bonds, Series 1999

City of West Linn, Clackamas County, Oregon (the "City" and the "County," respectively), a municipal corporation duly organized and existing under and by virtue of the laws of the State of Oregon (the "State") furnishes this Official Statement in connection with the offering of \$3,600,000 aggregate principal amount of General Obligation Bonds, Series 1999, dated October 1, 1999 (the "1999 Bonds"). This Official Statement, which includes the cover page, Notice of Sale, bid form and appendices, provides information concerning the City and the 1999 Bonds.

Description of the 1999 Bonds

Principal Amount, Date, Interest Rates and Maturities

The 1999 Bonds will be issued in the aggregate principal amount of \$3,600,000 and will be dated and bear interest from October 1, 1999. The 1999 Bonds will mature on the dates and in the principal amounts and will bear interest (payable semiannually on January 1 and July 1, first interest payable July 1, 2000) until the maturity or earlier redemption of the 1999 Bonds at the rates set forth on the cover of this Official Statement. Interest on the 1999 Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Redemption Provisions

Optional Redemption. The 1999 Bonds maturing in years 2000 through 2009, inclusive, are not subject to redemption prior to maturity. The 1999 Bonds maturing on and after January 1, 2010 are subject to redemption at the option of the City, in whole or in part on any date, on and after January 1, 2009 at the price of par, plus accrued interest, if any, to the date of redemption.

Mandatory Redemption. If not previously redeemed as described above, the Term Bonds due on January 1, 2019 will be called for redemption (in such manner as the Bond Registrar will determine) at a price of par, plus accrued interest on the date of redemption, on January 1 in the years and amounts as follows:

<u>Years</u>	<u>Amounts</u>
2018	\$285,000
2019	300,000

Notice of Redemption (DTC). So long as the 1999 Bonds are in book-entry only form, the Paying Agent shall notify DTC of an early redemption not less than 30 days prior to the date fixed for redemption, and shall provide such information as required by a letter of representation submitted to DTC in connection with the issuance of the 1999 Bonds.

Notice of Redemption (No DTC). During any period in which the 1999 Bonds are not in book-entry only form, unless waived by any Owner of the 1999 Bonds to be redeemed, official notice of any redemption of 1999 Bonds shall be given by the Paying Agent on behalf of the City by mailing a copy of an official redemption notice 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 1999 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.

Paying Agent and Registration Features

The 1999 Bonds will be issued as fully registered bonds and, when issued, will be registered in the name of CEDE & Co. as Bond Owner and as nominee for The Depository Trust Company ("DTC"), New York, New

York. DTC will act as securities depository for the 1999 Bonds. Individual purchases and sales of the 1999 Bonds may be made in book-entry form only in minimum denominations of \$5,000 within a single maturity and integral multiples thereof. Purchasers (“Beneficial Owners”) will not receive certificates representing their interest in the 1999 Bonds.

The principal of and interest on the 1999 Bonds will be payable by the City’s “Paying Agent”, currently U.S. Bank Trust National Association, Portland, Oregon, or such other or additional offices as may be specified to the City by the Paying Agent, to DTC, which, in turn, is obligated to remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners of the 1999 Bonds, as further described in Appendix C attached hereto. Interest on the 1999 Bonds shall be credited to the Beneficial Owners by the DTC Participants.

Year 2000 Compliance. Some computer hardware and software contain design flaws which only recognize 2-digit codes for years and will, by default, code the upcoming year 2000 as 1900 (the “Year 2000” problem). U.S. Bank, as Paying Agent for the 1999 Bonds, has financial, technical and staffing resources dedicated to addressing the Year 2000 issue. U.S. Bank is on schedule to be ready for Year 2000 with evaluation, replacement and renovation of critical systems virtually complete. U.S. Bank is currently working with DTC to validate and demonstrate Year 2000 readiness. It is also working with its critical vendors and service providers to assess their Year 2000 status. For more information regarding U.S. Bank’s Year 2000 efforts, please visit its web site at www.usbank.com.

Book-Entry Bonds

DTC will act as securities depository for the 1999 Bonds. The ownership of one fully registered bond for each maturity of the 1999 Bonds, as set forth on the cover of this Official Statement, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC. See Appendix C attached hereto for additional information.

Procedure in the Event of Revisions of Book-Entry Transfer System. If DTC resigns as the securities depository and the City is unable to retain a qualified successor to DTC, or the City has determined that it is in the best interest of the City not to continue the book-entry system of transfer or that interests of the Beneficial Owners of the 1999 Bonds might be adversely affected if the book-entry system of transfer is continued, the City will execute, authenticate and deliver at no cost to the Beneficial Owners of the 1999 Bonds or their nominees, 1999 Bonds in fully registered form, in the denomination of \$5,000 or any integral multiple thereof within a maturity. Thereafter, the principal of the 1999 Bonds will be payable upon due presentment and surrender thereof at the principal office of the Bond Registrar; interest on the 1999 Bonds will be payable by check or draft mailed or by wire transfer (wire transfer will be made only if so requested in writing and if the registered owner owns at least \$1,000,000 par value of the 1999 Bonds) to the persons in whose names such 1999 Bonds are registered, at the address appearing upon the registration books on the 15th day of the month preceding an interest payment date, and the 1999 Bonds will be transferable as provided in the Resolution (defined below).

Authorization for Issuance

Voters within the City approved issuance of \$8 million of general obligation bonds for park and recreation purposes (see “Purpose” herein) at the November 3, 1998 general election. The voter-approved bonds will be issued in two series: a \$4,400,000 issue of 1998 Bonds, and the remaining \$3,600,000 of 1999 Bonds (collectively referred to as the “Bonds”).

Under, and in accordance with the laws and provisions of the State of Oregon, the 1999 Bonds are issued pursuant to a resolution of the City Council of the City adopted September 13, 1999. On November 3, 1998, the City voters approved the ballot measure for the issuance of the 1999 Bonds as follows:

Voter Tally		
	<u>Number</u>	<u>Percent</u>
Yes	3,966	51.4%
No	3,750	48.6%

Article XI, Section 11 of the Oregon Constitution, requires that for “new or additional ad valorem property taxes” approval must be by not less than 50 percent of voters voting in a general election in an even-numbered year.

The ballot measure for the Bonds states that the Bonds will mature over a period not to exceed 20 years.

Purpose and Use of Proceeds

Purpose

The proceeds from the 1999 Bonds (see “Authorization” herein) will be used to acquire and develop property for parks and recreational purposes and to pay the costs of issuance of the 1999 Bonds. Specifically, the City plans to use proceeds from the Bonds to: (1) acquire approximately 70 acres of property in various areas of the City for parks and recreational purposes, including at least five acres for an aquatics/community center site; (2) conduct an aquatics/community center feasibility study; (3) develop parks, trails and athletic fields; and (4) contribute \$200,000 to the cost of constructing a senior center, in combination with \$435,000 available through grants and donations.

Park System Development Charges will be used to provide funds for improving the new park sites acquired with the Bond proceeds.

Sources and Uses of Funds

The proceeds of the 1999 Bonds (less accrued interest) are estimated to be applied as follows:

Sources of Funds

Par Amount of 1999 Bonds	<u>\$ 3,600,000</u>
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Uses of Funds

Project Requirements	\$ 3,542,549
Discount and Costs of Issuance	<u>57,451</u>
Total Uses of Funds	<u>\$ 3,600,000</u>

Security for the 1999 Bonds

General

The 1999 Bonds are general obligations of the City and the full faith and credit of the City is pledged for the punctual payment of the principal of and interest on the 1999 Bonds. The 1999 Bonds are secured by general ad valorem taxes to be levied against all taxable property within the City without limitation as to rate or amount. More specifically, for the purpose of paying principal of and interest on the 1999 Bonds as the same shall become due, the City will levy on all taxable property located within the City, in addition to all other taxes, direct annual taxes which, together with other available funds, shall be sufficient in amount to provide for the timely payment of principal of and interest on the 1999 Bonds. The taxes, when collected, are required to be applied solely for the purpose of payment of principal of and interest on the 1999 Bonds and for no other purpose until the 1999 Bonds shall have been fully paid, satisfied and discharged.

The City’s Resolution authorizing the issuance of the 1999 Bonds states that taxes levied to pay the 1999 Bonds will be levied outside the limitations imposed by Article XI, Sections 11 and 11b of the Oregon Constitution. (See “Property Tax Administration” herein.)

Payment of the principal of and interest on the 1999 Bonds when due may be insured by a municipal bond insurance policy simultaneously with the delivery of the 1999 Bonds. Acquisition of insurance will be at the option of the purchaser of the 1999 Bonds.

The 1999 Bonds do not constitute a debt or indebtedness of Clackamas County, the State, or any political subdivision thereof other than the City.

Ratings

As noted on the cover page of this Official Statement, the City received “Aa3” and “AA-“ ratings for the 1999 Bonds from Moody’s Investors Service and Standard & Poor’s Ratings Service, a Division of The McGraw-Hill Companies. The ratings reflect only the views of each rating agency and an explanation of the significance of the ratings may be obtained from the rating agency. There is no assurance that the rating will be retained for any given period of time or that the ratings will not be revised downward or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the ratings will be likely to have an adverse effect on the market price of the 1999 Bonds.

Bonded Indebtedness

General Obligation Debt Limitation

ORS Chapter 287 limits the amount of 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. A lower limit may be applied by the city’s charter. This statutory limitation does not apply to general obligation bonds issued for water, sanitary or storm sewers, sewage disposal plants, hospitals, infirmaries, gas power, or lighting purposes, or the acquisition, establishment, or reconstruction of any off-street motor vehicle parking facility nor to bonds issued pursuant to application to pay assessments for improvements in installments under statutory or charter authority (“Bancroft Bonds”) which are completely self-supporting. The 1999 Bonds are not excluded from this debt limitation.

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

General Obligation Debt Capacity As of October 1, 1999

The following table shows the debt capacity of the City.

Real Market Value (1998–99)	<u>\$1,799,640,840</u>
General Obligation Debt Capacity (3% of Real Market Value)	\$ 53,989,225
Less: Outstanding Debt subject to limit (includes this issue)	<u>(8,675,000)</u>
Remaining Legal Debt Capacity	<u>\$ 45,314,225</u>

Source: Clackamas County Assessor’s Office

Outstanding Long-Term Debt (As of October 1, 1999)

<u>General Obligation Bonds</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount Issued</u>	<u>Amount Outstanding*</u>
1993 Refunding	04/01/93	01/01/03	\$ 1,415,000	\$ 675,000
1998 GO	12/01/98	06/01/18	4,400,000	4,400,000
1999 GO	10/01/99	01/01/19	<u>3,600,000</u>	<u>3,600,000</u>
Bond Total			<u>\$ 9,415,000</u>	<u>\$ 8,675,000</u>

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

Source: City of West Linn

Short-Term Borrowing

ORS 288.165(3) requires that obligations issued in anticipation of taxes or other revenues 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. The City does not have any notes outstanding at this time.

Source: *City of West Linn Audited Financial Statements*

**General Obligation Bonds
Projected Debt Service Requirements**

Fiscal Year*	Outstanding General Obligation Bonds		Series 1999 Bonds		Total Debt Service
	Principal	Interest	Principal	Interest	
2000	\$ 270,000	\$ 313,676	\$ 0	\$ 0	\$ 583,676
2001	360,000	207,698	70,000	224,766	862,463
2002	385,000	192,323	120,000	176,838	874,160
2003	265,000	175,873	130,000	171,738	742,610
2004	185,000	164,678	135,000	166,148	650,825
2005	195,000	157,278	140,000	160,208	652,485
2006	200,000	149,478	150,000	153,908	653,385
2007	210,000	141,478	155,000	147,008	653,485
2008	220,000	132,973	165,000	139,723	657,695
2009	230,000	123,953	170,000	131,803	655,755
2010	240,000	114,293	180,000	123,558	657,850
2011	250,000	104,213	190,000	114,558	658,770
2012	260,000	93,463	205,000	105,058	663,520
2013	270,000	82,283	215,000	94,705	661,988
2014	280,000	70,538	225,000	83,633	659,170
2015	295,000	58,078	240,000	71,933	665,010
2016	305,000	44,655	255,000	59,453	664,108
2017	320,000	30,625	270,000	46,193	666,818
2018	335,000	15,745	285,000	31,883	667,628
2019	0	0	300,000	16,350	316,350
	<u>\$ 5,075,000</u>	<u>\$ 2,373,294</u>	<u>\$ 3,600,000</u>	<u>\$ 2,219,456</u>	<u>\$ 13,267,749</u>

* Fiscal years ending June 30.

**Summary of Overlapping Debt
(As of June 30, 1999)**

<u>Overlapping District</u>	<u>1997-98 Real Market Value</u>	<u>Percent Overlap</u>	<u>Overlapping</u>	
			<u>Gross Bonded Debt(1)</u>	<u>Net Direct Debt(2)</u>
Tri-City Service District	\$ 3,255,550,840	51.5144%	\$ 4,159,788	\$ 4,159,788
West Linn-Wilsonville Sch. Dist.	4,684,101,908	35.3251	35,491,128	35,491,128
Clackamas Community College	18,323,726,980	9.0302	703,001	703,001
Clackamas County	25,038,160,650	6.6981	39,184	39,184
Metro	86,745,138,968	1.9333	3,931,906	3,931,906
Tri-Metropolitan Transport	87,197,241,463	1.9233	3,131,709	3,131,709
Port of Portland	96,221,705,033	1.7429	348,649	348,649
Lake Oswego School District	4,275,734,326	0.5242	80,884	80,884
Portland Community College	66,300,555,218	0.0338	16,536	16,536
Total			<u>\$ 47,902,785</u>	<u>\$47,902,785</u>

(1) Gross Bonded Debt includes all bonds backed by a general obligation pledge including self-supporting general obligation bonds and limited tax debt.

(2) Net Direct Debt includes all unlimited tax-supported bonds. Self-supporting bonds are excluded.

Source: Debt Management Division, Oregon State Treasury

Net Direct and Overlapping Debt

The following tables present information regarding the City's direct debt (including the 1999 Bonds) and the estimated portion of the debt of overlapping taxing district allocated to the City's residents.

Real Market Valuation (1998-99) (1)	\$1,799,640,840
Assessed Valuation (1998-99) (1)	\$1,403,783,260
Estimated 1998-99 Population	21,405

Debt Information

Net Direct Debt (includes this issue) (2)	\$ 8,675,000
Estimated Net Overlapping Debt (as detailed further herein) (2)	<u>47,902,785</u>
Total Net Direct and Overlapping Debt	<u>\$ 56,577,785</u>

Bonded Debt Ratios

Net Direct Debt to Real Market Value	0.48%
Net Direct and Net Overlapping Debt to Real Market Value	3.14%
Per Capita Real Market Value	\$ 84,076
Per Capita Net Direct Debt	\$ 405
Per Capita Total Net Direct and Net Overlapping Debt	\$ 2,643

(1) The definition of Real Market Value and Assessed Value was changed by the 1997 Legislative Assembly. See "Measure 50" herein.

(2) Net Direct and Net Overlapping Debt includes all tax-supported bonds. Self-supporting bonds are excluded.

Debt Payment Record

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

Future Financings

Other than the 1999 Bonds, the City has no authorized but unissued bonds outstanding. The City currently intends to issue approximately \$1.4 million of water revenue bonds in 2000. It also intends to seek voter approval on the November 1999 ballot to issue \$3.9 million of general obligation bonds for library improvements.

Taxes and State Funding

Oregon cities, counties, schools and other special districts use property taxes to raise revenue to cover a portion of the expense of local government. The State of Oregon has the authority to levy property taxes, however the State has not levied property taxes since 1941 and obtains its revenue principally from income tax and lottery sources.

The Oregon Constitution places certain limits on property tax rates for general purposes. The Constitution does not limit property tax rates for general obligation bonds, such as the 1999 Bonds, for capital construction and improvements approved in accordance with voting requirements or used to refund certain outstanding general obligation bonds (see "Exempt Bonded Indebtedness" herein).

Measure 5

Article XI, Section 11b (commonly known as "Measure 5") of the Oregon Constitution contains various limitations on property taxes levied by local jurisdictions. Approved by the voters state-wide in November 1990, Measure 5 placed certain limits on property tax rates and made modifications to the system of property tax administration then in place. The limitations resulting from Measure 5 will remain in place despite the passage of Measure 50, (See "Measure 50" herein) which was designed as an addition to, rather than a replacement for, Measure 5.

The Constitution calls for taxes imposed upon property to be separated into two categories; one to fund the public school system and community colleges and one to fund government operations other than the public school system. Combined property tax rates for non-school government operations are limited to \$10.00 per \$1,000 of Real Market Value per county-assigned tax code area. Similarly, combined property tax rates for the public school system are limited to \$5 per \$1,000 RMV for each tax code area. **The City did not have any loss in fiscal year 1998-99 due to Measure 5 compression.**

Measure 5 does not limit property tax rates for general obligation bonds approved by a majority of the voters in accordance with certain requirements (see "Exempt Bonded Indebtedness" herein) or used to refund certain outstanding general obligation bonds. The 1999 Bonds qualify as exempt bonded indebtedness. The collection of property taxes for payment of debt service on the 1999 Bonds is not subject to the limits of Measure 5 or Measure 50.

The following tables present the 1998–99 tax rates for the City and other taxing jurisdictions within Clackamas County that overlap the City. The levy rates are calculated by dividing the tax levy by the assessed value (see “Measure 50” herein).

1998–99 Representative Levy Rate*
(Rates Per \$1,000 of Measure 50 Assessed Value)

	<u>Permanent Rate</u>	<u>Bond Levy Rate</u>	<u>Consolidated Rate</u>
<u>General Government</u>			
Vector Control	\$ 0.0065	\$ 0.0000	\$ 0.0065
Port of Portland	0.0700	0.0080	0.0780
City of West Linn	2.1200	0.1882	2.3082
City of West Linn Local Option Levy	1.5116	0.0000	1.5116
Clackamas County	2.4042	0.0000	2.4042
Metro Service District No. 2	0.0966	0.2676	0.3642
County Urban Renewal	0.1825	0.0000	0.1825
Tri-City Service District	0.0000	1.0016	1.0016
Tri-Met	0.0000	0.1526	0.1526
Total General Government	<u>6.3914</u>	<u>1.6180</u>	<u>8.0094</u>
<u>Education</u>			
Clackamas ESD	0.3687	0.0000	0.3687
Clackamas Community College	0.5582	0.0656	0.6238
West Linn-Wilsonville School District	<u>4.8684</u>	<u>3.3611</u>	<u>8.2295</u>
Total Education	<u>5.7953</u>	<u>3.4267</u>	<u>9.2220</u>
Total Tax Rate	<u>\$ 12.1867</u>	<u>\$ 5.0447</u>	<u>\$ 17.2314</u>

* Clackamas County Tax Code 003-002 for the City of West Linn with a 1998–99 assessed valuation of \$1,384,618,270.
Source: Clackamas County Department of Assessment & Taxation

Measure 50

Article XI, Section 11 (commonly known as “Measure 50”) of the Oregon Constitution was approved by Oregon voters at the state-wide special election ballot on May 20, 1997. Measure 50 repealed a previously approved property tax reduction measure known as Measure 47 (“Measure 47”) and replaced it with new ad valorem property tax limitations. Measure 50 retained, with certain modifications, many of Measure 47’s key features, including a reduction of property taxes and a limit on the growth in annual assessed valuation. Senate Bill 1215, which provided implementing language for Measure 50, was signed by the Governor on July 14, 1997. Specific provisions include:

“Rollback” Provisions. Measure 50 reduced property taxes imposed statewide by approximately 17 percent from fiscal year 1997–98 levels unless certain exemptions applied. (See “Exemptions” below.) Measure 50 also rolled back the “real market value” of each unit of property for the tax year 1997–98 to its 1995–96 value, less ten percent. This new value is deemed the jurisdiction’s “assessed value”. After the resulting tax levy and assessed value were determined, a “permanent tax rate,” representing the product of dividing the tax levy by the assessed value, was calculated. The new tax rates are set as the permanent constitutional rate limit for each jurisdiction and will be used to calculate future revenues. As a result of the establishment of permanent tax rates, the pre-existing levy based tax system has effectively been replaced by a rate based tax system.

Limitation on Growth Provisions. Measure 50 limits increases in the assessed valuation of each property to three percent per year for tax years after 1997–98, with special exemptions for property that is improved, rezoned, subdivided, or ceases to qualify for exemption. In combination with the fixed permanent rate, the limitation on

the growth in assessed value will limit the growth of taxes on individual properties to an average of three percent per year (excluding exempt levies—see below).

Exemptions.

- (1) *Exempt Bonded Indebtedness.* Bonds issued as general obligation bonds (or bonds to refund them) prior to the passage of Measure 5, in accordance with its provisions (see “Measure 5” herein), or in accordance with the capital construction and improvement definitions added under Measure 50 (see “Capital Construction and Improvements Definition” below) are in addition to the permanent rate of Measure 50 and are exempt from the limitations of Measure 5. Under Measures 5 and 50, taxes imposed to pay principal of and interest on bonded indebtedness are not subject to constitutional limits, provided such bonds are (1) authorized by a specific provision of the Oregon Constitution, or (2) incurred for capital construction or improvements (see “Capital Construction and Improvements” herein) and approved by the voters in accordance with applicable voting requirements. The 1999 Bonds will be incurred for capital construction or improvements approved by voters in accordance with applicable voting requirements.

Debt service on the 1999 Bonds will not be subject to the provisions of either Measure 50 or Measure 5.

- (2) *Certain Levies.* Operating and serial levies that were first imposed for the 1996–97 or 1997–98 tax years and received a majority of the votes from voters voting either (i) at a general election in an even numbered year, or (ii) at any other election in which not less than fifty percent of the registered voters eligible to vote on the question cast a ballot in an election held before March 15, 1997 are exempt from Measure 50’s initial “cut” and are added to the base. They are, however, subject to a “supplemental” average reduction of 1.4 percent. Other levies are included in the base for purposes of calculating the permanent rate but are subject to the 17 percent reduction. Still others are not subject to reduction, but are not included in calculating the permanent rate (see “Local Option Provisions” below).
- (3) A taxing district which supports a hospital facility through ad valorem property taxes shall be exempt from the reduction.

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

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

Capital Construction and Improvements Definition. Measure 50 narrows the definition of capital construction and improvements for which general obligation bonds may be issued and may be exempt from the limitations imposed thereunder and under Measure 5. Capital construction and improvements for which exempt bonded indebtedness can be authorized cannot include reasonably anticipated maintenance and repair items, or supplies and equipment which are not intrinsically a part of the structure, but may include public safety vehicles. ORS 310.140 defines capital construction and improvements to include all activities related to the construction, modification, replacement, repair, remodeling and renovation of structures which have a useful life of over one year; the acquisition of land, or legal interest in land, in conjunction with the capital construction of a structure; the acquisition and installation of machinery, equipment, furnishings and equipment which have a life over one year; and activities related to capital construction such as planning, design, studies, permits, and acquisition of financing. SB 1215 further modified this statute to include public safety and law enforcement vehicles with a useful life of five years or more and to exclude maintenance and repairs which may be deducted as an expense under the provisions of the Internal Revenue Code of 1986 and which do not add materially to the value of the property nor appreciably prolong its life; and supplies and equipment which are not intrinsic to the structure means those necessary to permit a structure to perform the functions for which it was constructed, or which upon installation constitute fixtures or would be subject to ad valorem taxation as real property if not owned by a government.

Education Replacement Mandate. Measure 50 requires the Legislative Assembly to replace revenues lost by the public school system because of this property tax limitation measure. Total State funding for the public school system during the 1997-99 biennium will reach \$4.2 billion with an addition of \$150 million provided by capital bonds approved by voters state-wide at the November 4, 1997 general election. These estimates are based on certain assumptions that may or may not hold true. Further, the State intends to sell \$56 million in lottery bonds approved by the 1999 State Legislature as part of the overall school funding package in April 2000, an additional \$56 million in August 2000 and the remainder, to the extent there is any, in April 2001.

Fees and Charges Provisions. Measure 50 also contains a prohibition on the increase of fees (except for school districts), taxes, assessments or other charges in the first year without voter approval as alternative funding sources to offset property tax reductions caused by the implementation of the Measure.

Property Tax Administration

Property tax administration, governed by the Oregon Constitution, the State's taxation laws and regulations of the Department of Revenue includes the processes of assessment, levy and collection of taxes. Implementing legislation for the new constitutional provisions of Measure 50 will substantially change current administrative approaches.

Valuation of Property—Assessment

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

Property subject to taxation includes all privately owned real property (land, buildings and improvements) and personal property (machinery, office furniture and equipment) for non-residential taxpayers. There is no property tax on household furnishings (exempt in 1913), personal belongings, automobiles (exempt in 1920), crops, orchards, business inventories or intangible property such as stocks, bonds or bank accounts, except for centrally assessed utilities, for which intangible personal property is subject to taxation. Property used for charitable, religious, fraternal and governmental purposes has been exempt and reductions in assessments have been granted (upon application) for veterans' homesteads farm and forestland, open space and historic buildings. The assessment roll, a listing of all taxable property, will, under Measure 50, be prepared as of January 1 of each year, moved from July 1.

Certain properties, such as utilities, are valued on the unitary valuation approach (ORS 308.505-308.660). Under the unitary valuation approach, the taxpaying entity's operating system is defined and a value is assigned for the operating unit using the market value approach (cost, market value and income appraisals). Values are then allocated to the entities' operations in Oregon, then to each county the entity operates in, and finally to site locations.

Ballot Measure 50 resets "assessed value" for purposes of property tax levies beginning in fiscal year 1997-98. See "Measure 50" herein.

Tax Levy

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

The Western Oregon Severance Tax

Before 1978, private owners of timber in western Oregon paid a yearly ad valorem property tax on the value of both their forest land and the timber on it. In 1978, the Oregon Legislature repealed the tax on timber and replaced it with the Western Oregon Severance Tax ("WOST"). Under the WOST system, owners of private timber pay an annual property tax on the land and a tax on the timber only when it is harvested. Under both

systems, taxes are returned to local taxing districts. Taxes due under WOST are paid to the Oregon Department of Revenue (the "Department"), generally each quarter.

Before 1991 (Measure 5), severance taxes were directly used to reduce ("offset") property taxes. Although Measure 5 did not technically repeal the offset, its practical result was to make severance taxes revenue to most school districts while continuing the property tax reductions of most other districts. This treatment was formally incorporated into law by Measure 50 beginning in 1997-98. Measure 50 also rolled back and limited the growth of timber land values to three percent per year like other property.

The 19 western Oregon counties under WOST are Benton, Clackamas, Clatsop, Columbia, Coos, Curry, Douglas, Hood River, Jackson, Josephine, Lane, Lincoln, Linn, Marion, Multnomah, Polk, Tillamook, Washington, and Yamhill. A similar program covers the counties of eastern Oregon.

Strategic Investments Program

The Strategic Investments Program ("SIP") was authorized by the Legislature in 1993 to provide tax incentives for capital intensive investments by firms in Oregon's key industries, particularly in the high technology and metals industries. SIP recipients receive a tax break on the assessed value of new construction over \$100 million for 15 years. The \$100 million cap on assessed value increases by six percent per year. SIP recipients pay an annual Community Service Fee which is equal to one-fourth of the value of the tax break and which is allocated to local governments. Allocation is determined by negotiation of the local governments. The Community Service Fee is not considered a property tax and thus is outside of the Constitutional property tax rate limitations.

Property Tax Collections

Oregon Revised Statutes Chapter 311 requires that all tax levy revenues collected by a county for all taxing units within the county be placed in an unsegregated pool, and each taxing unit shares in the pool in the same proportion as its levy bears to the total of all taxes levied by all taxing units within the county. As a result, the tax collection record of each taxing unit is a pro-rata share of the total tax collection record of all taxing units within the county combined.

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

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

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

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

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

<u>Fiscal Year</u>	<u>Total Real Market Value</u>	<u>Assessed Value</u>	<u>Percentage</u>
1999	\$1,799,640,840	\$1,403,783,260	78.0%
1998	1,677,077,140	1,310,447,470	78.1
1997	1,523,490,300	1,523,490,300	100.0
1996	1,357,912,910	1,357,912,910	100.0
1995	1,177,065,060	1,177,065,060	100.0
1994	1,063,205,220	1,063,205,220	100.0

Tax Collection Record

<u>Collection Year</u>	<u>Year of Levy</u>	<u>As of 06/30/99</u>
1999	93.83%	93.83%
1998	93.89	96.03
1997	93.59	96.32
1996	93.65	96.71
1995	93.08	96.97
1994	92.91	97.10

Percentage of total tax levy collected. Pre-payment discounts are considered to be collected when outstanding taxes are calculated.

Source: Clackamas County Department of Assessment & Taxation

**Major Taxpayers
(As of 1998-99)**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Measure 50 Assessed Value</u>	<u>Percentage of Assessed Value</u>	<u>Tax</u>
Portland General Electric Co.	Utility	\$ 14,387,600	1.02%	\$ 247,858
West Linn Paper Prop Co.	Manufacturing	10,915,020	0.78	179,982
Deerpoin/ Linnwood Partners	Apartments	7,801,530	0.56	134,431
Northwest Natural Gas Co.	Utility	6,443,000	0.46	106,752
Simpson Housing Ltd. Partnership	Housing	4,916,410	0.35	84,717
Bean Terrence P 7.81%	NA	4,207,180	0.30	72,496
West E A Family LLC	Property Development	4,072,500	0.29	70,175
West Linn Paper Co.	Manufacturing	4,032,610	0.29	66,280
Dejardin Family LTD Partnership	Property Development	3,782,910	0.27	65,185
Hidden Springs LTD Partnership	Property Development	3,277,550	0.23	56,477
Subtotal – ten of the City’s largest taxpayers		63,836,310	4.55	
All other City taxpayers in Clackamas County		<u>1,339,946,950</u>	<u>95.45</u>	
Total City taxpayers		<u>\$1,403,783,260</u>	<u>100.00%</u>	

Source: Clackamas County Department of Assessment & Taxation

The City

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

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

City Council

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

<u>Council Member</u>	<u>Occupation</u>	<u>Term Expires</u>
Jill Thorn, Mayor	Office Manager/Computer Programmer	12/31/00
Dee Burch, Council President	Engineer/ Business Manager	12/31/00
Mike McFarland	BPA Public Utility Specialist	12/31/00
Tom Neff	Retired	12/31/00
John Steele	Computer System Analyst	12/31/00

Key Administrative Officials

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

Scott Burgess, City Manager. Mr. Burgess has been with the City since August, 1993, when, as a management consultant, he was hired as the City's Interim City Manager. He was then hired by the City Council on a permanent basis in February 1994. Prior to his experience as a consultant, Mr. Burgess was the executive director of the Alaska Municipal League for over eight years. Mr. Burgess received his B.C.P. (City Planning) from the University of Virginia in 1973 and his M.P.A. from Portland State University in 1982.

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

The City's administrative offices are located at 22825 Willamette Drive, West Linn, Oregon. The telephone number is (503) 657-0331.

Employees

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

<u>Collective Bargaining Unit</u>	<u>Employees</u>	<u>Contract Expires</u>
Clackamas County Peace Officers Association	22	3 years; June 30, 2000
American Federation of State, County and Municipal Employees	55	5 years; June 30, 2002

Union contracts are negotiated by the Director of Human Resources, approved by the City Manager and adopted by the City Council at the recommendation of the City Manager.

City Financial Factors

Budgetary Process and Controls

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

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

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

Financial Reporting

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

Independent Audit Requirement

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

The City audits for the fiscal years ended June 30, 1995 through 1998 were performed by Pauly, Rogers and Co., P.C., CPAs, Tigard, Oregon; prior audits were performed by Coopers and Lybrand L.L.P., Portland, Oregon. The audit reports indicate the financial statements fairly present the City's financial condition and are in conformance with generally accepted accounting principles applied on a consistent basis. by Pauly, Rogers and Co., P.C. was not requested to review this Official Statement and has not completed any additional auditing review procedures subsequent to the issuance of their report on the 1997-98 fiscal year.

A copy of the City's general purpose financial statements for fiscal year 1997-98 is attached hereto as Appendix B.

Pension Plan

The City participates in the State of Oregon Public Employees' Retirement System ("PERS"), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for governmental units in the State of Oregon. All participating employees of the City are covered by the plan after six months of employment. The plan is a defined benefit plan to which both the City and the employee contribute. The rate of employee contribution is established by law. The rate of employer contribution is set by the Public Employees' Retirement Board, based upon actuarial valuations.

The Oregon Public Employees Retirement System collects contributions from both employers and employees for the purpose of funding retirement benefits. The system at June 30, 1998, covered approximately 185,394 state and local government Oregon employees and 75,326 retired employee-beneficiaries. The system is administered by the Oregon Public Employees' Retirement Board.

Employee contributions and employer contributions are collected and used to fund a full formula pension retirement allowance. The pension is based on a statutory formula and is set according to employee's final

average salary and term of service. Such pensions are paid exclusively out of interest and principal accumulations from member and employer contributions.

The following figures (represented in millions) are as of June 30, 1998 (audited):

	<u>1998</u>	<u>1997</u>
Total system assets	\$ 35,484.8	\$ 31,166.7
Total system benefit and refund payments made	1,627.6	915.5
Total employer contributions	492.0	461.8
Total employee contributions	322.4	303.7
Total system investment income	4,847.1	4,829.3

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

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

The 1995 Legislature enacted Chapter 654, Section 3, Oregon Laws 1995 which has been codified into ORS 238.435. This legislation created a second tier of benefits for persons who established membership on or after January 1, 1996 ("Tier Two Members"). The second tier provides a lower benefit structure than is available to prior members ("Tier One Members"). Any potential reductions in employer contribution rates will not be realized until turnover has occurred and Tier Two Members replace Tier One Members. To establish membership in PERS, a person must work for six months in a qualifying position for a participating employer.

The City's employer contribution rate for the fiscal year ended June 30, 1998 was 7.88 percent of employee compensation. The rate changed to 8.09 percent effective July 1, 1999. The City's payroll for employees covered by PERS for the fiscal year ended June 30, 1998 was \$5,087,199; the City's total payroll was \$5,449,953. See also "Oregon Public Employees' Retirement System" herein.

Investment Policy

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

Municipalities are also authorized to invest up to \$31.9 million (adjusted for inflation) in the Local Government Investment Pool of the Oregon Short-Term Fund, which is managed by the State Treasurer's office. Such investments are managed in accordance with the "prudent person rule" and administrative regulations of the State Treasurer which may change from time to time. Eligible investments presently include all of those listed above, as well as repurchase agreements and reverse repurchase agreements. Currently, the State's investment portfolios are not leveraged and do not contain any derivative products.

Year 2000

The City has examined all of its computer systems, software and other technology systems to ensure that they are Year 2000 compliant. At this time, the City is not aware of any mission-critical systems operated by the City that are likely to be affected by the Year 2000 problem. Contractors upon whom the City depends for critical services, such as communications, are either Year 2000 compliant, or are expected to be compliant well in advance of the Year 2000.

The City has purchased and has installed a Year 2000-compliant financial management system to replace an obsolete and non-compliant Wang system. Municipal court and personnel/risk management software are Year 2000 compliant, as are office software and computer systems. The City has developed a "continuation of business" plan to ensure that mission-critical services can be delivered without interruption. These include police, fire and emergency medical response, water service and sewer service.

General Fund Balance Sheet
(Years Ending June 30)

	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
Assets					
Equity in pooled cash & investments	\$ 2,304,248	\$ 2,271,351	\$ 1,764,882	\$ 1,433,979	\$ 1,290,578
Cash held by County Treasurer	29,710	33,058	27,486	34,320	36,909
Property taxes receivable	198,617	188,241	166,763	204,810	207,161
Accounts receivable	158,594	140,452	176,715	59,633	49,346
Accrued interest receivable	10,431	23,675	3,972	9,343	11,378
Contracts receivable	0	0	0	0	0
Assessment liens receivable	0	421	421	421	851
Due from other governments	110,952	42,052	52,913	39,626	33,383
Prepaid expenses	71,790	0	0	89,289	5,256
Total Assets	<u>\$ 2,884,342</u>	<u>\$ 2,699,250</u>	<u>\$ 2,193,152</u>	<u>\$ 1,871,421</u>	<u>\$ 1,634,862</u>
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	\$ 197,572	\$ 150,736	\$ 184,609	\$ 144,429	\$ 131,926
Deficit in pooled cash	0	0	0	0	0
Accrued salaries and payroll taxes	205,159	159,857	143,517	109,874	245,350
Accrued liabilities	312,344	281,140	275,000	235,665	220,477
Accrued interest payable	0	0	5,318	0	0
Due to other governments	43,641	4,235	0	6,617	3,059
Deposits payable	418,168	565,055	199,638	162,899	208,032
Deferred revenue	316,129	246,272	192,911	192,561	188,927
Total Liabilities:	1,493,013	1,407,295	1,000,993	852,045	997,771
Fund Equity:					
Fund balance:					
Reserved for prepaid expenditures	71,790	0	0	89,289	0
Unreserved undesignated	1,319,539	1,291,955	1,192,159	930,087	637,091
Total Fund Equity	<u>1,391,329</u>	<u>1,291,955</u>	<u>1,192,159</u>	<u>1,019,376</u>	<u>637,091</u>
Total Liabilities and Fund Equity	<u>\$ 2,884,342</u>	<u>\$ 2,699,250</u>	<u>\$ 2,193,152</u>	<u>\$ 1,871,421</u>	<u>\$ 1,634,862</u>

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

**General Fund Statement of Revenues, Expenditures and
Changes in Fund Balances
(Years Ending June 30)**

	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
Revenues					
Taxes	\$ 2,727,134	\$ 2,824,680	\$ 2,693,023	\$ 2,530,362	\$ 2,416,972
Intergovernmental revenues	293,797	328,158	225,433	203,823	199,398
Franchise fees	869,899	904,446	995,761	1,026,809	553,213
Licenses and permits	863,936	1,003,547	689,568	696,272	683,585
Fines and forfeitures	240,930	204,313	185,482	132,154	91,309
Interest earnings	83,915	97,958	102,869	76,115	44,407
Charges for services	403,238	379,994	283,003	207,875	147,275
Assessment collections	0	0	0	430	1,340
Miscellaneous	171,998	187,077	232,337	130,868	156,163
Total Revenues	<u>5,654,847</u>	<u>5,930,173</u>	<u>5,407,476</u>	<u>5,004,708</u>	<u>4,293,662</u>
Expenditures					
Current:					
General government	1,730,261	1,697,519	1,444,515	1,221,484	1,348,949
Cultural and recreation	1,500,932	1,531,355	1,403,654	1,189,774	990,574
Public safety	2,757,724	2,862,614	2,688,052	2,508,542	2,107,715
Total Expenditures	<u>5,988,917</u>	<u>6,091,488</u>	<u>5,536,221</u>	<u>4,919,800</u>	<u>4,447,238</u>
Excess of revenues over (under) expenditures	<u>(334,070)</u>	<u>(161,315)</u>	<u>(128,745)</u>	<u>84,908</u>	<u>(153,576)</u>
Other Financing Sources (Uses)					
Proceeds from capital leases					
Operating transfers in	433,444	296,165	332,978	297,377	204,436
Operating transfers (out)	<u>0</u>	<u>(35,054)</u>	<u>(31,450)</u>	<u>0</u>	<u>(164,844)</u>
Total Other Financing Sources (Uses)	<u>433,444</u>	<u>261,111</u>	<u>301,528</u>	<u>297,377</u>	<u>39,592</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	<u>99,374</u>	<u>99,796</u>	<u>172,783</u>	<u>382,285</u>	<u>(113,984)</u>
Beginning fund balance	<u>1,291,955</u>	<u>1,192,159</u>	<u>1,019,376</u>	<u>637,091</u>	<u>751,075</u>
Ending fund balance	<u>\$ 1,391,329</u>	<u>\$ 1,291,955</u>	<u>\$ 1,192,159</u>	<u>\$ 1,019,376</u>	<u>\$ 637,091</u>

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

General Fund Adopted Budget
(Years Ended June 30)

	2000	1999
Resources		
Beginning Balance	\$ 1,404,836	\$ 1,391,329
Current Year's Revenues		
Property Taxes Current	2,917,784	2,515,567
Property Taxes Prior	113,850	154,680
Interest on Delinquent Taxes	15,020	18,000
Other	3,151,100	2,841,575
Interfund Transactions	560,662	532,547
Interfund Reimbursement	1,224,725	1,115,061
Total Budget Resources	\$ 9,387,977	\$ 8,568,759
Expenditures		
Personal Services	\$ 5,575,770	\$ 5,227,598
Materials & Services	2,225,240	1,930,887
Capital Outlay	360,161	197,739
Debt Service	99,888	0
Transfers	842,143	718,549
Contingencies	284,775	493,986
Total Budget Expenditures	\$ 9,387,977	\$ 8,568,759

Source: City of West Linn 1999-2000 Adopted Budget

Demographic Information

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

Population

Population within the County grew approximately 46 percent between 1970 and 1980, primarily due to immigration from other parts of Oregon and the nation. Between 1980 and 1990, the County's population grew by over 15 percent, in spite of a recession during the early 1980s. Since 1990, the County population has grown another ten percent. Growth is attributed to the strong economic growth of the Portland area, with its diversification of industries. Clackamas County's population is projected to reach 338,247 in the year 2000 and 369,683 in the year 2005, according to the Office of Economic Analysis.

Shown below are recent population figures for the City, the County and the State.

Population			
<u>July 1</u>	<u>West Linn</u>	<u>Clackamas County</u>	<u>State of Oregon</u>
1998	21,405	323,700	3,267,550
1997	20,415	317,700	3,217,000
1996	19,960	313,200	3,181,000
1995	19,370	308,600	3,132,000
1994	18,860	305,500	3,082,000
<u>April 1*</u>			
1990	16,367	278,850	2,842,321
1980	11,358	241,911	2,633,156

* U.S. Census Count

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

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

Economic Overview

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

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

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

Major Employers. Clackamas County major employers include the following:

**Clackamas County
Major Employers**

<u>Company</u>	<u>Location</u>	<u>Product</u>	<u>Employees</u>
Kaiser Permanente Hospital	Clackamas	Healthcare	2,270
Clackamas County	Oregon City	Government	2,262
Tektronix Inc.	Wilsonville	Computer manufacturing	1,500
North Clackamas School District	Milwaukie	Education	1,448
G.I. Joe's Inc.	Wilsonville	Automobile parts/supplies	1,257
Fred Meyer Distribution Center	Clackamas	Product warehouse	1,216
Precision Castparts	Clackamas/Milwaukie	Metal castings	1,200
Mentor Graphics Corporation	Wilsonville	Software and electronic services	900
Oregon City School District	Oregon City	Education	762
Willamette Falls Hospital	Oregon City	Healthcare	705
Warn Industries Inc.	Milwaukie	Four-wheel drive parts/accessories	600
TNT Reddaway Truck Line	Clackamas	Trucking	542
SYSCO Food Service of Portland	Wilsonville	Food service distributors	535

Source: North Clackamas County Chamber of Commerce, November 1998

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

According to the 1997 Census of Agriculture, the market value of agricultural products sold in Clackamas County increased 83 percent to \$276,251,000 in 1997. Crop sales accounted for 78 percent of the market value, and livestock sales accounted for the remaining 22 percent of the market value. The average market value of agricultural products sold per farm increased 54 percent from \$47,927 in 1992 to \$73,765 in 1997. The number of acres harvested and gross farm sales in the County are as follows:

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

<u>Year</u>	<u>Harvested Acreage</u>	<u>Gross Farm Sales (\$000)</u>		
		<u>Crop Sales</u>	<u>Animal Products Sales</u>	<u>Total Gross Farm Sales</u>
1998*	58,154	\$230,314	\$45,794	\$276,108
1997	55,094	209,032	46,181	255,213
1996	63,043	198,926	44,626	243,552
1995	63,200	179,246	43,731	222,977
1994	62,790	175,740	44,182	219,922

* Preliminary, subject to change.

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

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

**Clackamas County
Farm Profile**

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

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

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

Preliminary 1998 information within the Portland PMSA shows total employment of 1,004,000 out of a civilian labor force of 1,048,800, a 95.7 percent employment rate. Recent statistics on the Portland PMSA labor force follow.

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

	<u>1998 (1)</u>	<u>1997 (2)</u>	<u>1996</u>	<u>1998 Change from</u>	
				<u>1997</u>	<u>1996</u>
Civilian Labor Force (3)	1,048,800	1,025,200	1,001,900	23,600	46,900
Unemployment	44,800	44,100	45,400	700	-600
Percent of Labor Force	4.3%	4.3%	4.5%	xxx	xxx
Total Employment (4)	1,004,000	981,600	956,500	22,900	47,500

(1) Preliminary

(2) Revised

(3) Includes employed and unemployed individuals 16 years and older. Data are adjusted for multiple job holding and commuting.

(4) Includes non-agricultural wage and salary, self-employed, unpaid family workers, domestics, agriculture, and labor disputants.

Source: Oregon Employment Division, Department of Human Resources, "Portland Metropolitan Labor Trends"

Non-agricultural employment within the Portland PMSA follows.

**Portland-Vancouver PMSA
Preliminary 1998 Non-Agricultural Employment**

<u>Category</u>	<u>Employed</u>	<u>Percent</u>
Manufacturing	148,900	15.9%
Non-Manufacturing	789,700	84.1
Total non-agricultural employment	938,600	100.0%

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

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

<u>Non-Manufacturing Employment Category</u>	<u>1998 Employed</u>	<u>Percent of Non-Manufacturing</u>
Trade	233,200	29.5%
Services/Miscellaneous	261,300	32.1
Government	118,400	15.0
Other	176,800	22.4
Total Non-Manufacturing	789,700	100.0%

Trade employment is primarily in retail establishments. Services and miscellaneous employment is quite diversified, but the two leading subcategories are business services and health services.

Additional details on non-agricultural employment are as follows:

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

	<u>1998 (1)</u>	<u>1997 (2)</u>	<u>1996</u>	<u>1998 Change from</u>	
				<u>1997</u>	<u>1996</u>
Total Employment	938,600	916,700	879,000	21,900	59,600
Manufacturing	148,900	147,300	142,000	1,600	6,900
Durable Goods	109,000	106,600	100,900	2,400	8,100
Nondurable Goods	39,900	40,700	41,100	-800	-1,200
Nonmanufacturing	789,700	769,400	737,000	20,300	52,700
Construction & Mining	55,300	55,100	52,100	200	3,200
Trans., Comm. & Utilities	53,900	52,400	50,800	1,500	3,100
Trade	233,200	227,700	218,300	5,500	14,900
Finance, Ins. & Real Est.	67,400	66,700	63,600	700	3,800
Services & Miscellaneous	261,300	252,500	238,600	8,800	22,700
Government	118,400	114,800	113,600	3,600	4,800
Labor-Management Disputes	100	400	100	-300	0

(1) Preliminary

(2) Revised

Source: Oregon Employment Department, 1998 and 1997 data as of March 1999 and 1996 data as of March 1998

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

Average Annual Unemployment Rates

<u>Year</u>	<u>Portland- Vancouver PMSA</u>	<u>State</u>	<u>U.S.A.</u>
1998	4.1%	4.5%	4.5%
1997	4.3	5.8	4.9
1996	4.5	5.9	5.4
1995	3.7	4.8	5.6
1994	4.4	5.4	6.1

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

Tourism/Recreation

As Oregon's economy continues to diversify, tourism plays a vital role in creating new job opportunities and strengthening local and regional economies. In Portland, year-round tourist attractions include the Oregon History Center, the Portland Art Museum and the Pittock Mansion.

Built around two rivers, Portland is tailor-made for fishing and other water sports. Boaters can navigate the Multnomah Channel by Sauvie Island, and families can enjoy swimming, boating and picnicking at Blue Lake Regional Park, the largest public boating facility in Oregon. Water enthusiasts can book adventure cruises on the Columbia River or raft the white waters of the nearby Clackamas, Sandy, White Salmon, and Klickitat rivers. A salmon-rearing program ensures good fishing on the Willamette River. For fly-fishing, the Deschutes River, an hour and a half from Portland, is world famous for trout and steelhead.

Hiking, biking, bird watching, and horseback riding nature trails wind through the city parks. The metropolitan Portland area is home to 37,000 acres of parks, including the largest forested municipal park in the nation (5,000-acre Forest Park) as well as the smallest (24-inch Mill Ends Park). The 175-acre Hoyt Arboretum links Washington Park with Forest Park and has ten miles of trails and more than 840 species of trees. In summer months, the International Rose Test Gardens and the Tom McCall Waterfront Park, a two-mile greenway that hosts a variety of summer festivals and concerts, attract numerous visitors. The Homowo Festival of African Arts,

an annual celebration held in August at Cathedral Park in North Portland, features music and dance, African and Caribbean Food, arts and crafts, storytelling and children's activities. Portland also presents one of the largest Cinco de Mayo celebrations north of the Mexican border in May. Visitors can enjoy world-class skiing at Mt. Hood or wind surf on Hood River.

Transportation

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

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

Economic Indicators

Following are additional economic indicators.

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

City of West Linn Residential Building Permits

Year	New Single Family		New Multi Family		Total Valuation
	Number	Valuation	Number	Valuation	
1999*	37	\$ 10,277,688	6	\$ 847,538	\$ 11,125,226
1998	116	27,314,157	449	30,904,532	58,218,689
1997	190	42,948,292	168	12,056,938	55,005,230
1996	169	37,188,897	33	4,690,012	41,878,909
1995	215	46,920,071	19	2,464,340	49,384,411

* Through May 1999.

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

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

Clackamas County and State of Oregon Total Personal and Per Capita Income (Thousands of Dollars)

Year	Clackamas County		State of Oregon	
	Total Personal Income	Per Capita Income	Total Personal Income	Per Capita Income
1997	\$9,300,277	\$28,149	\$77,579,043	\$23,920
1996	8,657,657	26,747	73,155,744	22,894
1995	7,909,262	25,036	67,907,586	21,618

Source: *U.S. Department of Commerce, Economic Stats. Admin. Bureau of Economic Analysis, May 1999*

The Initiative Process

The Oregon Constitution, Art. IV, Sec. 1, reserves to the people of the state the initiative and referendum power pursuant to which measures designed to amend the state Constitution or enact legislation, can be placed on the statewide general election ballot for consideration by the voters. "Referendum" generally means measures which

have been passed by the legislature and then referred to the electors by a legislative body, such as the State Legislative Assembly or the governing body of a district, county or other political subdivision, or by petition prior to its effective date. "Initiative" generally means a new measure placed before the voters as a result of a petition circulated by one or more private citizens.

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

Once the ballot title has been certified and the Secretary of State has authorized the petitioners, the proponents of the initiative may start gathering the initiative petition signatures necessary to place the proposed initiative on the ballot. 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 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 November 7, 2000 general election the requirements were eight percent (87,230 signatures) for a constitutional measure and six percent (65,422 signatures) for a statutory initiative; this amount will change for the November 2002 general election. Any elector may sign an initiative petition for any measure on which the elector is entitled to vote.

The initiative petition must be filed with the Secretary of State not less than four months prior to the general election at which the proposed measure is to be voted upon. As a practical matter, proponents of an initiative have approximately two years in which to gather the necessary number of signatures. State law permits persons circulating initiative petitions to pay money to persons obtaining signatures for the petition. If the person obtaining signature is being paid, the signature sheet must contain a notice of such payment.

Historical Initiative Petitions

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

<u>Year of General Election</u>	<u>Number of Initiatives that Qualified</u>	<u>Number of Initiatives that Passed</u>
1998	10	6
1996	16	4
1994	16	8
1992	7	0
1990	8	3
1988	5	3

For additional information concerning certain previous initiative measures which have been adopted by the voters, see "Property Tax" herein.

Source: Elections Division, Oregon Secretary of State; 1998 INITIATIVE LOG Elections Division

Tax Exemption

The Internal Revenue Code of 1986, as amended (the "Code") imposes certain requirements that must be met subsequent to the execution and delivery of the 1999 Bonds in order for interest on the 1999 Bonds to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause interest on the 1999 Bonds to be included in gross income for federal income tax purposes retroactive

to the issue date of the 1999 Bonds. These requirements include limitations on the use of proceeds of the 1999 Bonds, limitations on the investment of proceeds of the 1999 Bonds prior to expenditure and a requirement that excess arbitrage earned on the investment of proceeds of the 1999 Bonds be rebated on a periodic basis to the United States under certain circumstances. The City has covenanted in the transaction documents that they will comply with these requirements (the "Tax Covenants.")

In the opinion of Bond Counsel, under existing law and assuming compliance by the City with certain tax covenants described herein, interest on the 1999 Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of determining the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the 1999 Bonds is exempt from present personal income tax imposed by the State of Oregon.

However, Bond Counsel notes that interest on the 1999 Bonds owned by corporations will be taken into account for purposes of determining the alternative minimum tax imposed on 75 percent of the excess of a corporation's adjusted current earnings over its alternative minimum taxable income (determined without regard to this adjustment and the alternative tax net operating loss).

Bond Counsel expresses no opinion on any other federal, state or local tax consequences arising with respect to ownership of the 1999 Bonds. Bond Counsel has not undertaken to advise in the future whether any events after the date of execution and delivery of the 1999 Bonds may affect the tax status of the 1999 Bonds.

Although Bond Counsel has rendered an opinion that the interest on the 1999 Bonds is excluded from gross income for federal income tax purposes, prospective purchasers of the 1999 Bonds should be aware that ownership of the 1999 Bonds may result in collateral federal income tax consequences to certain taxpayers including, without limitation, financial institutions, property and casualty insurance companies, certain S corporations, recipients of Social Security and Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the 1999 Bonds. Prospective purchasers of the 1999 Bonds should consult their tax advisors with respect to all such possible collateral consequences and as to the treatment of interest on the 1999 Bonds under the tax laws of any state other than Oregon.

Financial Institutions. The City has designated the 1999 Bonds as qualified tax-exempt obligations for banks, thrift institutions and other financial institutions so that such financial institutions will not be denied a deduction of 100 percent of their interest expenses allocable to the 1999 Bonds. However, corporate tax preference rules reduce by 20 percent the amount that may be deducted by such financial institutions for interest on funds allocable to tax-exempt obligations such as the 1999 Bonds.

Legal and Miscellaneous

Approval of Counsel

Legal matters incident to the authorization, issuance and sale of 1999 Bonds by the City are subject to the approving legal opinion of Bond Counsel, substantially in the form attached hereto as Appendix A. Bond Counsel has reviewed this document only to confirm that the portions of it describing the 1999 Bonds and the authority to issue them conform to the 1999 Bonds and the applicable laws under which they are issued.

Litigation

There is no litigation pending questioning the validity of the 1999 Bonds nor the power and authority of the City to issue the 1999 Bonds. There is no litigation pending which would materially affect the finances of the City or affect the City's ability to meet debt service requirements on the 1999 Bonds.

Financial Advisor

In connection with the authorization and issuance of the 1999 Bonds, the City has retained Seattle-Northwest Securities Corporation, Portland, Oregon, as its financial advisor (the "Financial Advisor"). The City authorized Seattle-Northwest Securities Corporation to submit a bid on the 1999 Bonds.

The Financial Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for, the accuracy, completeness, or fairness of the information contained in this Official Statement.

Conflicts of Interest

All or a portion of the fees of the Underwriter, the City's Financial Advisor and Bond Counsel are contingent upon the issuance and sale of the 1999 Bonds. None of the City Council members or other officers of the City have any conflict of interest in the issuance of the 1999 Bonds that is prohibited by applicable law.

Limited Continuing Disclosure Undertaking

Pursuant to Securities and Exchange Commission Rule 15c2-12 (the "Rule"), the City will undertake to provide continuing disclosure of certain financial information and material events as set forth in the Continuing Disclosure Certificate, a form of which is attached hereto as Appendix D. Financial information provided pursuant to the Rule may be obtained upon request from the City of West Linn, 22825 Willamette Drive, P.O. Box 29, West Linn, Oregon 97068, Attn: Finance Director. The City has not failed to comply with any previous undertakings pursuant to the Rule.

Certificate with Respect to Official Statement

At the time of the original delivery of and payment for the 1999 Bonds, the City will deliver a certificate of its authorized representative addressed to the Underwriter to the effect that he has examined this Official Statement and the financial and other data concerning the City contained herein and that to the best of his knowledge and belief, (i) the Official Statement, both as of its date and as of the date of delivery of the 1999 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 delivery of the 1999 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 or contemplated by the Official Statement.

Appendix A

Form of Bond Counsel Opinion

October 12, 1999

City of West Linn
2042 Eighth Avenue
West Linn, Oregon 97068

U.S. Bancorp/Piper Jaffray
1200 Fifth Avenue, 15th Floor
Seattle, Washington 98101

Subject: \$3,600,000 City of West Linn, Oregon General Obligation Bonds, Series 1999

We have acted as bond counsel in connection with the issuance by City of West Linn, in Clackamas County, Oregon (the "Issuer") of its General Obligation Bonds, Series 1999 (the "Bonds"), which are dated October 1, 1999 and are in the aggregate principal amount of Three Million Six Hundred Thousand Dollars (\$3,600,000).

The Bonds are issued pursuant to the authority granted by the voters of the City at an election held on November 3, 1998 and a resolution of the Issuer adopted on September 13, 1999 (the "Bond Resolution").

We have examined the law, a duly certified transcript of proceedings of the Issuer, prepared in part by us, and other documents which we deem necessary to render this opinion.

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

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering material relating to the Bonds, except to the extent stated in the official statement, and we express no opinion relating thereto, except to the extent stated in the official statement.

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

1. The Bonds have been legally authorized under and pursuant to the Constitution and Statutes of the State of Oregon and the Charter of the Issuer. The Bonds are valid and legally binding general obligations of the Issuer. The Issuer has pledged its full faith and credit to the payment of the Bonds. The Bonds are payable from ad valorem taxes which may be levied without limitation as to rate or amount on all taxable property within the boundaries of the Issuer, to the extent necessary funds are not provided from other sources.
2. Interest on the Bonds is excluded from gross income for purposes of federal income taxation under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"). We are also of the opinion that the Bonds are not private activity bonds.
3. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or corporations, but is taken into account in the computation of adjusted current earnings for purposes of the corporate alternative minimum tax under Section 55 of the Code.
4. Under the Code, the Issuer is required to comply with certain requirements relating to the use of the facilities financed with the proceeds of the Bonds and the use and investment of the proceeds of the Bonds. The Issuer has covenanted to comply with these requirements and our opinion assumes such compliance. Failure to comply with these requirements may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Legal Opinion
October 12, 1999
Page 2

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

6. Interest on the Bonds is exempt from State of Oregon personal income taxes.

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

The opinions set forth above are qualified only to the extent that the enforcement of the rights and remedies of the owners of the Bonds and under the Bond Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

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

Respectfully submitted,

PRESTON GATES & ELLIS LLP

Lawyers

Appendix B

Financial Statements

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



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

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

November 13, 1998

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

City of West Linn, Oregon

General Purpose Financial Statements

INDEPENDENT AUDITORS' REPORT

We have audited the general purpose financial statements of the City of West Linn, Oregon, as of and for the year ended June 30, 1998 as listed in the table of contents. The general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of West Linn, Oregon, as of June 30, 1998 and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended, in conformity with generally accepted accounting principles.

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

The other data included in this report, designated as the statistical section in the table of contents, has not been audited by us, and accordingly, we express no opinion on such data.

PAULY, ROGERS AND CO., P.C.

BY:


L. Parry Atkersen, CPA

City of West Linn, Oregon
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 1998

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types		Account Groups		Totals	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-term Debt	(Memorandum Only)		
										June 30, 1998	June 30, 1997	
ASSETS AND OTHER DEBITS												
Equity in Pooled Cash and Investments	\$ 2,304,248	\$ 7,644,214	\$ 74,254	\$ 978,811						\$ 13,071,402	\$ 12,714,888	\$ 44,079
Cash Held by County Treasurer	28,710	17,398	2,700	18,960						18,960	23,260	251,016
Cash with Fiscal Agent	198,817	111,107	13,713							323,437	421	
Property Taxes Receivable	158,554	86,508								856,925	904,422	58,408
Assessment Liens Receivable	10,457	58,392	485	6,908		1,165				57,807	119,002	131,477
Contracts Receivable	110,552	92,293								203,245	100,649	106,530
Due from Other Governments	71,755									71,790		
Inventory												
Prepaid Expenditures												
Restricted Assets												
Equity in Pooled Cash and Investments					424,689					424,689	401,013	4,217
Accrued Interest Receivable					2,980					2,980	25,042,513	2,012,113
Fund Assets, Net					17,319,666					17,319,666	2,818,802	902,855
Investment in South Fork Water Board					2,818,802					2,818,802	873,079	122,145
Amount to be Provided for Bonded Debt Service										873,079	96,921	
Amount Available for Bonded Debt Service										96,921	96,921	
Total Assets and Other Debits	\$ 2,884,342	\$ 8,009,912	\$ 110,112	\$ 985,519	\$ 23,284,195	\$ 424,623	\$ 169,702	\$ 970,000	\$ 46,543,134	\$ 43,038,309	\$ 453,650	\$ 325,015
LIABILITIES, FUND EQUITY AND OTHER CREDITS												
Liabilities:												
Accounts Payable	\$ 197,677	\$ 168,017		\$ 48,073						\$ 600,026	\$ 211,560	\$ 2,517
Accrued Salaries and Payroll Taxes	265,153	4,055								209,214	412,086	684,800
Accrued Liabilities	312,344	69,805								2,329	684,800	724,939
Accrued Interest Payable	43,847									724,939	53,871	304,251
Due to Other Governments	418,152									432,929	350	970,000
Deposits Payable				280,000								
Contract Retainage Payable												
Deferred Revenue	316,123	103,959	\$ 12,841									
Deferred Interest Payable			350									
Bonds Payable												
Total Liabilities	1,493,053	345,836	13,191	328,073	931,998	16,104	169,702	970,000	4,998,215	3,457,745	19,830,640	8,536,225
Fund Equity and Other Credits:												
Contributed Capital												
Investment in General Fixed Assets												
Retained Earnings Reserved for Construction				101,244								
Retained Earnings (Deficit), Unreserved												
Fund Balances:												
Reserved for Prepaid Expenditures	71,752											
Reserved for Encumbrances												
Reserved for System Development												
Unreserved:												
Designated for Debt Service		3,421,405										
Unassigned	1,319,533	4,242,871	96,921	556,202								
Total Fund Equity and Other Credits	1,391,125	7,664,076	96,921	657,446	22,332,197	408,519	169,702	970,000	9,724,729	42,444,919	39,580,564	43,038,309
Total Liabilities and Fund Equity	\$ 2,884,342	\$ 8,009,912	\$ 110,112	\$ 985,519	\$ 23,284,195	\$ 424,623	\$ 169,702	\$ 970,000	\$ 46,543,134	\$ 43,038,309	\$ 453,650	\$ 325,015

The accompanying notes are an integral part of this statement.

City of West Linn, Oregon
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances
All Governmental Fund Types
For the Year Ended June 30, 1998

	Governmental Fund Types				Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	June 30, 1998	June 30, 1997
REVENUES:						
Taxes	\$ 2,727,134	\$ 1,914,336	\$ 217,006		\$ 4,858,476	\$ 3,640,892
Intergovernmental Revenues	293,787	1,584,152			1,877,949	1,853,861
Franchise Fees	689,899	55,752			925,651	951,197
Licenses and Permits	883,936				883,936	1,000,547
Charges for Services	403,238	391,327			794,565	758,187
Fees and Forfeitures	240,930				240,930	294,313
Systems Development Fees	83,915	1,341,567	3,481	\$ 45,001	1,341,567	1,625,979
Interest Earnings	171,998	426,242			598,240	488,616
Recycling Programs		43,820			43,820	73,787
Miscellaneous		105,237	146	84,183	381,544	417,198
Total Revenues	5,934,847	5,882,435	220,633	129,184	11,867,079	11,017,457
EXPENDITURES:						
Current						
Cultural Government	1,710,281	354,390			2,126,823	1,864,580
Cultural and Recreation	1,500,932	645,071		41,172	2,146,975	1,845,726
Public Safety	2,737,774	1,433,805			4,191,579	3,838,726
Highways and Streets		1,402,200			1,402,200	2,274,648
Sanitation		1,087,468		145,903	1,233,371	786,469
Cable Service			275,000		275,000	165,000
Principal			61,877		61,877	54,598
Interest						
Total Expenditures	5,948,917	4,922,934	336,877	187,075	11,435,803	9,938,344
Excess of Revenues Over (Under) Expenditures	(314,070)	939,501	(116,244)	(57,911)	431,276	1,179,113
Other Financing Sources (Uses):						
Operating Transfers In	433,444		91,070	150,000	674,464	601,921
Operating Transfers Out		(674,464)			(674,464)	(543,148)
Total Other Financing Sources (Uses)	433,444	(674,464)	91,070	150,000	(57,911)	58,773
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	99,374	265,037	(25,224)	92,089	431,276	1,237,886
Fund Balances, June 30, 1997	1,281,955	7,399,039	122,145	565,357	9,378,496	8,140,810
Fund Balances, June 30, 1998	\$ 1,381,329	\$ 7,664,076	\$ 96,921	\$ 637,446	\$ 9,809,772	\$ 9,378,696

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The accompanying notes are an integral part of this statement.

City of West Linn, Oregon
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
All Governmental Fund Types
For the Year Ended June 30, 1998

	Governmental Fund Types										Totals (Memorandum Only)	
	General		Special Revenue		Debt Service		Capital Projects		Original and Supplemental Budgets		Actual	June 30, 1997 Actual
	Original and Supplemental Budgets	Variance Favorable (Unfavorable)	Original and Supplemental Budgets	Variance Favorable (Unfavorable)	Actual	Variance Favorable (Unfavorable)	Original and Supplemental Budgets	Variance Favorable (Unfavorable)	Actual	Variance Favorable (Unfavorable)	Actual	June 30, 1997 Actual
REVENUES:												
Taxes	2,450,015	2,727,134	1,915,878	1,914,338	1,915,878	593	333,385	4,582,106	4,858,478	276,372	4,858,478	5,640,992
Intergovernmental Revenues	199,614	293,797	94,180	1,581,807	1,581,807	(8,394)	2,174,826	2,174,826	1,875,450	(299,376)	1,875,450	1,875,450
Financial Fees	70,312	84,899	57,176	55,752	57,176	(1,424)	823,631	823,631	863,936	40,305	863,936	861,187
Charges for Services	373,335	403,238	385,000	391,327	385,000	26,327	738,930	738,930	784,565	45,635	784,565	1,003,547
Fees and Fines	180,000	240,930	1,100,782	1,341,567	1,341,567	240,785	190,000	190,000	240,930	50,930	240,930	204,313
Systems Development Fees	65,000	83,915	18,915	43,820	43,820	(24,905)	1,000,782	1,000,782	1,341,567	340,785	1,341,567	1,195,529
Recycling Revenues	101,738	171,518	145,489	42,811	42,811	(2,000)	1,000,782	1,000,782	1,341,567	340,785	1,341,567	1,195,529
Contributions from Developers	101,738	171,518	145,489	42,811	42,811	(2,000)	1,000,782	1,000,782	1,341,567	340,785	1,341,567	1,195,529
Subsidies	101,738	171,518	145,489	42,811	42,811	(2,000)	1,000,782	1,000,782	1,341,567	340,785	1,341,567	1,195,529
Miscellaneous	4,991,174	5,554,847	663,673	5,284,032	5,662,435	518,403	118,228	228,689	537,578	308,889	242,055	345,086
Total Revenues	4,991,174	5,554,847	663,673	5,284,032	5,662,435	518,403	118,228	228,689	537,578	308,889	242,055	345,086
EXPENDITURES:												
Current												
General Government	3,150,198	2,990,585	139,614	987,530	337,845	649,685	4,601,114	4,601,114	3,389,702	1,231,412	3,389,702	2,961,486
Cultural and Recreation	1,612,235	1,469,835	142,400	1,039,306	599,172	440,136	2,651,543	2,651,543	2,089,007	562,536	2,089,007	1,789,502
Public Safety	2,601,271	2,569,120	32,151	1,572,478	1,478,328	144,150	4,173,749	4,173,749	3,997,448	176,301	3,997,448	3,514,466
Highways and Streets				2,529,570	936,892	1,592,678	2,529,570	2,529,570	936,892	1,592,678	936,892	892,815
Sanitation				1,070,407	587,366	483,041	1,799,570	1,799,570	533,259	1,266,311	1,266,311	589,333
Other Capital Projects							275,020	275,020	215,020	60,000	215,020	185,000
Interest							61,877	61,877	51,877	10,000	51,877	54,532
Contingency							439,357	439,357	187,903	251,454	187,903	187,903
Reserve for Equipment Replacement							439,357	439,357	187,903	251,454	187,903	187,903
Reserve for Future Debt Service							58,001	58,001	58,001	58,001	58,001	58,001
Total Expenditures	7,874,883	7,029,540	845,143	10,827,489	3,889,103	6,938,386	11,441,905	11,441,905	11,441,905	9,556,519	1,885,386	11,441,905
Excess of Revenues Over (Under) Expenditures	(2,883,509)	(1,374,693)	1,568,816	(5,543,457)	1,972,332	7,453,049	(1,010,357)	(1,010,357)	(1,010,357)	871,520	871,520	1,111,217
Other Financing Sources (Uses)												
Operating Transfers In	1,623,999	1,707,276	(116,313)	110,870	43,343	(67,477)	434,478	434,478	336,877	97,601	336,877	1,950,076
Operating Transfers Out	(232,045)	(233,279)	(1,174)	(1,983,663)	(1,751,038)	212,825	(212,451)	(212,451)	(118,244)	96,197	(118,244)	(1,531,427)
Total Other Financing Sources (Uses)	1,391,954	1,474,000	(117,487)	(1,872,793)	(1,707,695)	(434,652)	222,027	222,027	218,633	4,167	218,633	418,649
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(1,291,955)	99,374	1,391,329	(7,416,300)	265,037	7,581,337	(122,145)	(122,145)	(122,145)	98,921	98,921	1,378,866
Fund Balances, June 30, 1997	1,291,955	1,291,955		7,416,300	7,399,039	(17,261)	122,145	122,145	9,395,737	9,395,737	9,395,737	8,140,610
Fund Balances, June 30, 1998		1,391,329	1,391,329		7,664,076	7,664,076			9,395,737	9,395,737	9,395,737	9,376,495

The accompanying notes are an integral part of this statement.

City of West Linn, Oregon
 Combined Statement of Revenues, Expenses and
 Changes in Retained Earnings
 All Proprietary Fund Types and Non-expendable Trust Fund
 For the Year Ended June 30, 1998

	Proprietary Fund Types		Fiduciary Fund Type Non-Expendable Trust	Totals (Memorandum Only)	
	Enterprises	Internal Service		June 30, 1998	June 30, 1997
OPERATING REVENUES:					
Charges for Services (Net of \$968,825 of Sewer Charges Remitted to Tri-City Service District)	\$ 2,623,932	\$ 388,113		\$ 3,012,045	\$ 2,993,208
Concession Fees (Net of \$561,113 of Sewer Service District)	48,147		\$ 10,245	48,147	48,061
Other Operating Revenues	36,399			46,844	40,208
Total Operating Revenues	2,708,478	388,113	10,245	3,106,836	3,081,477
OPERATING EXPENSES:					
Salaries and Wages	523,650	107,473		631,123	656,943
System Repairs and Maintenance	121,306	164,798		286,104	134,874
Operating Supplies, Repairs and Services	186,284	60,828	20,000	267,112	316,529
Gasoline and Diesel Fuel	726,893			726,893	782,003
South Fork Water Board Expenses	61,196			61,196	64,500
Utilities	31,104	2,682		33,786	35,286
Insurance	483,583	45,484		529,067	22,115
Payment in Lieu of Taxes	474,850	4,570		479,420	430,618
Administrative Charges from General Fund					475,532
Depreciation	2,610,646	385,835	20,000	3,016,481	2,991,620
Total Operating Expenses	97,632	2,278	(9,755)	90,155	89,857
Operating Income (Loss)	141,281	18,641		159,922	132,728
NON-OPERATING REVENUES (EXPENSES):					
Interest Income	406,689			406,689	(23,510)
Interest Expense	222,517			222,517	664,598
Net Income from Joint Venture					222,517
Forgiveness of Debt	770,487	18,641		789,128	773,614
Total Non-Operating Revenues (Expenses)	868,119	20,919	(9,755)	879,283	865,671
Income (Loss) Before Operating Transfers					
OPERATING TRANSFERS OUT					
Net Income (Loss)	668,119	20,919	(9,755)	679,283	804,898
RETAINED EARNINGS/FUND BALANCE, June 30, 1997	1,329,281	326,465	179,457	1,835,203	1,930,305
RETAINED EARNINGS/FUND BALANCE, June 30, 1998	2,197,400	347,384	169,702	2,714,486	1,835,203

The accompanying notes are an integral part of this statement.

City of West Linn, Oregon
 Combined Statement of Cash Flows
 All Proprietary Fund Types and Non-expendable Trust Fund
 For the Year Ended June 30, 1998

	Proprietary Fund Types		Fiduciary Fund Type Non-Expendable Trust	Totals (Memorandum Only)	
	Enterprises	Internal Service		June 30, 1998	June 30, 1997
CASH FLOWS FROM OPERATING ACTIVITIES:					
Received from Customers	\$ 4,231,634	\$ 388,113		\$ 4,619,747	\$ 3,854,003
Receipts - Quasi-External	(892,900)	(252,706)	\$ (20,000)	(1,165,606)	(1,622,655)
Payments to Suppliers	(523,650)	(110,784)		(634,434)	(654,477)
Payments to Employees for Services	36,399			36,399	(22,115)
Payment in Lieu of Taxes	(1,215,866)			(1,215,866)	(1,122,820)
Other Operating Revenues	(513,626)	(45,484)		(559,110)	(514,421)
Payments to Tri-City Service District					
Payments - Quasi-External	1,001,991	(20,861)		981,130	372,287
Net Cash Provided (Used) by Operating Activities					
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Operating Transfers to Other Funds					(58,773)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition of Capital Assets	(1,320,054)			(1,320,054)	(372,129)
Principal Paid on Bonds					(100,000)
Interest Paid on Bonds	365,291			365,291	(24,835)
Contributed Capital					116,211
Net Cash Used in Capital and Related Financing Activities	(954,763)	(841)		(955,704)	(380,553)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest Earnings	143,495	19,032		162,527	125,291
Net Increase (Decrease) in Pooled Cash and Investments	220,723	(2,770)		217,953	58,952
Equity in Pooled Cash and Investments - June 30, 1997	2,318,588	375,706		2,694,294	2,830,867
Equity in Pooled Cash and Investments - June 30, 1998	2,557,311	372,936		2,930,247	2,889,819
Computed as Follows:					
Equity in Pooled Cash and Investments - Restricted	\$ 424,689			\$ 424,689	\$ 401,013
Equity in Pooled Cash and Investments - Unrestricted	2,132,622	372,936		2,505,558	2,488,806
Total Equity in Pooled Cash and Investments	2,557,311	372,936		2,930,247	2,889,819

The accompanying notes are an integral part of this statement.

City of West Linn, Oregon
Notes to General Purpose Financial Statements

City of West Linn, Oregon
Combined Statement of Cash Flows
All Proprietary Fund Types and Non-expendable Trust Fund, Continued
For the Year Ended June 30, 1998

	Proprietary Fund Types		Fiduciary Fund Type Non-Expendable Trust	Totals (Memorandum Only)	
	Enterprise	Internal Service		June 30, 1998	June 30, 1997
Operating Income (Loss)	\$ 97,632	\$ 2,278	\$ (9,754)	\$ 90,156	\$ 89,857
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation	474,850	4,570	746	479,420	475,632
Changes in Assets and Liabilities:					
Accounts Receivable	21,724			21,724	(57,281)
Due from Other Governments	4,217			4,217	4,155
Inventory	(3,114)	8,795		5,681	(10,429)
Accounts Payable	60,789	(31,193)		27,596	(253,363)
Other Accrued Liabilities	(10,597)	(3,311)		(13,908)	2,465
Contract Retainage Payable	52,601			52,601	
Due to Other Governments	325,996			325,996	131,764
Deposits Payable	7,092			7,092	8,106
Contract Receivable	801			801	1,114
Total Adjustments	934,359	(23,139)	746	911,966	283,129
Net Cash Provided (Used) by Operating Activities	\$ 1,031,991	\$ (20,861)	\$ (9,008)	\$ 1,002,122	\$ 372,986
NONCASH CAPITAL ACTIVITY:					
Fixed Assets Contributed by Developers	\$ 31,846			\$ 31,846	\$ 256,908

The accompanying notes are an integral part of this statement.

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

The Financial Reporting Entity

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

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

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

Joint Venture -

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

City of West Linn, Oregon Notes to General Purpose Financial Statements

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

Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

City of West Linn, Oregon Notes to General Purpose Financial Statements

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

Cash and Investments

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

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

Investments, included in cash and investments, are carried at cost, which approximates fair value.

Receivables

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

The State of Oregon has a constitutional limit on property taxes for schools and nonschool government operations. Under the provisions of the limitation, tax revenues are separated into those for the public school system and those for local government operations other than the public school system. The limitation specifies \$10.00 is the maximum allowable tax for each \$1,000 of property real market value imposed on by local governments other than the public school system. Although all nonschool local government taxes in the City currently do not exceed the \$10.00 per \$1,000 of assessed value, this limitation may effect the availability of future tax revenues for the City. As further discussed in Note 16, an additional constitutional limit on property taxes becomes effective for fiscal year 1997-98.

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

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

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

**City of West Linn, Oregon
Notes to General Purpose Financial Statements**

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

Inventory

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

Fixed Assets

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

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

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

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

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

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

Capitalized Interest

Interest costs are capitalized in the Proprietary Fund Types as part of the costs of fixed assets during the period of construction based on the related weighted average net borrowing costs incurred. Interest earned on temporary investments acquired with the proceeds of such borrowed funds from the date of borrowing until the assets are ready for their intended use is used to reduce the interest costs capitalized on the constructed assets. During fiscal 1998 no interest was capitalized.

**City of West Linn, Oregon
Notes to General Purpose Financial Statements**

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

Restricted Assets

Assets whose uses are restricted for construction or other purposes are segregated on the combined balance sheet.

Investment in South Fork Water Board

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

Long-term Debt

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

Compensated Absences

Earned but unpaid vacation pay is recorded as an expense or expenditure in the Proprietary Fund Types and Governmental Fund Types when earned. The entire amount of \$376,686 accrued in the Governmental Fund Types and included in other accrued liabilities is recognized as expenditures in the funds because the City has provided currently available financial resources for these expenditures. Earned but unpaid sick pay does not vest and is recorded as an expense or expenditure when paid.

Contributed Capital

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

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

Interfund Transactions

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

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

City of West Linn, Oregon
Notes to General Purpose Financial Statements

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

Reservations of Fund Balance

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

Budget

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

The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. The resolution establishes a departmental level of control for the General Fund. For all other fund types the levels of control are personal services, materials and services, capital outlay, contingency and transfers.

Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriations resolution. A supplemental budget requires hearings before the public, publication in newspaper and approval by the City Council. Original and supplemental budgets may be modified by the use of appropriation transfers between the level of control. Such transfers require approval by the City Council. The City adopted three supplemental budgets and made one appropriation transfer during the year ended June 30, 1998. Appropriations lapse as of year end.

The City's expenditures were within authorized appropriations for the year ended June 30, 1998.

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

Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and results of operations. The balance of the June 30, 1997, deferred compensation assets have been eliminated to conform to the current-year presentation.

Totals (Memorandum Only) Columns

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

City of West Linn, Oregon
Notes to General Purpose Financial Statements

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

Estimates

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

2. Description of Funds and Account Groups:

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

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

Governmental Fund Types

General Fund

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

Special Revenue Funds

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

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

**City of West Linn, Oregon
Notes to General Purpose Financial Statements**

2. Description of Funds and Account Groups, Continued:

Debt Service Fund

The Debt Service Fund accounts for payment of general obligation bond principal and interest, including the November 15, 1983 Water Bonds which were assumed by the Debt Service Fund reversed from the Water Fund, and noted as a forgiveness of debt in the year ended June 30, 1998. Its principal revenue source is property taxes.

Capital Projects Funds

The Capital Projects Funds account for resources used for the acquisition or construction of capital facilities and equipment. Funds included in this category are:

- Capital Development Fund
- Bolton Pump Station Construction Fund

Proprietary Fund Types

Enterprise Funds

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

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

Internal Service Funds

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

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

Fiduciary Fund Type

Non-expendable Trust Fund

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

**City of West Linn, Oregon
Notes to General Purpose Financial Statements**

2. Description of Funds and Account Groups, Continued:

Account Groups

General Fixed Assets Account Group

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

General Long-term Debt Account Group

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

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

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

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

	General Fund	Special Revenue Funds
Expenditures - budgetary basis	\$ 7,029,541	\$ 3,889,703
Reimbursement of expenditures budgeted as operating transfers in	(1,273,842)	(43,343)
Expenditures budgeted as operating transfers out	<u>233,219</u>	<u>1,660,018</u>
Expenditures - generally accepted accounting principles basis	<u>\$ 5,988,918</u>	<u>\$ 5,506,378</u>
Other financing sources (uses) - budgetary basis	\$ 1,474,067	(1,707,695)
Expenditures budgeted as operating transfers out	233,219	1,660,018
Reimbursement of expenditures budgeted as operating transfers in	<u>(1,273,842)</u>	<u>(43,343)</u>
Other financing sources (uses) - generally accepted accounting principles basis	<u>\$ 433,444</u>	<u>\$ (91,020)</u>

City of West Linn, Oregon
Notes to General Purpose Financial Statements

4. Equity in Pooled Cash and Investments:

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

Cash and Investments, carried at fair value, are comprised of the following at June 30, 1998:

Cash on hand	\$ 2,200
Demand Deposits With Financial Institutions	369,085
Time Deposit	11,237
Cash with Agent	10,000
Investments	<u>13,707,567</u>
Total	<u>\$ 14,100,091</u>

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

Equity in Pooled Cash and Investments	\$ 13,675,402
Restricted Equity in Pooled Cash and Investments	<u>424,689</u>
Total	<u>\$ 14,100,091</u>

Deposits

Deposits with financial institutions include bank demand deposits and time deposits. The total bank balance per the bank statements is \$153,179. All of these deposits, were covered by federal depository insurance. The balance was fully collateralized in accordance with state law. Oregon Revised Statutes require the depository institution to maintain on deposit with a collateral pool manager securities having a value of not less than 25% of the outstanding certificates of participation issued by the pool manager.

Investments

The City's investments are categorized as follows:

- (1) Insured or registered, or securities held by the City or its agent in the City's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its agent but not in the City's name.

City of West Linn, Oregon
Notes to General Purpose Financial Statements

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

At June 30, 1998 the fair value of the investments were:

	Categories			Total
	1	2	3	
U.S. Government Securities	\$ 1,168,280			\$ 1,168,280
Bankers Acceptances	1,171,590			1,171,590
Commercial Paper	2,420,427			2,420,427
Corporate Bonds	801,480			801,480
U.S. Government Agency Securities	<u>276,741</u>			<u>276,741</u>
	<u>\$ 5,838,518</u>	\$	\$	5,838,518
Investments not subject to categorization:				
Oregon State Treasurer's Local Government Investment Pool, Variable Interest Rate			<u>7,869,049</u>	<u>7,869,049</u>
Total Investments				<u>\$ 13,707,567</u>

5. Contracts Receivable:

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

City of West Linn, Oregon
Notes to General Purpose Financial Statements

6. Fixed Assets:

The changes in fixed assets for the fiscal year ended June 30, 1998 are as follows:

	Internal Service Funds	
	Balance June 30, 1997	Balance June 30, 1998
Buildings	\$ 26,328	\$ 26,328
Equipment	83,290	84,231
Vehicles	26,003	26,003
Totals	135,621	136,562
Less Accumulated Depreciation	(103,796)	(108,366)
Totals	\$ 31,825	\$ 28,196

Enterprise Funds

	Balance June 30, 1997	Balance June 30, 1998
Land and Land Improvements	\$ 489,188	\$ 489,188
Buildings and Improvements	1,893,164	1,893,164
Water and Sewer System	17,783,616	18,034,472
Equipment	973,614	977,580
Vehicles	236,713	236,713
Construction in Progress	1,229,728	2,263,113
Totals	22,606,023	23,894,230
Less Accumulated Depreciation	(6,131,560)	(6,606,410)
Totals	\$16,474,463	\$17,287,820

City of West Linn, Oregon
Notes to General Purpose Financial Statements

6. Fixed Assets, Continued:

	General Fixed Assets Account Group			
	Balance June 30, 1997	Additions	Transfers	Balance June 30, 1998
Land and Land Improvements	\$ 2,101,562	\$ 619,024	\$ 55,823	\$ 2,776,209
Buildings and Improvements	2,011,154	60,327		2,071,481
Equipment	2,114,538	325,402		2,439,940
Vehicles	1,718,818	125,378		1,844,196
Leasehold Improvements	36,443			36,443
Construction in Progress	553,910	58,373	(55,823)	556,460
Totals	\$ 8,536,225	\$ 1,188,504	\$ -	\$ 9,724,729

7. Deferred Compensation Plans:

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

The June 30, 1998, deferred compensation assets include the accumulation of amounts deferred since the inception of the plan and investment earnings thereon, less participant withdrawals. The assets of the plans are held by the plan administrator for the sole benefit of the participants and are not considered assets and liabilities of the City.

8. Bonds Payable:

General Obligation Bonds

General obligation bonds consist of the unamortized balance of three issues with interest rates ranging from 2.60% to 9.0% (original issue \$2,965,000). Maturities of bond principal and interest are as follows:

Fiscal Year	Principal		Interest
	Outstanding June 30, 1997	Matured and Paid June 30, 1998	
1998	\$ 170,000	\$ 170,000	\$ -
1999	180,000	180,000	37,920
2000	185,000	185,000	30,360
2001	195,000	195,000	22,200
2002	210,000	210,000	13,445
2003	85,000	85,000	3,995
Totals	\$ 1,025,000	\$ 1,700,000	\$ 825,000
			\$ 107,920

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

**City of West Linn, Oregon
Notes to General Purpose Financial Statements**

**8. Bonds Payable, Continued:
Water System Revenue Bonds**

Water System Revenue bonds consist of the unmatured balance of one bond issue with interest rates ranging from 6.00% to 9.20% (original issue \$1,025,000). The Debt Service Fund assumed responsibility for repayment of these bonds in the year ended June 30, 1998. Maturities of bond principal and interest are as follows:

Fiscal Year	Principal		Interest
	Outstanding June 30, 1997	Matured and Paid June 30, 1998	
1998	\$ 105,000	\$ 105,000	\$ -
1999	115,000	115,000	5,290
	<u>\$ 220,000</u>	<u>\$ 105,000</u>	<u>\$ 5,290</u>

Principal and interest on Water Fund bonds are legally payable first from water system revenues and second, if necessary, from general tax revenues. However, the City has determined to pay the principal and interest from general revenue sources.

Certain bonds are callable at various prices at specified times prior to maturity.

Advance Refunding

In a prior fiscal year, the City defeased certain general obligation bonds issued in 1975 and 1987 by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the defeased bonds. The balance of the defeased bond principal outstanding was called on January 1, 1998 and completely paid.

**City of West Linn, Oregon
Notes to General Purpose Financial Statements**

9. Pension Plan:

The City is a member of the State of Oregon Public Employees Retirement System (PERS) an agent multiple-employer defined benefit public employee retirement system. All employees of the City are covered by the plan after six months of employment. The Public Employees Retirement Plan is a defined benefit pension plan to which employees and employer both contribute. Benefits are established by State statutes and consist of a retirement benefit paid for life upon a qualifying retirement, which is generally age 58. Benefits fully vest on reaching 5 years of service. The total requirement, and it is the policy of the City, to fund all current and prior service pension costs. The plan pension contribution for fiscal year 1998 was \$731,323. This was comprised of \$424,923 in employer contributions and \$281,871 of employee contributions. The 6 percent employee contribution of \$306,400 consists of \$305,232 paid by the City in accordance with collective bargaining agreements and \$1,168 paid by employees.

The City's payroll for employees covered by PERS for 1997-98 was \$5,087,199. The City's total payroll was \$5,449,953.

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

The rate of employer contribution to the plan is set periodically by the Public Employees Retirement Board, based upon actuarial evaluations. Under the plan, a contribution rate is determined for each employer. The City's employer contribution rate for fiscal year 1998 was 7.88 percent of employee compensation. The rate will change to 8.09 percent effective July 1, 1999.

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

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

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

City of West Linn, Oregon
Notes to General Purpose Financial Statements

City of West Linn, Oregon
Notes to General Purpose Financial Statements

9. Pension Plan, Continued:

Contribution information for the years ended June 30, 1998, 1997 and 1996 were as follows:

Year Ended June 30	Employer Contributions		Employee Contributions		Total Contributions
	Annual Pension Cost (APC)	Percentage of APC Contributed	Paid by Employer	Paid by Employees	
1998	\$ 424,923	100%	\$ 305,232	\$ 1,168	\$ 731,323
1997	322,029	100%	280,866	1,005	603,900
1996	309,679	100%	263,299	8,554	581,322

Funding Status:

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

Dec. 31 Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Funded Percent	Covered Payroll	Actuarial Assets in Excess of, -Less than Liability / Payroll
1995	\$ 10,263,057	\$ 10,628,586	97%	\$ 4,673,416	8%
1993	\$ 7,691,288	\$ 7,519,019	102%	\$ 3,659,167	-5%

Trend information showing the system's progress in accumulating sufficient assets to pay benefits when due may be found in the December 31, 1997 stand-alone audit report of the Oregon Public Employees Retirement System when issued. That report may be obtained by writing PERS, P.O. Box 23700, Tigard, OR 97281-3700.

10. Contributed Capital:

Changes in contributed capital are as follows:

	Enterprise Funds		Internal Service Fund		Total
	Water Fund	Sewer Fund	Vehicle Maintenance Fund		
Balance, June 30, 1997	\$ 10,506,638	\$ 9,262,868	\$ 61,135		\$ 19,830,641
Contributed by Other Funds	40,862	292,583			292,583
Contributed by Developers					40,862
Balance, June 30, 1998	\$ 10,547,500	\$ 9,555,451	\$ 61,135		\$ 20,164,086

11. Segment Information:

The City maintains two enterprise funds which provide water and sewer services. Segment information as of and for the year ended June 30, 1998 is as follows:

	\$	Water Fund	Sewer Fund	Total
		Operating Revenues	1,611,504	1,096,974
Depreciation Expense	236,385	238,465	474,850	
Operating Income (Loss)	(214,221)	311,854	97,633	
Net Income	462,227	405,893	868,120	
Fixed Asset Additions (Net)	8,799,094	8,487,959	17,287,053	
Investment in South Fork Water Board	2,212,113		2,212,113	
Contributed Capital	10,314,640	9,555,451	19,870,091	
Total Assets	11,746,810	10,650,404	22,397,214	
Total Working Capital	515,099	1,393,344	1,908,443	
Total Fund Equity	11,526,306	9,938,910	21,465,216	

The Investment in South Fork Water Board (SFWB) is accounted for on the equity method. Significant financial information for the SFWB as of and for the year ended June 30, 1998 is as follows:

Operating Revenues	\$ 2,450,900
Operating Income	994,556
Net Income	813,379
Total Assets	12,170,765
Total Working Capital	1,444,885
Bonds Payable	6,712,507
Contributed Capital	928,811
Total Equity	5,237,605

**City of West Linn, Oregon
Notes to General Purpose Financial Statements**

12. Risk Management:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except for unemployment compensation, the City purchases commercial insurance to minimize its exposure to these risks. There has been no reduction in commercial insurance coverage from fiscal year 1997 to 1998. Workers compensation claims are insured through incurred loss retrospective policies. Except as discussed in the following paragraph, settled claims have not exceeded this commercial coverage for any of the past three years.

The City is self-insured for unemployment compensation claims. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The Insurance Fund has recorded the following changes in the balance of claims liabilities for the years ended June 30, 1998 and 1997 as follows:

	<u>1998</u>	<u>1997</u>
Unpaid claims, beginning of year	\$ 1,148	\$ 989
Incurred claims	932	5,701
Claim Payments	<u>(2,080)</u>	<u>(5,542)</u>
Unpaid claims, end of year	<u>\$ -</u>	<u>\$ 1,148</u>

**City of West Linn, Oregon
Notes to General Purpose Financial Statements**

13. Commitments and Contingencies:

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

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

The City has outstanding construction commitments of approximately \$31,000 at June 30, 1998.

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

14. Property Tax Limitations:

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

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

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

**City of West Linn, Oregon
Notes to General Purpose Financial Statements**

15. Year 2000 Issue:

The City depends heavily on its accounting software to record, process, summarize, and report accurate financial data. Therefore, the year 2000 issue (whether the hardware and accounting software used by the City will continue to function after the year 1999) needs to be addressed.

The Governmental Accounting Standards Board has identified the following stages as necessary to implement a year 2000-compliant system:

Awareness Stage - Encompasses establishing a budget and project plan for dealing with the year 2000 issue.

Assessment Stage - When the organization begins the actual process of identifying all of its systems and individual components of the systems. An organization may decide to review all system components for year 2000 compliance or, through risk analysis, identify only mission-critical systems to check for compliance.

Remediation Stage - When the organization actually makes changes to systems. This stage deals primarily with the technical issues of converting existing systems, or switching to compliant systems. During this stage, decisions are made on how to make the systems or processes year 2000-compliant, and the required system changes are made.

Validation/Testing Stage - When the organization determines that no errors were introduced during the conversion process. The development of test data and test scripts, the running of test scripts, and the review of test results are crucial for this stage of the conversion process to be successful. If the testing results show anomalies, the tested area needs to be corrected and retested.

Implemented Stage - When a tested year 2000-compliant system is ready for use.

The City is in the process of changing accounting software. The new software is provided by HTE, Inc. The City has been assured by HTE, Inc. that the City's new accounting Software is a year 2000-compliant system. The City has incurred approximately \$34,725 in cost, as of June 30, 1998, related to year 2000 changes and expects an additional \$565,875 in costs for obtaining and implementing the new accounting software and hardware.

The City has completed the assessment stage and is currently in the remediation stage for assuring the computer hardware is year 2000-compliant.

**City of West Linn, Oregon
Notes to General Purpose Financial Statements**

16. Subsequent Events:

Subsequent to June 30, 1998, and as noted in Note 15 the City has contracted for a new computer system and new accounting software with an estimated total cost of \$455,306.

The City has entered into an agreement with Tualatin Valley Fire and Rescue, a rural fire protection district, to provide the City with continuous fire protection and emergency medical services until June 30, 2001. For these services, the City has agreed to make yearly payments of \$1,680,979 for the first year, \$1,852,072 for the second year and \$1,994,561 for the third year and make a conditional transfer of current fire protection employees and exclusive control of all City fire stations, vehicles, and apparatus.

On November 3, 1998 the voters of the City authorized the sale of general obligation bonds in the amount of \$8,000,000, for the purpose of acquiring and developing property for parks and recreational purposes. The City intends to issue these bonds in two separate series. The first series will be issued in December 1998 for \$4.4 million (the "Series 1998 Bonds"); the second series is expected to be issued within the next two years.

Appendix C

Book Entry Only System

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

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

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

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

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

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

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

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

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

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

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

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

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

12. DTC management is aware that some computer applications, systems, and the like for processing data ("Systems") that are dependent upon calendar dates, including dates before, on, and after January 1, 2000, may encounter "Year 2000 problems." DTC has informed its Participants and other members of the financial community (the "Industry") that it has developed and is implementing a program so that its Systems, as the same relate to the timely payment of distributions (including principal and income payments) to securityholders, book-entry deliveries, and settlement of trades within DTC ("DTC Services"), continue to function appropriately. This program includes a technical assessment and remediation plan, each of which is complete. Additionally, DTC's plan includes a testing phase, which is expected to be completed within appropriate time frames.

13. However, DTC's ability to perform properly its services is also dependent upon other parties, including but not limited to issuers and their agents, as well as third party vendors from whom DTC licenses software and hardware, and third party vendors on whom DTC relies for information or the provision of services, including telecommunication and electrical utility service providers, among others. DTC has informed the Industry that it is contacting (and will continue to contact) third party vendors from whom DTC acquires services to: (i) impress upon them the importance of such services being Year 2000 compliant; and (ii) determine the extent of their efforts for Year 2000 remediation (and, as appropriate, testing) of their services. In addition, DTC is in the process of developing such contingency plans as it deems appropriate.

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

Appendix D

Form of Continuing Disclosure Certificate

CONTINUING DISCLOSURE CERTIFICATE

\$3,600,000
City of West Linn
Clackamas County, Oregon
General Obligation Bonds
Series 1999

This Continuing Disclosure Certificate (the "Certificate") is executed and delivered by the City of West Linn, Clackamas County, Oregon (the "Issuer") in connection with the issuance of the Issuer's General Obligation Bonds, Series 1999 (the "Bonds").

Section 1. Purpose of Certificate. This Certificate is being executed and delivered by the Issuer for the benefit of the holders of the Bonds and to assist the underwriter(s) of the Bonds in complying with paragraph (b)(5) of Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. § 240.15c2-12) (the "Rule"). This Certificate constitutes the Issuer's written undertaking for the benefit of the owners of the Bonds as required by Section (d)(2) of the Rule. The Issuer is an obligated person with respect to less than \$10,000,000 of municipal securities, including the Bonds.

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

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

"Commission" means the Securities and Exchange Commission.

"Financial Information" means financial information and operating data which is customarily prepared by the Issuer and is publicly available. The term "Financial Information" shall include the Issuer's latest publicly available annual financial statements prepared in accordance with the Oregon Local Budget Law (or any successor statute) and in accordance with generally accepted accounting principles so prescribed by the Governmental Accounting Standards Board (or its successors).

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

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

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

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

Section 3. Financial Information. The Issuer agrees to provide or cause to be provided the Financial Information to each person upon request or annually to the SID, if any. The Issuer's City Manager or his designee (the "City Official") shall be responsible for responding to requests for annual financial statements. Requests for annual financial statements may be either (a) written requests addressed to the City of West Linn at 2042 Eighth Avenue, West Linn, Oregon 97068 or (b) telephonic requests to City Manager at (503) 657-0331.

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

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
7. Modifications to the rights of Bond owners;
8. Optional redemption of Bonds prior to their maturity;
9. Defeasance;
10. Release, substitution or sale of property securing repayment of the Bonds; and
11. Rating changes.

Section 5. Termination/Modification. The Issuer's obligations to provide notices of material events shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. This Certificate, or any provision hereof, shall be null and void if the Issuer (1) obtains an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this Certificate, or any such provision, are invalid, have been repealed retroactively or otherwise do not apply to the Bonds; and (2) notifies each then existing NRMSIR and the SID, if any, of such opinion and the cancellation of this Certificate.

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

1. If the amendment or waiver relates to the provisions of Sections 3 or 4 hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Issuer with respect to the Bonds, or the type of business conducted;
2. 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

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

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

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

Dated as of this 12th day of October, 1999.

City of West Linn
Clackamas County, Oregon

City Manager

