

\$3,900,000
City of West Linn
Clackamas County, Oregon
General Obligation Bonds, Series 2000

DATED: November 1, 2000

DUE: June 1, as shown below

SALE TYPE—The Bonds were sold to U.S. Bancorp Piper Jaffray pursuant to a competitive sale held at 10:00 a.m. (PDT) on October 25, 2000, as further described in the Notice of Sale attached hereto.

RATINGS—Aa3/AA- (underlying) and Aaa/AAA (insured) from Moody’s and Standard & Poor’s, respectively. See “Municipal Bond Insurance” and “Ratings” herein.

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

BOOK-ENTRY ONLY—The 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 Bonds. Purchasers will not receive certificates representing their interest in the Bonds purchased.

PRINCIPAL AND INTEREST PAYMENTS—Interest on the Bonds will be paid on June 1, 2001 and semiannually thereafter on December 1 and June 1 of each year to the maturity or earlier redemption of the Bonds. The principal of and interest on the 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 Bonds. Interest on the Bonds shall be credited to the Owners by the DTC Participants. Principal of and interest on the Bonds will be payable to the persons in whose names such Bonds are registered, at the address appearing upon the registration books on the 15th day of the month preceding a payment date.

MATURITY SCHEDULE—

<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	\$130,000	5.00%	4.28%	2012	\$175,000	4.875%	4.95%
2002	10,000	5.00	4.38	2013	195,000	5.00	5.05
2003	30,000	5.00	4.43	2014	220,000	5.00	5.13
2004	60,000	5.00	4.48	2015	240,000	5.125	5.20
2005	70,000	5.00	4.53	2016	270,000	5.15	5.25
2006	80,000	5.00	4.58	2017	295,000	5.25	5.34
2007	95,000	5.00	4.63	2018	325,000	5.30	5.39
2008	110,000	5.00	4.70	2019	355,000	5.375	5.44
2009	125,000	5.00	4.75	2020	390,000	5.375	5.49
2010	140,000	4.70	4.80	2021	430,000	5.40	5.52
2011	155,000	4.80	4.90				

(Plus accrued interest from the Dated Date)

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

SECURITY—The 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 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 Bonds. The Bonds do not constitute a debt or indebtedness of Clackamas County, the State of Oregon, or any political subdivision thereof other than the City. **For a discussion of proposed ballot measures that, if passed, may have an impact on the City, see “Legislative Referrals” and “The Initiative and Referendum Process” herein.**

Payment of the principal of and interest on the Bonds, when due, will be further insured by a municipal bond insurance policy to be issued simultaneously with the delivery of the Bonds by Financial Guaranty Insurance Company.



FGIC is a registered service mark used by Financial Guaranty Insurance Company, a private company not affiliated with any U.S. Government agency.

DELIVERY—The 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 to the City”). It is expected that the Bonds will be available for delivery to the Paying Agent for Fast Automated Securities Transfer on behalf of DTC, on or about November 6, 2000.

TAX EXEMPTION—*In the opinion of Preston Gates & Ellis LLP, Bond Counsel to the City, under existing law and assuming compliance by the City with certain tax covenants described herein, interest on the 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 to the City, interest on the Bonds is exempt from present personal income tax imposed by the State of Oregon.*

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

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

City Council

Jill Thorn
Dee Burch
Michael 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

Paying Agent

U.S. Bank Trust National Association
Portland, Oregon

Financial Advisor

Seattle-Northwest Securities Corporation
Portland, Oregon

This Official Statement does not constitute an offer to sell the 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 or the Financial Advisor to give any information or to make any representations, other than those contained herein, in connection with the offering of the 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 for accuracy or completeness and it is not to be construed as a representation by the Financial Advisor. 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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Notice of Sale

**\$3,900,000
City of West Linn
Clackamas County, Oregon
General Obligation Bonds
Series 2000**

NOTICE IS HEREBY GIVEN that bids will be received on behalf of the City of West Linn, in Clackamas County, Oregon (the "City") for the purchase of its General Obligation Bonds, Series 2000 (the "Bonds") until 10:00 o'clock a.m. (prevailing Pacific Time) on:

October 25, 2000

at the offices of Preston Gates & Ellis LLP, Bond Counsel, 222 S.W. Columbia Street, Suite 1400, Portland, Oregon 97201, at which time they will be publicly reviewed and announced. The City will act on the bids within four hours.

SECURITY: The Bonds are general obligations of the City secured by the full faith and credit of the City. The City is authorized to impose a property tax each year in an amount sufficient to pay the maturing Bonds, and has covenanted to impose that tax each year until all Bonds are paid. The tax is not limited by Article XI, Section 11 or 11b of the Oregon Constitution.

QUALIFIED TAX-EXEMPT BONDS: The City has designated the Bonds as "qualified tax-exempt bonds" under Section 265(b)(3) of the Code.

RATING: The City has applied to two rating agencies for ratings for the Bonds.

INTEREST PAYMENTS AND MATURITIES: Interest on the Bonds is payable semiannually on June 1 and November 1 of each year until maturity or prior redemption, commencing June 1, 2001. The Bonds will be dated November 1, 2000, will be issued in the aggregate principal amount of \$3,900,000, and will mature on June 1 of the following years in the following principal amounts:

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
2001	\$130,000	2012	\$175,000
2002	10,000	2013	195,000
2003	30,000	2014	220,000
2004	60,000	2015	240,000
2005	70,000	2016	270,000
2006	80,000	2017	295,000
2007	95,000	2018	325,000
2008	110,000	2019	355,000
2009	125,000	2020	390,000
2010	140,000	2021	430,000
2011	155,000		

TERM BONDS: The successful bidder may designate one or more Term Bonds, which consist of two or more consecutive maturities with identical interest rates, 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. If a bidder desires Term Bonds, they should be specified in the bid, but failure to so indicate will not disqualify the bid.

RIGHT TO CHANGE TIMING AND TERMS OF SALE: The City reserves the right to change the date, timing or terms, and maturities under which the Bonds are offered for sale by placing a notice of the

changes on Thomson Municipal Market Monitor (TM3 formerly Munifacts) not less than twenty-four (24) hours prior to the time for receipt of bids.

OPTIONAL REDEMPTION: The Bonds maturing after June 1, 2010 are subject to redemption prior to maturity at the option of the City in whole or in part on any date on or after June 1, 2010 (with maturities selected by the City and by lot within a maturity) at a price of par, plus accrued interest to the date fixed for redemption. While the Bonds are in book entry form notice of redemption will be given to the City's Paying Agent, which is currently U.S. Bank Trust National Association (the "Paying Agent"). The Paying Agent will give notice to The Depository Trust Company, New York, New York ("DTC"), and DTC will be responsible for giving notice to Bond owners.

BIDDING CONSTRAINTS: Bidders must specify the interest rate or rates which the Bonds shall bear. The true interest cost shall not exceed six and fifty hundredths percent (6.50%). The bids shall comply with the following conditions: (1) each interest rate specified in any bid must be a multiple of one one-thousandth of one percent (0.001%); (2) no Bond shall bear more than one rate of interest; (3) each Bond shall bear interest from its dated date to its stated maturity date at the interest rate specified in the bid; (4) all Bonds maturing on the same date shall bear the same rate of interest; (5) no interest rate may exceed six and twenty-five hundredths percent (6.25%) per annum; (6) the difference between the highest and lowest rates bid shall not exceed three percent (3.00%); and, (7) zero interest rates are not allowed.

MINIMUM PRICE: Bids must be for the entire amount of the Bonds, and for a purchase price of not less than ninety-eight and fifty hundredths percent (98.50%) of the principal amount of the Bonds, plus accrued interest to the date of delivery. No additional discount may be taken for the cost of bond insurance.

BEST BID: The Bonds will be awarded to the responsible bidder submitting the bid which results 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 on the Bonds to November 1, 2000, 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 on the Bonds if the bid is accepted. The purchaser must pay accrued interest, computed on a 360-day basis, from the date of the Bonds to their date of delivery.

BOND INSURANCE AT BIDDER'S OPTION AND EXPENSE: The City will submit information to AMBAC, FGIC, FSA and MBIA. If these institutions qualify the Bonds for insurance, Bidders may elect to insure the Bonds at its own risk and expense. The City will add administrative provisions relating to insurance to the documents for the Bonds, but will not make changes which adversely affect the City.

BIDS MAY BE DELIVERED, TELECOPIED, OR SUBMITTED ON "PARITY": Bids may be delivered to the bid opening, telecopied, or submitted electronically via **PARITY**. Bid forms for delivered and telecopied bids are included with the Preliminary Official Statement; use of the bid form is encouraged.

DELIVERED BIDS: Each bid which is delivered to the opening must be enclosed in a sealed envelope addressed to the City, which should be clearly marked as a proposal for the City's General Obligation Bonds, Series 2000. A bidder who elects to deliver its bid must provide its good faith deposit in the form of a financial surety bond or a certified or cashier's check.

TELECOPIED BIDS: Bids may be telecopied to the City's Bond Counsel, Preston Gates & Ellis LLP, to the attention of Dick Roberts, at the following number: (503) 248-9085. Bidders may confirm whether their telecopied bid has been received by telephoning Margo Sharp at (503) 226-5764. Bidders wishing to confirm the telecopy number or bid procedures are requested to contact the City's Financial Advisor at least one business day prior to the sale at (503) 275-8304. 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. A bidder who elects to telecopy its bid must provide its good faith deposit in the form of a financial surety bond.

PARITY BIDS: Bids may be submitted electronically through **PARITY** in the manner described below. These bids must be received by the **PARITY** system not later than the date and time indicated in the first paragraph of this notice. For further information about submitting a bid using **PARITY**, potential

bidders may contact the City's financial advisor at (503) 275-8304 or **PARITY** at Dalcomp (817) 923-5700 or (212) 806-8304. To the extent any instructions or directions set forth in **PARITY** conflict with this notice of sale, the terms of this notice of sale shall control. Bidders electing to submit bids through **PARITY** must obtain access to the **PARITY** system and bear all risks associated with using that system, including errors and delays in receipt of bids. A bidder who elects to use **PARITY** must provide its good faith deposit in the form of a financial surety bond.

GOOD FAITH DEPOSIT - CHECK OR FINANCIAL SURETY BOND: Each bid must be secured by a good faith deposit in the amount of at least SEVENTY-EIGHT THOUSAND DOLLARS (\$78,000), which shall be credited against the purchase price of the Bonds. The good faith deposit may be made in the form of a financial surety bond or a certified or cashier's check. The good faith deposit will be held by the City to secure the City from any loss resulting from the failure of the bidder to comply with the terms of its bid, and will be forfeited to the City as liquidated damages if the bidder to whom the Bonds are awarded withdraws its bid or fails to complete its purchase of the Bonds in accordance with this notice of sale and its bid.

If the good faith deposit is in the form of a financial surety bond, the financial surety bond must be issued by a company which is rated in the highest rating category by Moody's Investors Service, Inc., by Standard & Poor's Corporation, or by Fitch Investors Service, Inc. Notification that the bidder has obtained the surety bond must be given by the issuer of the surety bond to the City's Financial Advisor prior to the opening of the bids. 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 October 26, 2000 (the day following the sale), 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 that date, the City may draw on the financial surety bond immediately to satisfy the good faith deposit requirement.

If the good faith deposit is in the form of a certified or cashier's check, the check must be payable to the order of the City, must be drawn on a bank doing business in the State of Oregon and must be delivered to the bid opening and enclosed in the envelope with the bid. The City will cash the check of the successful bidder immediately. The City will return the checks of unsuccessful bidders promptly after award of the successful bid. Each bidder is requested to include its name on its check to ensure accurate identification.

Interest earnings on the good faith deposit will be the property of the City, and will not be credited against the purchase price of the Bonds. The successful bidder shall pay the balance of the purchase price of the Bonds at closing, in funds immediately available to the City on the date and at the time of closing.

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

BOOK ENTRY ONLY: The Bonds will be issued in registered, book-entry only form through DTC. Bonds will be available in denominations of \$5,000, or integral multiples. Unless the book-entry-only system is discontinued, Bond principal and interest payments will be made by the City to DTC through the City's Paying Agent. DTC will be responsible for making payments to beneficial owners of Bonds.

CERTIFICATE OF REOFFERING PRICE: The successful bidder shall provide the City's Financial Advisor with the reoffering prices and yields within 24 hours after award of the bid. The reoffering prices and yields so provided will be printed on the cover of the final official statement. In addition, the successful bidder must provide a certificate, satisfactory to Bond Counsel, containing information which will permit Bond Counsel to determine the "issue price" of the series, and verifying the accuracy of the reoffering prices and yields which were certified to the City's Financial Advisor, not later than two business days prior to the closing. If the successful bidder fails to provide the reoffering prices and yields, or the certificate satisfactory to Bond Counsel, as specified in this notice of sale, the City may cancel the sale and forfeit the successful bidder's good faith deposit.

PURPOSE: The Bonds are being issued to expand, remodel, improve and furnish the City library and to pay the costs of issuance.

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. 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.

DELIVERY: Delivery of the Bonds will be made to DTC in New York, New York, without cost to the bidder. Delivery of the Bonds will be made through the facilities of DTC on or about November 6, 2000.

COMPLIANCE WITH SEC RULES: The City agrees to provide the successful bidder with a sufficient number of copies of the official statement in a form “deemed final” by the City to enable the successful bidder to satisfy its responsibilities under the SEC rules 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.

CONTINUING DISCLOSURE: The City will undertake to provide continuing disclosure at the request of Bond Owners in compliance with Rule 15c2-12. The form of the undertaking is attached as Appendix D to the preliminary official statement.

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 the Bonds, the City will furnish the successful bidder a certificate that there is no litigation pending affecting the validity of the Bonds.

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

OFFICIAL STATEMENT AND FURTHER INFORMATION: Further information and a preliminary official statement relating to the Bonds will be provided upon request to the City’s Financial Advisor, Seattle-Northwest Securities Corporation, telephone: (503) 275-8304, Attention: Carol Samuels, email: csamuels@snwsc.com.

By order of the City of West Linn, Oregon

OFFICIAL STATEMENT

City of West Linn Clackamas County, Oregon

\$3,900,000 General Obligation Bonds, Series 2000

City of West Linn, Clackamas County, Oregon (the “City” and the “County,” respectively), a municipal corporation duly organized and existing under and by virtue of the laws of the State of Oregon (the “State”) furnishes this Official Statement in connection with the offering of \$3,900,000 aggregate principal amount of General Obligation Bonds, Series 2000, dated November 1, 2000 (the “Bonds”). This Official Statement, which includes the cover page, Notice of Sale, bid form and appendices, provides information concerning the City and the Bonds.

Description of the Bonds

Principal Amount, Date, Interest Rates and Maturities

The Bonds will be issued in the aggregate principal amount of \$3,900,000 and will be dated and bear interest from November 1, 2000. The Bonds will mature on the dates and in the principal amounts and will bear interest (payable semiannually on June 1 and December 1, first interest payable June 1, 2001) until the maturity or earlier redemption of the Bonds at the rates set forth on the cover of this Official Statement. Interest on the Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Redemption Provisions

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

Notice of Redemption (DTC). So long as the 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 Bonds.

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

Paying Agent and Registration Features

The 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 Bonds. Individual purchases and sales of the 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 Bonds.

The principal of and interest on the Bonds will be payable by the City’s “Paying Agent”, currently U.S. Bank Trust National Association, 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 Bonds, as further described in Appendix C attached hereto. Interest on the Bonds shall be credited to the Beneficial Owners by the DTC Participants.

Book-Entry Bonds

DTC will act as securities depository for the Bonds. The ownership of one fully registered Bond for each maturity of the 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 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 Bonds or their nominees, Bonds in fully registered form, in the denomination of \$5,000 or any integral multiple thereof within a maturity. Thereafter, the principal of the Bonds will be payable upon due presentment and surrender thereof at the principal office of the Bond Registrar; interest on the 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 Bonds) to the persons in whose names such 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 Bonds will be transferable as provided in the Resolution (defined below).

Authorization for Issuance

Under and in accordance with State laws and provisions, this general obligation bond issue is issued pursuant to Resolution No. 00-47 (the “Resolution”), adopted by the City’s City Council (the “City Council”) on October 9, 2000.

A \$3,900,000 bond authorization was approved by a favorable vote at an election held in the City on May 16, 2000. Final election results were as follows:

	<u>Number of Votes</u>	<u>Percentage</u>
Yes	4,074	61.1%
No	2,595	38.9%

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, or at an election in which not less than 50 percent of the *registered voters eligible to vote* on the question cast a ballot. There were 12,959 eligible voters in the City for the May 16, 2000 election and 7,068 registered voters eligible to vote cast ballots, meeting the constitutional requirement with 54.5 percent turnout of the registered voters. (See “Taxes” herein).

Purpose and Use of Proceeds

Purpose

The proceeds from the sale of the Bonds will be used to finance the expanding, remodeling, improving and furnishing of the City library (the “Project”) and to pay the costs of issuance of the Bonds.

Sources and Uses of Funds

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

<u>Sources of Funds</u>	
Par Amount of Bonds	\$ 3,900,000
Less: Discount	<u>(53,613)</u>
Total Sources of Funds	<u>\$ 3,846,387</u>
<u>Uses of Funds</u>	
Project Requirements	\$ 3,816,687
Costs of Issuance	<u>29,700</u>
Total Uses of Funds	<u>\$ 3,846,387</u>

Security for the Bonds

General

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

The City may, subject to applicable laws, apply other funds available to make payments with respect to the Bonds and thereby reduce the amount of future tax levies for such purpose.

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

Municipal Bond Insurance

Concurrently with the issuance of the Bonds, Financial Guaranty Insurance Company ("Financial Guaranty") will issue its Municipal Bond New Issue Insurance Policy for the Bonds (the "Policy"). The Policy unconditionally guarantees the payment of that portion of the principal of and interest on the Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the issuer of the Bonds (the "Issuer"). Financial Guaranty will make such payments to State Street Bank and Trust Company, N.A., or its successor as its agent (the "Fiscal Agent"), on the later of the date on which such principal and interest is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from an owner of Bonds or the Paying Agent of the nonpayment of such amount by the Issuer. The Fiscal Agent will disburse such amount due on any Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner's right to receive payment of the principal and interest due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal and interest shall be vested in Financial Guaranty. The term "nonpayment" in respect of an Bond includes any payment of principal or interest made to an owner of an Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

The Policy is non-cancellable and the premium will be fully paid at the time of delivery of the Bonds. The Policy covers failure to pay principal of the Bonds on their respective stated maturity dates, or dates on which the same shall have been duly called for mandatory sinking fund redemption, and not on any other date on

which the Bonds may have been otherwise called for redemption, accelerated, or advanced in maturity, and covers the failure to pay an installment of interest on the stated date for its payment.

This Official Statement contains a section regarding the ratings assigned to the Bonds and reference should be made to such section for a discussion of such ratings and the basis for their assignment to the Bonds. Reference should be made to the description of the Issuer for a discussion of the ratings, if any, assigned to such entity's outstanding parity debt that is not secured by credit enhancement.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Guaranty is a wholly owned subsidiary of FGIC Corporation (the "Corporation"), a Delaware holding company. The Corporation is a subsidiary of General Electric Capital Corporation ("GE Capital"). Neither the Corporation nor GE Capital is obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty is a monoline financial guaranty insurer domiciled in the State of New York and is subject to regulation by the State of New York Insurance Department. As of June 30, 2000, the total capital and surplus of Financial Guaranty was approximately \$1.293 billion. Financial Guaranty prepares financial statements on the basis of both statutory accounting principles and generally accepted accounting principles. Copies of such financial statements may be obtained by writing to Financial Guaranty at 115 Broadway, New York, New York 10006, Attention: Communications Department (telephone number: (212) 312-3000) or to the New York State Insurance Department at 25 Beaver Street, New York, New York 10004-2319, Attention: Financial Condition Property/Casualty Bureau (telephone number: (212) 480-5187).

Ratings

As noted on the cover page of this Official Statement, the City has received underlying ratings of "Aa3" and "AA-" for the Bonds from Moody's Investors Service and Standard & Poor's Ratings Service, a Division of The McGraw-Hill Companies, respectively. Further, Moody's and Standard & Poor's have assigned ratings of "Aaa" and "AAA" to the Bonds with the understanding that, upon delivery of the Bonds, the Financial Guaranty Policy will be issued by Financial Guaranty. The ratings will 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 ratings will be retained for any given period of time or that the ratings will not be revised downward or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the ratings will be likely to have an adverse effect on the market price of the Bonds.

Bonded Indebtedness

General Obligation Debt Limitation

ORS Chapter 287 limits the amount of general obligation bonds which an Oregon city may have outstanding at any time to three percent of the Real Market Value of the taxable property within the city. A lower limit may be applied by the city's charter. 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 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.

The City may issue revenue bonds for "... any public purpose, which are secured by revenues [including revenues of a public utility or system] either pledged or designated to be payable for such public purpose of

the public body [including improvements, projects or facilities financed by the revenue bonds of the public utility or system] ...” pursuant to Oregon Revised Statutes 288.805 to 288.945 (the Uniform Revenue Bond Act).

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

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

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

Source: Clackamas County Assessor’s Office

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

<u>General Obligation Bonds</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount Issued</u>	<u>Amount Outstanding*</u>
Series 1993 Refunding	04/01/93	01/01/03	\$ 1,415,000	\$ 490,000
Series 1998	12/01/98	06/01/18	4,400,000	4,315,000
Series 1999	10/01/99	01/01/19	3,600,000	3,600,000
Series 2000 (this issue)	11/01/00	06/01/21	<u>3,900,000</u>	<u>3,900,000</u>
Total General Obligation Bonds			<u>\$ 13,315,000</u>	<u>\$ 12,305,000</u>
<u>Revenue Bonds</u>				
Series 2000 (Water)	10/01/00	10/01/20	<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>
<u>Full Faith and Credit Obligations</u>				
Series 2000 (pending)	11/01/00	12/01/20	<u>\$ 4,300,000</u>	<u>\$ 4,300,000</u>
Total Long-Term Debt			<u>\$ 19,415,000</u>	<u>\$ 18,405,000</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 will not be issued in an amount greater than 80 percent of the amount budgeted to be received in the fiscal year in which the obligations are issued. **The City does not have any notes outstanding at this time.**

Source: City of West Linn Audited Financial Statements

**Projected Debt Service Requirements
(As of November 1, 2000)**

Fiscal Year*	Outstanding General Obligation Bonds		Series 2000 Bonds		Total Debt Service
	Principal	Interest	Principal	Interest	
2001	\$ 430,000	\$ 432,463	\$ 130,000	\$ 117,240	\$ 1,109,703
2002	505,000	369,160	10,000	194,483	1,078,643
2003	395,000	347,610	30,000	193,983	966,593
2004	320,000	330,825	60,000	192,483	903,308
2005	335,000	317,485	70,000	189,483	911,968
2006	350,000	303,385	80,000	185,983	919,368
2007	365,000	288,485	95,000	181,983	930,468
2008	385,000	272,695	110,000	177,233	944,928
2009	400,000	255,755	125,000	171,733	952,488
2010	420,000	237,850	140,000	165,483	963,333
2011	440,000	218,770	155,000	158,903	972,673
2012	465,000	198,520	175,000	151,463	989,983
2013	485,000	176,988	195,000	142,931	999,919
2014	505,000	154,170	220,000	133,181	1,012,351
2015	535,000	130,010	240,000	122,181	1,027,191
2016	560,000	104,108	270,000	109,881	1,043,989
2017	590,000	76,818	295,000	95,976	1,057,794
2018	620,000	47,628	325,000	80,489	1,073,116
2019	300,000	16,350	355,000	63,264	734,614
2020	0	0	390,000	44,183	434,183
2021	0	0	430,000	23,220	453,220
	<u>\$ 8,405,000</u>	<u>\$ 4,279,073</u>	<u>\$ 3,900,000</u>	<u>\$ 2,895,754</u>	<u>\$ 19,479,827</u>

Note: Totals may not foot due to rounding.

* Fiscal Years ending June 30.

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

<u>Overlapping District</u>	<u>1999-2000 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	\$ 3,909,327,740	50.5021%	\$ 3,032,651	\$ 3,032,651
West Linn-Wilsonville School Dist.	4,208,258,749	46.3682	45,422,289	45,422,289
Clackamas Community College	20,473,442,190	9.5309	694,803	694,803
Clackamas County	28,129,831,680	7.0185	36,145	36,145
Metro	105167429207	1.8773	3,666,915	3,666,915
Tri-Met	106056687667	1.8615	2,927,302	2,927,302
Port of Portland	115941280093	1.7028	286,308	286,308
Lake Oswego School District	4876295417	0.4716	59,304	59,304
Portland Community College	81210898581	0.0283	13,152	13,152
Total			<u>\$ 56,138,869</u>	<u>\$ 56,138,869</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 Bonds) and the estimated portion of the debt of overlapping taxing district allocated to the City's residents.

1999-2000:

Real Market Value (1)	\$ 1,972,934,840
Assessed Value (1)	\$ 1,539,223,380
Estimated Population	22,835

Debt Information

Net Direct Debt (includes this issue) (2)	\$ 12,305,000
Estimated Net Overlapping Debt (as detailed further herein) (2)	<u>56,138,869</u>
Total Net Direct and Overlapping Debt	<u>\$ 68,443,869</u>

Bonded Debt Ratios

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

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

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

Debt Payment Record

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

Future Financings

The City projects issuing water revenue bonds of \$650,000 in 2002 and \$1.5 million in 2004. The City is seeking voter approval on November 7, 2000 to issue \$2,635,000 of general obligation bonds for water improvements, and \$1.4 million of general obligation bonds for public safety. Additionally, the City is in the process of issuing approximately \$4.3 million of full faith and credit obligations to buy a new City Hall building, the land it sits on and related building improvements and furnishings.

Taxes

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

The State of Oregon has the authority to levy property taxes, however the State has not levied property taxes since 1941 and obtains its revenue principally from income tax and lottery sources. The Oregon Constitution places certain limits on property tax rates for general purposes. The Constitution does not limit property tax rates for general obligation bonds, such as the 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).

Valuation of Property—Assessment

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

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

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

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

Pursuant to ORS 308.142-308.166, increases in the assessed value of each property are limited to three percent per year for tax years after 1997–98, with special exemptions for property that is improved, rezoned,

subdivided, or ceases to qualify for exemption. In combination with the permanent tax rate, the limitation on the growth in assessed value limits the growth of taxes on individual properties to no more than an average of three percent per year (excluding exempt levies—see below).

Exemptions.

- (1) *Exempt Bonded Indebtedness.* Bonds issued as general obligation bonds (or bonds to refund them) prior to 1990, or in accordance with the capital construction and improvement definitions in Article XI, Section 11 (see “Capital Construction and Improvements Definition” below), are in addition to the permanent tax rate and exempt from Real Market Value tax rate limitations pursuant to Article XI, Section 11b of the Oregon Constitution. Taxes imposed to pay principal of and interest on bonded indebtedness are not subject to constitutional limits, provided such bonds are (1) authorized by a specific provision of the Oregon Constitution, or (2) incurred for capital construction or improvements (see “Capital Construction and Improvements” herein) and approved by the voters in accordance with applicable voting requirements.
- (2) *Certain Levies.* Operating and serial levies that were first imposed for the 1996–97 or 1997–98 tax years and received a majority of the votes from voters voting either (i) at a general election in an even numbered year, or (ii) at any other election in which not less than fifty percent of the registered voters eligible to vote on the question cast a ballot in an election held before March 15, 1997 are exempt from the roll back provisions of Article XI, Section 11, and are added to the base. They are, however, subject to a “supplemental” average reduction of 1.4 percent. Other levies are included in the base for purposes of calculating the permanent tax rate but are subject to the 17 percent reduction. Still others are not subject to reduction, but are not included in calculating the permanent tax rate (see “Local Option Provisions” below).
- (3) A taxing district which supports a hospital facility through ad valorem property taxes shall be exempt from the reduction.

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

Tax Rate Limitation – Real Market Value

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

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

The collection of property taxes for payment of debt service on the Bonds is unlimited as to rate or amount and is not subject to tax rate limits.

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

Tax Levy

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

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

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

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

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

Property Tax Collections

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

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

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

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

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

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

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

Tax Collection Record (1)

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

- (1) Percentage of total tax levy collection in Clackamas County. Pre-payment discounts are considered to be collected when outstanding taxes are calculated.
- (2) 1997-98 represents the first year that there was a distinction between real market values and assessed values (see "Taxes- Valuation of Property - Assessment" herein).

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

**Major Taxpayers – City of West Linn
(As of 1999–2000)**

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

Source: Clackamas County Department of Assessment & Taxation

The City

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

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

City Council

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

<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	Civil Engineer/ Business Manager	12/31/00
Michael McFarland	Public Utility Specialist, BPA	12/31/00
Tom Neff	Retired	12/31/00
John Steele	Computer System Analyst	12/31/00

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

Key Administrative Officials

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

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

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

The City's administrative offices are located at 22500 Salamo Road, 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, 2002
American Federation of State, County and Municipal Employees	55	5 years; June 30, 2005

City Financial Factors

Financial Reporting

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

Independent Audit Requirement

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

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

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

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

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

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
nrmsir@dpcdata.com

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

www.dpcdata.com/muniannuals/selectiontable.cfm

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

General Fund Balance Sheet
(Years Ending June 30)

	<u>Unaudited 2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
Assets					
Equity in pooled cash & investments	\$ 2,013,918	\$ 2,524,367	\$ 2,304,248	\$ 2,271,351	\$ 1,764,882
Cash held by County Treasurer	26,261	32,328	29,710	33,058	27,486
Property taxes receivable	206,895	213,065	198,617	188,241	166,763
Accounts receivable	194,929	229,664	158,594	140,452	176,715
Accrued interest receivable	8,725	9,287	10,431	23,675	3,972
Security deposits	11,960	11,960	0	0	0
Assessment liens receivable	0	0	0	421	421
Due from other governments	58,899	103,647	110,952	42,052	52,913
Prepaid expenses	<u>0</u>	<u>0</u>	<u>71,790</u>	<u>0</u>	<u>0</u>
Total Assets	<u>\$ 2,521,587</u>	<u>\$ 3,124,318</u>	<u>\$ 2,884,342</u>	<u>\$ 2,699,250</u>	<u>\$ 2,193,152</u>
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	\$ 101,222	\$ 137,086	\$ 197,572	\$ 150,736	\$ 184,609
Accrued salaries and payroll taxes	512,338	440,599	205,159	159,857	143,517
Accrued liabilities	1,978	5,884	312,344	281,140	275,000
Accrued interest payable	0	0	0	0	5,318
Due to other governments	43,690	37,531	43,641	4,235	0
Deposits payable	283,384	417,930	418,168	565,055	199,638
Deferred revenue	<u>508,920</u>	<u>412,941</u>	<u>316,129</u>	<u>246,272</u>	<u>192,911</u>
Total Liabilities:	<u>1,451,532</u>	<u>1,451,971</u>	<u>1,493,013</u>	<u>1,407,295</u>	<u>1,000,993</u>
Fund Equity:					
Fund balance:					
Reserved for prepaid expenditures	0	0	71,790	0	0
Unreserved undesignated	<u>1,070,055</u>	<u>1,672,347</u>	<u>1,319,539</u>	<u>1,291,955</u>	<u>1,192,159</u>
Total Fund Equity	<u>1,070,055</u>	<u>1,672,347</u>	<u>1,391,329</u>	<u>1,291,955</u>	<u>1,192,159</u>
Total Liabilities and Fund Equity	<u>\$ 2,521,587</u>	<u>\$ 3,124,318</u>	<u>\$ 2,884,342</u>	<u>\$ 2,699,250</u>	<u>\$ 2,193,152</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>Unaudited 2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
Revenues					
Taxes	\$ 3,136,348	\$ 2,894,807	\$ 2,727,134	\$ 2,824,680	\$ 2,693,023
Intergovernmental revenues	218,904	243,736	293,797	328,158	225,433
Franchise fees	1,108,198	1,035,693	869,899	904,446	995,761
Licenses and permits	977,673	1,112,166	863,936	1,003,547	689,568
Fines and forfeitures	466,232	327,079	240,930	204,313	185,482
Interest earnings	112,628	100,009	83,915	97,958	102,869
Charges for services	416,013	403,708 *	403,238	379,994	283,003
Miscellaneous	145,563	197,407	171,998	187,077	232,337
Total Revenues	<u>6,581,559</u>	<u>6,314,605</u>	<u>5,654,847</u>	<u>5,930,173</u>	<u>5,407,476</u>
Expenditures					
Current:					
General government	2,943,647	2,195,763 *	1,730,261	1,697,519	1,444,515
Cultural and recreation	1,813,757	1,603,998 *	1,500,932	1,531,355	1,403,654
Public safety	2,226,107	2,027,093	2,757,724	2,862,614	2,688,052
Total Expenditures	<u>6,983,511</u>	<u>5,826,854</u>	<u>5,988,917</u>	<u>6,091,488</u>	<u>5,536,221</u>
Excess of revenues over (under) expenditures	<u>(401,952)</u>	<u>487,751</u>	<u>(334,070)</u>	<u>(161,315)</u>	<u>(128,745)</u>
Other Financing Sources (Uses)					
Proceeds from capital leases					
Operating transfers in	551,992	456,335	433,444	296,165	332,978
Operating transfers (out)	<u>(752,333)</u>	<u>(663,068)</u>	<u>0</u>	<u>(35,054)</u>	<u>(31,450)</u>
Total Other Financing Sources (Uses)	<u>(200,341)</u>	<u>(206,733)</u>	<u>433,444</u>	<u>261,111</u>	<u>301,528</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(602,293)	281,018	99,374	99,796	172,783
Beginning fund balance	<u>1,672,347</u>	<u>1,391,329</u>	<u>1,291,955</u>	<u>1,192,159</u>	<u>1,019,376</u>
Ending fund balance	<u>\$ 1,070,054</u>	<u>\$ 1,672,347</u>	<u>\$ 1,391,329</u>	<u>\$ 1,291,955</u>	<u>\$ 1,192,159</u>

* Restated.

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

Budgetary Process and Controls

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

The City's administrative staff evaluates the budget requests of the various departments of the City to determine the funding levels of the operating programs. The budget is presented to the public through public

hearings held by a budget committee consisting of five Council members and five lay members. After giving due consideration to the input received from the citizens, the City Council adopts the budget, authorizes the levying of taxes and sets appropriations. The budget must be adopted not later than June 30 of each fiscal year.

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

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

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

Source: City of West Linn 2000-2001 Adopted Budget

Pension System

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

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

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

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

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

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

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

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

Investment Policy

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

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

Demographic Information

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

Population

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

Population			
<u>July 1</u>	<u>City of West Linn</u>	<u>Clackamas County</u>	<u>State of Oregon</u>
1999	22,835	326,850	3,300,800
1998	21,405	323,600	3,267,550
1997	20,415	317,700	3,217,000
1996	19,960	313,200	3,181,000
1995	19,370	308,600	3,132,000
<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, 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	2,800
Precision Castparts	Clackamas/Milwaukie	Metal castings	2,075
Mentor Graphics Corporation	Wilsonville	Software and electronic services	2000+
North Clackamas School District	Milwaukie	Education	1,530
Clackamas County	Oregon City	Government	1,400
Fred Meyer Distribution Center	Clackamas	Product warehouse	1,100
Oregon City School District	Oregon City	Education	766
Willamette Falls Hospital	Oregon City	Healthcare	720
SYSCO Food Service of Portland	Wilsonville	Food service distributors	535
Warn Industries Inc.	Milwaukie	Four-wheel drive parts/accessories	526
G.I. Joe's Inc.	Wilsonville	Automobile parts/supplies	337
TNT Reddaway Truck Line	Clackamas	Trucking	325

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

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

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

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

<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>
1999*	54,704	\$246,495	\$45,921	\$292,416
1998	60,759	221,847	39,916	261,763
1997	55,094	209,032	46,181	255,213
1996	63,043	198,926	44,626	243,552
1995	63,200	179,246	43,731	222,977
1994	62,790	175,740	44,182	219,922

* Preliminary, subject to change.

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

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

**Clackamas County
Farm Profile**

	<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.

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

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

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

(1) Preliminary.

(2) Revised.

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

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

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

Non-agricultural employment within the Portland PMSA follows.

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

<u>Category</u>	<u>Employed</u>	<u>Percent</u>
Manufacturing	145,100	15.4%
Non-Manufacturing	<u>800,700</u>	<u>84.6</u>
Total non-agricultural employment	<u>945,800.</u>	<u>100.0%</u>

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>1999 Employed</u>	<u>Percent of Non-Manufacturing</u>
Trade	234,700	29.3%
Services	268,200	33.5
Government	122,700	15.3
Other	<u>175,100</u>	<u>21.9</u>
Total Non-Manufacturing	800,700	100.0%

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

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

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

(1) Preliminary.

(2) Revised.

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

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

Average Annual Unemployment Rates

<u>Year</u>	<u>Portland- Vancouver PMSA</u>	<u>State</u>	<u>U.S.A.</u>
1999	4.2%	5.7%	4.2%
1998	4.3	5.6	4.5
1997	4.3	5.8	4.9
1996	4.5	5.9	5.4
1995	3.7	4.8	5.6

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

Transportation

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

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

Economic Indicators

Following are additional economic indicators.

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

**City of West Linn
Residential Building Permits**

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

* Year-to-date data through July 2000.

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

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

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

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

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

Legislative Referrals

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

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

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

The Initiative and Referendum Process

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

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

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

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

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

Historical Initiative Petitions

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

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

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

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

Initiative Petitions Which Have Qualified For The November 2000 Ballot

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

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

Measure 93: Requiring Voter Approval of Taxes, Fees and Charges. The Taxpayer Protection Initiative (Measure 93) is an initiative to amend the Oregon Constitution. It requires voter approval of most future tax, fee and charge increases, and also requires governments to refund, with interest: (i) most taxes, fees and charges newly imposed after December 6, 1998; and (ii) increases in most pre-existing taxes, fees and charges since December 6, 1998 to the extent such increases exceeded three percent unless such new or increased taxes are approved by voters at the next election. Measure 93 does not have a general exemption for previously issued bonds but does have an exemption for taxes levied to repay bonded indebtedness approved by voters in an election held prior to November 7, 2000. **The City received voter approval to issue the Bonds on May 16, 2000. The Bonds are therefore exempt from the provisions of Measure 93.**

If approved by voters, local and State government will be required to seek voter approval of any changes in tax deductions, exemptions or the cost of living index, and any creative funding mechanism including certificates of participation. The number of opportunities to seek voter approval if Measure 93 is approved would be limited to once every two years unless the State Legislature creates more annual elections allowing for initiative petitions. Measure 93 would initiate a supermajority requirement for future elections equal to the number of people voting "yes" on Measure 93.

Many of the critical terms used in Measure 93 are not defined, or have no clear meaning in the context in which they are used. No court has interpreted Measure 93 and, because there are no direct judicial precedents, there can be no certainty as to the conclusion courts may reach regarding the interpretations of specific provisions of Measure 93, its scope of application or other aspects of Measure 93.

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

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

Measure 7: Requires Payment to Landowner if Government Regulation Reduces Property Value. In the event State or local governments impose a law or regulation that reduces a private property owner's property value, Measure 7 would require such State or local governments to pay landowners the market value for their property. Compensation would also be required if a private property owner has to act to protect certain natural resource, cultural values or low income housing. There is an exemption for historically recognized nuisance laws or if the private property owner sells alcohol or pornography or operates a casino. Measure 7 applies if a regulation is adopted after the private property owner acquires property.

The Voter's Pamphlet will state that direct costs to the State are estimated to be \$137 million per year and the direct costs to local government are estimated to be \$3.8 billion per year. Although there is no State or local government revenue impact, the City cannot calculate the cost impact of Measure 7.

It is unclear under what provisions Measure 7 would be applied. Many of the critical terms used in Measure 7 are not defined, or have no clear meaning in the context in which they are used. No court has interpreted Measure 7 and, because there are no direct judicial precedents, there can be no certainty as to the conclusion courts may reach regarding the interpretations of specific provisions of Measure 7, its scope of application or other aspects of Measure 7. **Voter approval of Measure 7 will not affect the City's ability to pay the Bonds.**

Potential Effect of Pending Measures on City Finances

The City has no projections regarding the effect on the financial condition of the City should any or all of these measures be approved in November 2000. **None of the proposed measures will affect the City's ability to pay the Bonds.**

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 Bonds in order for interest on the Bonds to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the issue date of the Bonds. These requirements include limitations on the use of proceeds of the Bonds, limitations on the investment of proceeds of the Bonds prior to expenditure and a requirement that excess arbitrage earned on the investment of proceeds of the 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 Preston Gates & Ellis LLP, Bond Counsel to the City, under existing law and assuming compliance by the City with certain tax covenants described herein, interest on the 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 Bonds is exempt from present personal income tax imposed by the State of Oregon.

However, Bond Counsel notes that interest on the 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 Bonds. Bond Counsel has not undertaken to advise in the future whether any events after the date of execution and delivery of the Bonds may affect the tax status of the Bonds.

Although Bond Counsel has rendered an opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, prospective purchasers of the Bonds should be aware that ownership of the 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 Bonds. Prospective purchasers of the Bonds should consult their tax advisors with respect to all such possible collateral consequences and as to the treatment of interest on the Bonds under the tax laws of any state other than Oregon.

Financial Institutions. The City has designated the 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 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 Bonds.

Continuing Disclosure

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

Legal and Underwriting

Approval of Counsel

Legal matters incident to the authorization, issuance and sale of 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 Bonds and the authority to issue them conform to the Bonds and the applicable laws under which they are issued and to confirm that the portions of this document describing the proposed initiative measure present a fair summary of such proposed initiative measures.

Litigation

There is no litigation pending questioning the validity of the Bonds nor the power and authority of the City to issue the 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 Bonds.

Financial Advisor

In connection with the authorization and issuance of the 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 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.

Certificate with Respect to Official Statement

At the time of the original delivery of and payment for the 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 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 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.

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Appendix A

Form of Bond Counsel Opinion

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November 6, 2000

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

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

Subject: \$3,900,000 City of West Linn, Oregon General Obligation Bonds, Series 2000

We have acted as bond counsel in connection with the issuance by the City of West Linn, in Clackamas, Oregon (the "Issuer") of its General Obligation Bonds, Series 2000 (the "Bonds"), which are dated November 1, 2000 and are in the aggregate principal amount of Three Million Nine Hundred Thousand Dollars (\$3,900,000).

The Bonds are issued pursuant to the authority granted by the voters of the City at an election held on May 15, 2000 and Resolution No. 00-47 of the Issuer adopted on October 9, 2000.

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.

Legal Opinion
November 6, 2000
Page 2

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.

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 enforceability of the Bonds may be limited by or rendered ineffective by (i) bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting creditors' rights generally; (ii) the application of equitable principles and the exercise of judicial discretion in appropriate cases; (iii) common law and statutes affecting the enforceability of contractual obligations generally; (iv) principles of public policy concerning, affecting or limiting the enforcement of rights or remedies against governmental entities such as the Issuer.

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.

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PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

March 21, 2000

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

INDEPENDENT AUDITORS' REPORT

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

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of West Linn, Oregon, as of June 30, 1999 and the results of its operations, and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended, in conformity with generally accepted accounting principles.

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

Pauly, Rogers and Co., P.C.

City of West Linn, Oregon

General Purpose Financial Statements

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

	Governmental Fund Types				Proprietary Fund Types			Fiduciary Fund Types		Account Groups		Totals (Memorandum Only)		
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	June 30,	June 30,			
										1999	1998			
ASSETS AND OTHER DEBITS														
Equity in Pooled Cash and Investments	\$ 2,524,367	\$ 7,315,823	\$ 106,061	\$ 4,170,574	\$ 2,161,352	\$ 384,461	\$ 167,440			\$ 16,830,078	\$ 13,075,402			
Cash Held by County Treasurer	32,328	20,481	2,517							55,326	49,808			
Cash with Fiscal Agent			350							350	18,960			
Property Taxes Receivable	213,065	138,051	17,083							368,199	323,437			
Accounts Receivable, Net	229,864	75,291		115,645	677,103					1,097,703	856,925			
Contracts Receivable											57,807			
Accrued Interest Receivable	9,287	28,105	309	17,018						59,633	96,038			
Security Deposits	11,960				5,111	1,222	581			11,960				
Due from Other Governments	103,647	169,318								272,965	203,345			
Inventory										100,849	100,849			
Prepaid Expenditures			15,181		79,819	21,030				15,181	71,790			
Restricted Assets:														
Equity in Pooled Cash and Investments													424,889	
Accrued Interest Receivable													2,980	
Fixed Assets, Net														
Investment in South Fork Water Board					18,398,860	34,714		\$ 11,856,465		30,290,039	27,072,991			
Amount to be Provided for Bonded Debt Service					3,285,285					3,285,285	2,618,802			
Amount Available for Bonded Debt Service									\$ 124,892	124,892	873,079			
									4,950,108	4,950,108	96,921			
Total Assets and Other Debits	\$ 3,124,318	\$ 7,745,069	\$ 141,501	\$ 4,303,237	\$ 24,607,530	\$ 441,427	\$ 168,021	\$ 11,856,465	\$ 5,075,000	\$ 57,462,568	\$ 46,543,134			
LIABILITIES, FUND EQUITY AND OTHER CREDITS														
Liabilities:														
Accounts Payable	\$ 137,086	\$ 379,802		\$ 157,858	\$ 277,531	\$ 12,822				\$ 965,097	\$ 600,026			
Accrued Salaries and Payroll Taxes	440,599	73,956								514,555	209,214			
Accrued Liabilities	5,884									38,766	412,086			
Accrued Interest Payable					32,130	752								
Due to Other Governments	37,531									300,214	894,800			
Deposits Payable	417,930				262,683					455,639	724,939			
Contract Retainage Payable					37,709					1,418	53,871			
Deferred Revenue					1,270					560,594	432,929			
Matured Interest Payable	412,941	131,394	\$ 16,259	148						350	350			
Bonds Payable			350						\$ 5,075,000	5,075,000	970,000			
Total Liabilities	1,451,971	565,152	16,609	158,004	611,323	13,674	-	-	5,075,000	7,911,633	4,098,215			
Fund Equity and Other Credits:														
Contributed Capital										21,412,339	20,195,932			
Investment in General Fixed Assets					21,351,204	61,135		\$ 11,856,465		11,856,465	9,724,729			
Retained Earnings Reserve for Construction										-	296,830			
Retained Earnings Unreserved					2,645,003	366,718				3,011,721	2,349,198			
Fund Balances:														
Reserved for Prepaid Expenditures											71,790			
Reserved for Endowments										168,021	169,702			
Reserved for System Development		3,370,606					\$ 168,021			3,370,606	3,421,405			
Unreserved:														
Designated for Debt Service			124,892							124,892	96,921			
Undesignated	1,672,347	3,789,261		4,145,233						9,606,841	6,118,412			
Total Fund Equity and Other Credits	1,672,347	7,159,917	124,892	4,145,233	23,996,207	427,853	168,021	11,856,465	-	49,550,935	42,444,919			
Total Liabilities and Fund Equity	\$ 3,124,318	\$ 7,745,069	\$ 141,501	\$ 4,303,237	\$ 24,607,530	\$ 441,427	\$ 168,021	\$ 11,856,465	\$ 5,075,000	\$ 57,462,568	\$ 46,543,134			

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

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

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

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	Governmental Fund Types				Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	1998	1999
REVENUES:						
Taxes	\$ 2,894,807	\$ 2,049,274	\$ 254,839		\$ 5,198,920	\$ 4,858,478
Intergovernmental Revenues	243,736	1,895,738			1,939,474	1,877,949
Franchise Fees	1,038,693	51,770			1,090,463	925,851
Licenses and Permits	1,112,166				1,112,166	963,898
Charges for Services	1,583,018	400,587			1,983,605	784,565
Fines and Forfeitures	327,079				327,079	240,930
Recycling revenues		1,371,876			-	43,820
Systems Development Fees					-	1,341,567
Interest Earnings	100,009	394,936	5,377	\$ 152,707	653,029	656,639
Miscellaneous	197,407	21,562	130	289,079	508,179	361,544
Total Revenue	7,493,913	5,985,743	260,346	441,786	12,809,912	11,887,079
EXPENDITURES:						
Current:						
General Government	3,351,167	510,079		2,823,477	6,784,723	2,125,823
Cultural and Recreation	1,627,902	140,812			1,768,514	2,146,003
Public Safety	2,027,093	2,557,669			4,584,762	4,191,529
Highways and Streets		2,272,413			2,272,413	1,402,200
Sanitation		726,260			726,260	1,233,371
Debt Service:						
Principal			295,000		295,000	275,000
Interest			27,966		27,966	61,877
Total Expenditures	7,006,162	6,207,033	322,966	2,823,477	16,468,667	11,435,803
Excess of Revenues Over (Under) Expenditures	487,751	(221,290)	(62,649)	(2,481,691)	(3,649,755)	431,276
Other Financing Sources (Uses):						
Proceeds of Debt	-	-		4,996,185	4,996,185	-
Reimbursements From Other Funds	-	180,598	90,820	973,293	1,244,511	-
Special Payments	-	(870,290)			(870,290)	-
Interfund Transfers In	458,335	663,068		201,000	1,320,403	674,464
Interfund Transfers Out	(663,068)	(458,335)		(201,000)	(1,320,403)	(674,464)
Total Other Financing Sources (Uses)	(208,733)	(282,869)	90,820	5,969,478	5,570,496	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	281,018	(504,159)	27,971	3,487,787	3,292,617	431,276
Fund Balances, June 30, 1998	1,391,329	7,664,076	96,921	657,446	9,809,772	9,378,496
Fund Balances, June 30, 1999	\$ 1,672,347	\$ 7,159,917	\$ 124,892	\$ 4,145,233	\$ 13,102,389	\$ 9,809,772

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

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

For the Year Ended June 30, 1999

	Proprietary Fund Types		Fiduciary	Totals	
	Enterprise	Internal Service	Fund Type	(Memorandum Only)	
			Non-Expendable Trust	1999	1998
OPERATING REVENUES:					
Charges for Services (Net of \$1,036,713 of Sewer Charges Remitted to Tri-City Service District)	\$ 2,911,262	\$ 380,185		\$ 3,291,427	\$ 3,012,045
Connection Fees (Net of \$350,196 of Sewer Connection Fees Remitted to Tri-City Service District)	81,279	-		81,279	48,147
Other Operating Revenues	44,732	-	\$ -	44,732	48,844
Total Operating Revenues	3,037,273	380,185	-	3,417,438	3,106,836
OPERATING EXPENSES:					
Salaries and Wages	478,915	117,208	-	596,123	631,123
System Repairs and Maintenance	196,298	-	-	196,298	206,104
Operating Supplies, Repairs and Services	352,893	157,977	10,000	520,870	208,284
Gasoline and Diesel Fuel	-	48,213	-	48,213	60,828
South Fork Water Board Expenses	786,035	-	-	786,035	726,893
Utilities	70,817	-	-	70,817	81,196
Insurance	48,899	2,590	-	51,489	33,786
Administrative Charges from General Fund	528,882	47,076	-	575,938	529,087
Depreciation	478,934	5,331	-	484,265	479,420
Total Operating Expenses	2,931,253	378,395	10,000	3,319,648	3,016,681
Operating Income (Loss)	106,020	1,770	(10,000)	97,790	90,155
NON-OPERATING REVENUES (EXPENSES):					
Interest Income	102,778	17,564	8,318	128,660	159,922
Net Income from Joint Venture	666,483	-	-	666,483	406,689
Forgiveness of Debt	-	-	-	-	222,517
Total Non-Operating Revenues (Expenses)	769,261	17,564	8,318	795,143	789,128
Income (Loss) Before Operating Transfers	875,281	19,334	(1,682)	892,933	879,283
SPECIAL PAYMENTS	(427,678)	-	-	(427,678)	-
Net Income (Loss)	447,603	19,334	(1,682)	465,255	879,283
RETAINED EARNINGS/FUND BALANCE, June 30, 1998	2,197,400	347,384	169,703	2,714,487	1,835,203
RETAINED EARNINGS/FUND BALANCE, June 30, 1999	\$ 2,645,003	\$ 366,718	\$ 168,021	\$ 3,179,742	\$ 2,714,486

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

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

For the Year Ended June 30, 1999

	Proprietary Fund Types		Fiduciary	Totals	
	Enterprise	Internal Service	Fund Type	(Memorandum Only)	
			Non-Expendable Trust	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:					
Received from Customers	\$ 2,943,204	380,166		\$ 3,323,370	\$ 4,856,148
Payments to Suppliers	(983,335)	(211,311)	\$ (10,000)	(1,204,646)	(1,255,606)
Payments to Employees for Services	(478,916)	(117,208)		(596,124)	(634,434)
Payment in Lieu of Taxes	44,732	-		44,732	-
Payments - Quasi External	(473,960)	(47,076)		(521,036)	(559,110)
Payments to Tri-City Service District	(795,119)	-		(795,119)	(1,215,866)
Net Cash Provided by (Used by) Operating Activities	256,606	4,571	(10,000)	251,177	991,130
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Special Payments	(427,678)	-	-	(427,678)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition of Capital Assets	(341,721)	(11,849)	-	(353,570)	(1,320,995)
Contributed Capital	-	-	-	-	366,291
Net Cash Used by Capital and Related Financing Activities	(341,721)	(11,849)	-	(353,570)	(955,704)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest Earnings	116,834	18,803	8,923	144,560	-
Net Increase (Decrease) in Pooled Cash and Investments	(395,959)	11,525	(1,077)	(385,511)	35,426
Equity in Pooled Cash and Investments - June 30, 1998	2,557,311	372,936	168,517	3,098,764	2,889,819
Equity in Pooled Cash and Investments - June 30, 1999	\$ 2,161,352	\$ 384,461	\$ 167,440	\$ 2,713,253	\$ 2,925,245
Comprised as Follows:					
Equity in Pooled Cash and Investments:					
Restricted	\$ 2,161,352	\$ 384,461	\$ 167,440	\$ 2,713,253	\$ 424,689
Unrestricted	-	-	-	-	2,674,075
Total Equity in Pooled Cash and Investments	\$ 2,161,352	\$ 384,461	\$ 167,440	\$ 2,713,253	\$ 3,098,764

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

City of West Linn, Oregon
 Combined Statement of Cash Flows
 All Proprietary Fund Types and Nonexpendable Trust Fund, Continued
 For the Year Ended June 30, 1999

	Proprietary Fund Types		Fiduciary	Totals	
	Enterprise	Internal Service	Fund Type Non-Expendable Trust	(Memorandum Only)	
	1999	1998		1999	1998
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED BY)					
OPERATING ACTIVITIES:					
Operating Income (Loss)	\$ 106,020	\$ 1,770	\$ (10,000)	\$ 97,790	\$ 90,156
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation	478,934	5,331	-	484,265	479,420
Interest Received	-	-	-	-	746
Changes in Assets and Liabilities:					
Accounts Receivable	(65,280)	-	(65,280)	21,724	4,217
Due from Other Governments	-	-	-	-	5,581
Contract Receivable	57,607	-	57,607	103,989	27,596
Accounts Payable	104,942	(953)	103,989	2,945	(13,908)
Other Accrued Liabilities	4,522	(1,577)	-	-	52,601
Contract Retainage Payable	-	-	-	(388,476)	325,996
Due to Other Governments	(388,476)	-	(388,476)	10,938	7,092
Deposits Payable	10,938	-	10,938	(52,601)	801
Contract Receivable	(52,601)	-	(52,601)	-	-
Total Adjustments	150,586	2,801	-	153,387	911,966
Net Cash Provided by (Used by) Operating Activities	\$ 256,606	\$ 4,571	\$ (10,000)	\$ 251,177	\$ 1,002,122
NONCASH CAPITAL ACTIVITY:					
Fixed Assets Contributed by Developers				\$ 31,846	

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

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

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

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

The Financial Reporting Entity

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

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

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

Joint Venture -

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

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

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

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

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

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

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

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

**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 approximate market value, except for investments in the Deferred Compensation Fund, which are stated at market value.

Receivables

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

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

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

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

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

**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 not capitalized.

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

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

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

Capitalized Interest

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

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

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

Investment in South Fork Water Board

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

Long-term Debt

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

Compensated Absences

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

Contributed Capital

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

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

Interfund Transactions

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

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

Reservations of Fund Balance

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

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

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

Budget

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

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

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

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

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

Comparative Data

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

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

Totals (Memorandum Only) Columns

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

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

Estimates

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

2. Description of Funds and Account Groups:

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

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

Governmental Fund Types

General Fund

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

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

Special Revenue Funds

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

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

2. Description of Funds and Account Groups, Continued:

Debt Service Fund

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

Capital Projects Fund

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

Proprietary Fund Types

Enterprise Funds

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

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

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

Internal Service Funds

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

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

Fiduciary Fund Types

Nonexpendable Trust Fund

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

2. Description of Funds and Account Groups, Continued:

Account Groups

General Fixed Assets Account Group

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

General Long-term Debt Account Group

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

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

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

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

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

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:

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

4. Equity in Pooled Cash and Investments:

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

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

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

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

Equity in Pooled Cash and Investments	\$ 16,830,079
Security Deposits	<u>11,960</u>
Total	<u>\$ 16,842,039</u>

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

4. Equity in Pooled Cash and Investments, Continued:

Deposits

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

Investments

The City's investments are categorized as follows:

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

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

	Categories			Carrying Amount
	1	2	3	
U.S. Government Securities	\$ 1,299,726			\$1,299,726
Corporate Bonds	5,073,111			5,073,111
U.S. Government Agency Securities	<u>251,765</u>			<u>251,765</u>
	<u>\$ 6,624,602</u>	<u>\$ -</u>	<u>\$ -</u>	6,624,602

Investments not subject to categorization:

Oregon State Treasurer's Local Government Investment Pool, Variable Interest Rate	<u>10,037,677</u>
Total Investments	<u>\$16,662,279</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, 1999 are as follows:

	Internal Service Funds		
	Balance June 30, 1998	Additions	Balance June 30, 1999
Buildings	\$ 26,328		\$ 26,328
Equipment	84,231	\$ 11,849	96,080
Vehicles	<u>20,003</u>		<u>20,003</u>
Totals	136,562	11,849	148,411
Less Accumulated Depreciation	<u>(108,366)</u>	<u>(5,331)</u>	<u>(113,697)</u>
Totals	<u>\$ 28,196</u>	<u>\$ 6,518</u>	<u>\$ 34,714</u>
	Enterprise Funds		
	Balance June 30, 1998	Additions	Balance June 30, 1999
Land and Land Improvements	\$ 489,188	\$ 1,000	\$ 490,188
Buildings and Improvements	1,893,164		1,893,164
Water and Sewer System	18,034,472	3,800,447	21,834,919
Equipment	977,580	30,775	1,008,355
Vehicles	236,713	20,865	257,578
Construction in Progress	<u>2,263,113</u>	<u>(2,263,113)</u>	
Totals	23,894,230	1,589,974	25,484,204
Less Accumulated Depreciation	<u>(6,606,410)</u>	<u>(478,934)</u>	<u>(7,085,344)</u>
Totals	<u>\$17,287,820</u>	<u>\$ 1,111,040</u>	<u>\$18,398,860</u>

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

6. Fixed Assets, Continued:

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

7. Deferred Compensation Plans:

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

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

8. Long Term Debt:

General Obligation Bonds

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

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

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

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

8. Long Term Debt, Continued:

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

Water System Revenue Bonds

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

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

Contracts Payable

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

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

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 plan requires, and it is the policy of the City, to fund all current and prior service pension costs. The total pension contribution for fiscal year 1999 was \$658,269. This was comprised of \$383,088 in employer contributions and \$275,181 of employee contributions. The 6 percent employee contribution of \$275,181 was paid by the City in accordance with collective bargaining agreements.

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

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

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

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

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

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

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

9. Pension Plan, Continued:

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

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

Funding Status:

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

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

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

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

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, 1998	\$ 10,547,500	\$ 9,555,451	\$ 61,135	\$20,164,086
Contributed by Developers	<u>1,248,253</u>			<u>1,248,253</u>
Balance, June 30, 1999	<u>\$ 11,795,753</u>	<u>\$ 9,555,451</u>	<u>\$ 61,135</u>	<u>\$21,412,339</u>

11. Segment Information:

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

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

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

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

**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 1998 to 1999. Workers compensation claims are insured through incurred loss retrospective policies. Except as discussed in the following paragraph, settled claims have not exceeded this commercial coverage for any of the past three years.

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

	1999	1998
Unpaid claims, beginning of year	\$ -	\$ 1,148
Incurred claims	3,150	932
Claim Payments	<u>(3,150)</u>	<u>(2,080)</u>
Unpaid claims, end of year	<u>\$ -</u>	<u>\$ -</u>

13. Commitments and Contingencies:

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

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

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

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

14. Property Tax Limitations:

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

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

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

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15. Subsequent Events:

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

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

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

Enterprise Funds

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

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

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

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

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

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
OPERATING REVENUES:			
Charges for Services (Net of \$1,036,713 of Sewer Charges Remitted to Tri-City Service District)	\$ 1,754,388	\$ 1,156,874	\$ 2,911,262
Connection Fees (Net of \$350,196 of Sewer Connection Fees Remitted to Tri-City Service District)	81,279		81,279
Other Operating Revenues	<u>44,708</u>	<u>24</u>	<u>44,732</u>
Total Operating Revenues	<u>1,880,375</u>	<u>1,156,898</u>	<u>3,037,273</u>
OPERATING EXPENSES:			
Salaries and Wages	330,030	148,865	478,915
System Repairs and Maintenance	87,285	109,013	196,298
Operating Supplies, Repairs and Services	267,245	85,448	352,693
South Fork Water Board Expenses	786,035	-	786,035
Utilities	60,363	10,454	70,817
Insurance	21,483	19,216	40,699
Administrative Charges from General Fund	236,980	289,882	526,862
Depreciation	<u>235,298</u>	<u>243,636</u>	<u>478,934</u>
Total Operating Expenses	<u>2,024,719</u>	<u>906,534</u>	<u>2,931,253</u>
Operating Income (Loss)	<u>(144,344)</u>	<u>250,364</u>	<u>106,020</u>
NON-OPERATING REVENUES:			
Interest Income	24,173	78,605	102,778
Net Income from Joint Venture	<u>666,483</u>	<u>-</u>	<u>666,483</u>
Total Non-Operating Revenues	<u>690,656</u>	<u>78,605</u>	<u>769,261</u>
Income Before Special Payments	546,312	328,969	875,281
SPECIAL PAYMENTS	<u>(427,678)</u>	<u>-</u>	<u>(427,678)</u>
Net Income	<u>118,634</u>	<u>328,969</u>	<u>447,603</u>
RETAINED EARNINGS, June 30, 1998	<u>1,813,941</u>	<u>383,459</u>	<u>2,197,400</u>
RETAINED EARNINGS, June 30, 1999	<u>\$ 1,932,575</u>	<u>\$ 712,428</u>	<u>\$ 2,645,003</u>

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

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

Continued on page 63

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

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED BY) OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ (144,344)	\$ 250,364	\$ 106,020
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	235,298	243,636	478,934
Changes in Assets and Liabilities:			
Accounts Receivable	(34,425)	(30,855)	(65,280)
Contract Receivable	-	57,607	57,607
Accounts Payable	(5,343)	110,285	104,942
Other Accrued Liabilities	4,563	(41)	4,522
Due to Other Governments	(9,084)	(379,392)	(388,476)
Meter Connections Deposits	10,938	-	10,938
Contract Retainage Payable	-	(52,601)	(52,601)
Total Adjustments	<u>201,947</u>	<u>(51,381)</u>	<u>150,586</u>
Net Cash Provided by Operating Activities	<u>\$ 57,603</u>	<u>\$ 199,003</u>	<u>\$ 256,606</u>
NONCASH CAPITAL ACTIVITY:			
Fixed Assets Contributed by developers	<u>\$ 1,248,115</u>	<u>\$ -</u>	<u>\$ 1,248,115</u>

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**City of West Linn, Oregon
Water Fund
Schedule of Revenues and Expenditures -
Budget and Actual**

For the Year Ended June 30, 1999

	Original and Supplemental Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Service Charges and Other Fees:			
Water Sales	\$ 1,653,450	\$ 1,754,388	\$ 100,938
Water Connection Fees	66,600	81,279	14,679
Miscellaneous Revenues:			
Customer Service Charges	6,500	7,706	1,206
Interest Earnings	1,200	24,173	22,973
Other Revenues	5,000	37,002	32,002
Total Revenues	1,732,750	1,904,548	171,798
BEGINNING FUND BALANCE AVAILABLE FOR APPROPRIATION	413,276	413,276	-
	<u>\$ 2,146,026</u>	<u>\$ 2,317,824</u>	<u>\$ 171,798</u>
EXPENDITURES:			
Personal Services	\$ 344,496	\$ 330,030	\$ 14,466
Materials and Services	1,248,263	1,182,848	65,415
Capital Outlay	60,603	8,528	52,075
Debt Service	1,500	-	1,500
Contingency	156,072	-	156,072
Total Expenditures	1,813,734	1,521,406	292,328
SPECIAL PAYMENTS:			
General Fund:			
Accounting/Financial Services	82,088	70,322	11,766
Planning/Development Services	3,260	6,965	(3,705)
Public Works Support Services	75,324	52,291	23,033
Administrative Services	33,009	32,059	950
Engineering Services	70,827	73,854	(3,027)
Project Design/Inspection	10,500	1,488	9,012
Vehicle/Equipment Maintenance Fund	27,355	23,158	4,197
M.I.S. Fund	29,869	29,869	-
Total Special Payments	332,292	290,007	42,286
Total Expenditures and Special Payments	\$ 2,146,026	\$ 1,811,413	\$ 334,614

**City of West Linn, Oregon
Horton Reservoir Fund
Schedule of Revenues and Expenditures
Budget and Actual**

For the Year Ended June 30, 1999

	Original and Supplemental Budget	Actual	Variance Favorable (Unfavorable)
BEGINNING FUND BALANCE AVAILABLE FOR APPROPRIATION			
	<u>\$ 427,678</u>	<u>\$ 427,678</u>	<u>\$ -</u>
SPECIAL PAYMENTS			
Bolton Pump Station Construction Fund	\$ 388,100	\$ 388,100	\$ -
Tanner Basin Water SDC Fund	39,578	39,578	-
Total Special Payments	\$ 427,678	\$ 427,678	\$ -

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

	<u>Revenues</u>	<u>Expenditures</u>
Budgetary Basis Funds:		
Water Fund	\$ 1,904,548	\$ 1,521,406
Horton Reservoir Fund	-	-
Revenues and Expenditures - Budgetary Basis	<u>1,904,548</u>	<u>1,521,406</u>
Adjustments:		
Net Income from Joint Venture	666,483	
Depreciation Expense		235,298
Expenditures Capitalized		(21,992)
Expenses Budgeted as Special Payments		<u>290,007</u>
Revenues and Expenses - GAAP Basis	<u>\$ 2,571,031</u>	<u>\$ 2,024,719</u>
Comprised as follows:		
Operating Revenues, Expenses	\$ 1,880,375	\$ 2,024,719
Non-operating Revenues:		
Net Income from Joint Venture	666,483	
Interest Income, Expense	<u>24,173</u>	
	<u>\$ 2,571,031</u>	<u>\$ 2,024,719</u>

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

	<u>Original and Supplemental Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Service Charges and Other Fees:			
Sewer Users' Charges	\$ 2,082,000	\$ 2,204,263	\$ 122,263
Sewer Connection Fees	302,000	350,196	48,196
Miscellaneous Revenues:			
Interest Earnings	50,000	78,605	28,605
Other Revenues		<u>24</u>	<u>24</u>
Total Revenues	<u>2,434,000</u>	<u>2,633,088</u>	<u>199,088</u>
BEGINNING FUND BALANCE AVAILABLE FOR APPROPRIATION	<u>1,383,964</u>	<u>1,383,964</u>	<u>-</u>
	<u>\$ 3,817,964</u>	<u>\$ 4,017,052</u>	<u>\$ 199,088</u>
	<u>Original and Supplemental Appropriation</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES:			
Personal Services	\$ 219,729	\$ 148,886	\$ 70,843
Materials and Services	1,612,881	1,559,678	53,203
Capital Outlay	549,840	293,304	256,536
Contingency	1,091,026	-	1,091,026
Total Expenditures	<u>3,473,476</u>	<u>2,001,868</u>	<u>1,471,608</u>
SPRCIAL PAYMENTS:			
General Fund:			
Accounting/Financial Services	66,075	63,341	2,734
Planning/Development Services	3,260	6,965	(3,705)
Public Works Support Services	51,692	98,237	(46,545)
Administrative Services	39,787	41,544	(1,757)
Engineering Services	37,574	52,292	(14,718)
Project Design/Inspection	79,950	27,503	52,447
Vehicle/Equipment Maintenance Fund	25,784	48,099	(22,315)
M.I.S. Fund	40,366	40,366	-
Total Special Payments	<u>344,488</u>	<u>378,347</u>	<u>(33,859)</u>
Total Expenditures and Special Payments	<u>\$ 3,817,964</u>	<u>\$ 2,380,215</u>	<u>\$ 1,437,749</u>

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

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

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Appendix C

Book Entry Only System

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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. 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

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CONTINUING DISCLOSURE CERTIFICATE

\$3,900,000
City of West Linn, Oregon
General Obligation Bonds
Series 2000

This Continuing Disclosure Certificate (the “Certificate”) is executed and delivered by the City of West Linn, in Clackamas County, Oregon (the “Issuer”) in connection with the issuance of the Issuer’s General Obligation Bonds, Series 2000 (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 (b)(5) of the Rule.

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

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

“Commission” means the Securities and Exchange Commission.

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

“NRMSIR” means a nationally recognized municipal securities information repository.

“Official Statement” means the final official statement for the Bonds dated October 25, 2000.

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

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

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

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

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

- Bonded Indebtedness
- Taxes:
 - Property Value
 - Tax Collection Record
 - Major Taxpayers – City of West Linn
- General Fund Balance Sheet
- General Fund Statement of Revenues, Expenditures and Changes in Fund Balance.

The annual information and operating data described above shall be provided on or before 9 months after the end of the Issuer's fiscal year. The Issuer's current fiscal year ends June 30. The Issuer may adjust such fiscal year by providing written notice of the change of fiscal year to each then existing NRMSIR and the SID, if any. In lieu of providing such annual financial information and operating data, the Issuer may cross-reference to other documents provided to the NRMSIR, the SID or to the Commission and, if such document is a final official statement within the meaning of the Rule, available from the MSRB.

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

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

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

1. Principal and interest payment delinquencies;

2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves for the Bonds reflecting financial difficulties;
4. Unscheduled draws on credit enhancements for the Bonds 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 of the Bonds;
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 (a) obtains an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this Certificate, or any such provision, are invalid, have been repealed retroactively or otherwise do not apply to the Bonds; and (b) notifies each then existing NRMSIR and the SID, if any, of such opinion and the cancellation of this Certificate.

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

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

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

C. The amendment or waiver 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 hereof, and (ii) the annual report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 6. 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 the 6th day of November, 2000.

City of West Linn, Oregon

Finance Director

Appendix E

Specimen Municipal Bond Insurance Policy

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Financial Guaranty Insurance
 Company
 115 Broadway
 New York, NY 10006
 (212) 312-3000
 (800) 352-0001

A GE Capital Company

Municipal Bond New Issue Insurance Policy

Issuer:	Policy Number:
	Control Number: 0010001
Bonds:	Premium:

SPECIMEN

Financial Guaranty Insurance Company (“Financial Guaranty”), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to State Street Bank and Trust Company, N.A., or its successor, as its agent (the “Fiscal Agent”), for the benefit of Bondholders, that portion of the principal and interest on the above-described debt obligations (the “Bonds”) which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. The Fiscal Agent will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it, of (i) evidence of the Bondholder’s right to receive payment of the principal or interest Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Bondholder’s rights to payment of such principal or interest Due for Payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and shall be fully subrogated to all of the Bondholder’s rights thereunder, including the Bondholder’s right to payment thereof.

This Policy is non-cancellable for any reason. The premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity. This Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond.

As used herein, the term “Bondholder” means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. “Due for Payment” means, when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a Bond, the stated date

Financial Guaranty Insurance
Company
115 Broadway
New York, NY 10006
(212) 312-3000
(800) 352-0001

A GE Capital Company



Municipal Bond New Issue Insurance Policy

for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal and interest Due for Payment on such Bond. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or a paying agent for the Bonds to Financial Guaranty. "Business Day" means any day other than a Saturday, Sunday or a day on which the Fiscal Agent is authorized by law to remain closed.

In Witness Whereof, Financial Guaranty has caused this Policy to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

A handwritten signature in black ink, appearing to be "A. L. H.", with a long horizontal flourish extending to the right.

President

Effective Date:

Authorized Representative

State Street Bank and Trust Company, N.A., acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.

A handwritten signature in black ink, appearing to be "Quincy Brown", with a long horizontal flourish extending to the right.

Authorized Officer

Financial Guaranty Insurance
Company
115 Broadway
New York, NY 10006
(212) 312-3000
(800) 352-0001

A GE Capital Company



Endorsement To Financial Guaranty Insurance Company Insurance Policy

Policy Number:

Control Number: 0010001

It is further understood that the term "Nonpayment" in respect of a Bond includes any payment of principal or interest made to a Bondholder by or on behalf of the issuer of such Bond which has been recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

A handwritten signature in black ink, appearing to be "A. L. H.", written in a cursive style.

President

Effective Date:

Authorized Representative

Acknowledged as of the Effective Date written above:

A handwritten signature in black ink, appearing to be "Quincy Brown", written in a cursive style.

Authorized Officer
State Street Bank and Trust Company, N.A., as Fiscal Agent