

**OFFICIAL STATEMENT** dated January 12, 2012

**NEW ISSUE  
BOOK-ENTRY**

**Standard & Poor's Rating: "AA" (See "Ratings" herein)  
Moody's Rating: "Aa2" (See "Ratings" herein)**

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

**\$8,500,000  
CITY OF WEST LINN  
CLACKAMAS COUNTY, OREGON  
GENERAL OBLIGATION BONDS, SERIES 2012**

**DATED: Date of Delivery**

**Due: As shown on inside cover**

The City of West Linn, Clackamas County, Oregon (the "City") provides this Official Statement in connection with the issuance of its General Obligation Bonds, Series 2012 (the "Bonds"). The Bonds mature on June 1 in each of the years through 2031 and final maturity on December 1, 2031 in the amounts set forth on the inside cover and will bear interest semiannually on June 1 and December 1 of each year, commencing December 1, 2012, from the Date of Delivery to the dates of maturity at the rates per annum as shown on the inside cover.

The Bonds are general obligations of the City. The full faith and credit and taxing powers of the City are pledged to the successive owners of each of the Bonds (the "Bondowners") for the punctual payment of such obligations, when due. The City covenants with the Bondowners to levy annually a direct ad valorem tax upon all of the taxable property within the City without limitation as to rate or amount, and outside of the limitations of sections 11 and 11b, Article XI of the Oregon Constitution, after taking into consideration discounts taken and delinquencies that may occur in the payment of such taxes, and any other funds available to pay interest accruing and the principal maturing on the Bonds promptly when and as they become due. The Bonds do not constitute debt or indebtedness of Clackamas County, the State of Oregon, or any other municipal corporation or political subdivision thereof other than the City.

The Bonds will be issued as fully registered bonds under a book-entry system, initially registered to Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Bonds. Individual purchases of Bonds will be made in the principal amount of \$5,000, or integral multiples thereof within a single maturity. The purchasers will not receive certificates representing their interest in the Bonds, as long as the Bonds are in book-entry form. Principal of and interest on the Bonds will be payable through the principal corporate trust offices of the registrar and paying agent of the City, currently U.S. Bank National Association (the "Paying Agent"). For so long as the Bonds are held by DTC in book-entry form, principal and interest payments will be made as described herein. See "The Bonds - Book-Entry System."

The Bonds are subject to optional redemption prior to their stated maturities as described herein. The City has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code.

The Bonds are being issued to finance construction of a new police station and to pay costs of issuance of the Bonds. (See "Description of the Bonds - Use of Proceeds," "Security" and "Authorization for Issuance" herein.)

The Bonds are offered for sale to the original purchaser subject to the opinion as to legality of the Bonds, and tax-exemption of the Bonds by Bond Counsel, which opinion will be delivered with the Bonds. The Bonds, in book-entry form, are expected to be available for delivery through the facilities of DTC for delivery by Fast Automated Securities Transfer on or about January 25, 2012 (the "Date of Delivery").

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

**\$8,500,000**  
**CITY OF WEST LINN**  
**CLACKAMAS COUNTY, OREGON**  
**GENERAL OBLIGATION BONDS, SERIES 2012**

DATED: Date of Delivery (Expected to be January 25, 2012)

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**MATURITY SCHEDULE**

DUE: as shown below

Due	Amounts	Interest Rates	Yields	CUSIP <sup>(1)</sup> 954039	Due	Amounts	Interest Rates	Yields	CUSIP <sup>(1)</sup> 954039
6/1/2013	\$ 135,000	1.000%	0.450%	LR2	6/1/2023	\$ 425,000	2.000%	1.700% *	MB6
6/1/2014	220,000	2.000	0.500	LS0	6/1/2024	450,000	2.000	1.800 *	MC4
6/1/2015	245,000	2.000	0.700	LT8	6/1/2025	475,000	2.000	2.000	MD2
6/1/2016	275,000	2.000	0.850	LU5	6/1/2026	505,000	2.125	2.200	ME0
6/1/2017	295,000	2.000	1.000	LV3	6/1/2027	530,000	2.250	2.300	MF7
6/1/2018	310,000	2.000	1.200	LW1	6/1/2028	565,000	2.375	2.450	MG5
6/1/2019	335,000	2.000	1.250	LX9	6/1/2029	595,000	2.500	2.550	MH3
6/1/2020	355,000	2.000	1.400	LY7	6/1/2030	630,000	2.625	2.700	MJ9
6/1/2021	375,000	2.000	1.550	LZ4	6/1/2031	665,000	2.750	2.800	MK6
6/1/2022	400,000	2.000	1.650	MA8	12/1/2031	715,000	2.750	2.875	ML4

\* Priced to the call date of June 1, 2022.

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<sup>(1)</sup> CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services. The CUSIP numbers are included above for convenience of the holders and potential holders of the Bonds. No assurance can be given that the CUSIP numbers for the Bonds will remain the same after the date of issuance and delivery of the Bonds.

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

**MAYOR AND CITY COUNCIL:**

Mayor.....John Kovash  
City Council ..... Jody Carson  
Teri Cummings  
Jenni Tan  
Mike Jones

**CERTAIN APPOINTED CITY OFFICIALS:**

City Manager .....Chris Jordan  
Chief Financial Officer..... Richard Seals  
Deputy Chief Financial Officer ..... Casey Camors

**FINANCIAL ADVISOR**

D. A. DAVIDSON & CO.  
Two Centerpointe Drive, Suite 400  
Lake Oswego, Oregon 97035  
(503) 863-5094

**BOND COUNSEL**

ORRICK, HERRINGTON & SUTCLIFFE LLP  
1120 NW Couch Street, Suite 200  
Portland, Oregon 97209  
(503) 943-4800

**PAYING AGENT**

U.S. BANK NATIONAL ASSOCIATION  
Global Corporate Trust Services  
555 SW Oak Street, PD-OR-P6TD  
Portland, Oregon 97204  
(503) 275-5713

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

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

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

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

This Official Statement will be “deemed final” by the City, pursuant to Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, except for information which is permitted to be excluded from this Official Statement under said Rule 15c2-12.

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

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

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**\$8,500,000**  
**CITY OF WEST LINN**  
**CLACKAMAS COUNTY, OREGON**  
**GENERAL OBLIGATION BONDS, SERIES 2012**

**SUMMARY STATEMENT**

The following summary is qualified in its entirety by reference to the detailed information appearing elsewhere in this Official Statement. No person is authorized to detach this Summary Statement from this Official Statement or to otherwise use it without this entire Official Statement. Certain capitalized terms not otherwise defined herein shall be given definitions provided in the Resolution or Bond Declaration (each defined herein), which definitions are included in Appendix C.

ISSUER.....The City of West Linn, Oregon (the “City”) is located in Clackamas County, in northern Oregon, approximately 14 miles southeast of the City of Portland. The City had a 2010 population of 25,250. (See “The City” and “Appendix A – Economic and Demographic Information.”)

AUTHORITY  
FOR ISSUANCE.....Under and in accordance with State laws and provisions, specifically Oregon Revised Statutes (“ORS”) Chapter 287A, the Bonds are being issued pursuant to an election held in the City on November 8, 2011 passed by a majority of the electors in the City and Resolution No. 2011-21 (the “Resolution”) adopted by the City Council (the “Council”) on November 28, 2011. The Bonds will be issued under a Bond Declaration (the “2012 Bond Declaration”) to be executed on the Date of Delivery.

INTEREST AND  
PRIOR REDEMPTION.....Interest is payable semi-annually each June 1 and December 1, commencing December 1, 2012, as shown on the inside cover. (See the “Description of the Bonds” herein.) The Bonds are subject to optional redemption prior to their stated maturities. (See “Redemption Provisions” herein.)

SOURCE OF  
REPAYMENT .....The Bonds shall be general obligations of the City. The City has pledged its full faith and credit to pay the principal and interest due on the Bonds, and the City covenants for the benefit of the owners of the Bonds that the City shall levy annually, as provided by law, in addition to its other ad valorem property taxes and outside the limitations of Sections 11 and 11b of Article IX of the Oregon Constitution, a direct ad valorem tax upon all of the taxable property within the City in sufficient amount, after considering discounts taken and delinquencies that may occur in the payment of such taxes, to pay the principal and interest on the Bonds when due. 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. (See “Security” herein.)

USE OF

PROCEEDS .....The Bonds are being issued to finance the costs of property acquisition and capital construction, including but not limited to, providing funds to (i) design, construct, equip and furnish a new police station; (ii) acquire four parcels of land to locate the police station; and (iii) pay costs of issuance for the Bonds.

BANK QUALIFICATION.....The City has designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3)(B) of the Code.



**\$8,500,000**  
**CITY OF WEST LINN**  
**CLACKAMAS COUNTY, OREGON**  
**GENERAL OBLIGATION BONDS, SERIES 2012**

**INTRODUCTION**

The City of West Linn, Oregon (the "City") furnishes this Official Statement in connection with the offering of its General Obligation Bonds, Series 2012 (the "Bonds"). This Official Statement, which includes the cover page, inside cover pages and appendices, provides information concerning the City and the Bonds.

The information set forth herein has been obtained from the City and other sources that are believed to be reliable. The information contained herein should not be construed as representing all conditions affecting the City or the Bonds. Additional information may be obtained from the City. The statements relating to the Resolution, (defined herein) are in summarized form, and in all respects are subject to and qualified in their entirety by express reference to the provisions of the complete document.

**DESCRIPTION OF THE BONDS**

**Authorization for Issuance**

Article XI, Section 11 of the Oregon Constitution requires voter approval for new or additional *ad valorem* property taxes by the majority of the voters. The ballot measure of the Bonds was approved by a majority of the City's voters at the November 8, 2011 election. Final election results are as follows:

**Official Voter Tally**

	<b>Number of Votes</b>	<b>Percentage of Total Votes</b>
Yes	3,994	53.6%
No	3,454	46.4%

The Bonds are being issued pursuant to Resolution No. 2011-21 adopted by the City Council on November 28, 2011 (the "Resolution") and a Bond Declaration (the "Bond Declaration") to be executed on the Date of Delivery.

**Principal and Interest**

The Bonds will be issued in the aggregate principal amount posted on the inside cover of this Official Statement and will be dated and bear interest from the Date of Delivery. The Securities will mature on the dates and in the principal amounts and will bear interest, payable semiannually, until the maturity of the Bonds as set forth on the inside 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.

Record Date is the 15th day of the month immediately preceding a payment date.

## **Paying Agent and Registration Features**

The Bonds will be issued in fully registered form 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 (“Owners”) will not receive certificates representing their interest in the Bonds.

The principal of and interest on the Bonds will be payable by U.S. Bank National Association (the “Paying Agent” and “Registrar”), 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 Owners of the Bonds, as further described in Appendix E 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 inside cover of this Official Statement, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC. See Appendix E attached hereto for additional information.

*Procedure in the Event of Revisions of Book-Entry Transfer System.* If the book-entry-only system is discontinued, the Registrar and the City shall amend the Bond Declaration to provide for an alternative system of providing notice and such other matters as need to be updated for the Bonds that is of general acceptance in the municipal bond markets.

## **Redemption Provisions**

*Optional Redemption.* The Bonds maturing on June 1, 2013 through 2022 are not subject to optional redemption prior to maturity. The Bonds maturing on or after June 1, 2023 are subject to redemption at the option of the City on or after June 1, 2022, in whole or in part on any date at the price of par, plus accrued interest, if any, to the date of redemption.

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

*Notice of Redemption (Book-Entry).* So long as the Bonds are in book-entry only form, the Registrar shall notify DTC of an early redemption not less than 20 nor more than 60 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 Book-Entry).* During any period in which the Bonds are not in book-entry only form, unless waived by any Owner of the Bonds (as defined herein) to be redeemed, official notice of any redemption of Bonds shall be given by the Registrar 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 no 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 Registrar.

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

**Estimated Sources and Uses of Funds**

The proceeds from the Bonds are estimated to be applied as follows:

<b>Sources of Funds</b>	
Principal Amount	\$ 8,500,000
Original Issue Premium	102,688
Total Available Proceeds	<b>\$ 8,602,688</b>
<b>Uses of Funds</b>	
Project Costs	\$ 8,496,188
Issuance Costs, Underwriter's Discount and Contingency	106,500
Total Uses of Funds	<b>\$ 8,602,688</b>

**Purpose**

The City is issuing The Bonds to finance the costs of property acquisition and capital construction, including but not limited to, providing funds to (i) design, construct, equip and furnish a new police station; (ii) acquire four parcels of land to locate the police station; and (iii) pay costs of issuance for the Bonds.

**SECURITY**

**General**

The Bonds are general obligations of the City and the full faith, credit and taxing powers of the City are pledged to the successive owners of each of the Bonds 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, and outside of the limitations of Article XI, Section 11 and Article XI, Section 11b of the Oregon Constitution (see "Revenue Sources" herein), after taking into considerations discounts taken and delinquencies that may occur in the payment of such taxes. 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 have been fully paid, satisfied and discharged.

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

## THE CITY

The City was incorporated in 1913 and operates under the provision of its own charter and applicable State law with Manager-Council form of government. The City Charter was amended in May 2008 to change the term of office of the Mayor from two to four years. The Mayor chairs the Council meetings. The Mayor and Council vote on all ordinance 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 provides a full range of municipal services to the community which includes police protection, traffic control and improvement, street maintenance and improvement, water, sewer and storm drain service, planning and zoning regulation (building inspection and regulation), library service, municipal court and parks and recreation. The current Mayor and City Council are listed below:

Name	Position	Occupation	Service Began	Term Expires
John Kovash	Mayor	Retired Professional	2009	12/31/2012
Jody Carson	Councilor	Healthcare Contract Manager	2006	12/31/2014
Teri Cummings	Councilor	Retired Professional	2009	12/31/2012
Jenni Tan	Councilor	Stay at home mom	2010	12/31/2012
Mike Jones	Councilor	Book Publisher	2011	12/31/2014

### Administration

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.

*Chris Jordan, City Manager.* Mr. Jordan began his tenure as City Manager in October 2005. For the previous 10 years Mr. Jordan worked for the City of Lake Oswego where he was the Assistant City Manager overseeing several departments including Finance and Parks and Recreation. Prior to his work in local government, Mr. Jordan worked in Washington D.C. where he spent nine years with the White House's Office of Management and Budget. He is currently a member of the League of Oregon Cities Committee on Finance and Taxation. Mr. Jordan is a graduate of Cornell University in Ithaca, New York.

*Richard Seals, Chief Financial Officer.* Mr. Seals joined the City in October 2008 following ten years as Finance Director for the City of Lake Oswego, Oregon. Prior to joining the City of Lake Oswego, Mr. Seals was the Controller for the Oregon State Lottery. He received undergraduate degrees in Accounting and Information Systems Management as well as a Master's degree in Business Administration from California State University East Bay. After completing his graduate program in 1986, Mr. Seals was employed by the accounting firm PriceWaterhouse. He obtained his California CPA designation in 1989 and his Oregon CPA designation in 1990. Mr. Seals holds four professional licenses: Certified Public Accountant, Certified Management Accountant, Certified in Financial Management, and Certified Fraud Examiner.

*Casey Camors, Deputy Chief Financial Officer.* Mrs. Camors joined the City of West Linn in March of 2009 following two years with Talbot, Korvola and Warwick, LLP (TKW), as a Senior Auditor. Prior to joining TKW, Mrs. Camors spent four years with Isler Medford, LLC, ultimately being promoted to a Senior Auditor position with this auditing firm. She received her Bachelor of Science degree in Business Administration with focus in Accounting from Oregon State University in 2003. She obtained her Oregon CPA designation in 2006 and was admitted to the Municipal Auditors Roster in 2007.

## Staff

The City has 123 full-time employees and 16 part-time employees. Bargaining units which represent City employees are as follows:

### Bargaining Units

Bargaining Unit	No. of Employees	Contract Expires
Clackamas County Peace Officers Association	24	June 30, 2012
American Federation of State, County and Municipal employees	67	June 30, 2013

## BONDED INDEBTEDNESS

### Statutory Debt Limitations

*General Obligation Bonds.* ORS 287A.050 establishes a limit on bonded indebtedness for cities. Cities may not have outstanding an aggregate principal amount of general obligation debt in excess of three percent of all the Real Market Value of all taxable properties within the city as reflected in the last certified assessment roll per ORS 308.207. A lower limit may be applied by an individual city's charter. The statutory debt 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 or any off-street motor vehicle parking facility nor to bonds issued pursuant to application to pay assessments for improvements in installments under statutory or charter authority which are completely self-supporting. **The Bonds are general obligation bonds and are subject to this limitation, as shown below** (please see "Security" herein).

### City of West Linn

#### General Obligation Debt Capacity

Real Market Value (Fiscal Year 2012) <sup>(1)</sup>	\$ 3,487,305,552
<b>Debt Capacity</b>	
General Obligation Debt Capacity (3.0% of Real Market Value)	\$ 104,619,167
(Less) Outstanding Debt Subject to Limit <sup>(2)</sup>	<u>15,395,000</u>
Remaining General Obligation Debt Capacity	\$ 89,224,167
Percent of Capacity Used	14.72%

(1) The City's fiscal year commences July 1 and ends on June 30 of the following year (the "Fiscal Year").

(2) Represents voter-approved, unlimited-tax general obligations of the City. Includes the Bonds.

Source: Clackamas County Department of Assessment and Taxation and the City.

*Other Types of Debt.* In addition to General Obligation Bonds, the City may issue the following types of debt. The Bonds are General Obligation Bonds as defined above. The Bonds **are not** any of the following types of debt:

*Limited-tax Debt.* The Oregon Constitution and statutes and charter of the City do not limit the amount of limited-tax debt the City may incur. Collection of property taxes to pay principal and interest on such limited tax debt is subject to the limitations of Article XI, Sections 11 and 11b. *Pension Bonds.* ORS 238.694 authorizes local governments to issue full faith and credit obligations to pay pension liabilities without limitation as to principal amount. Pension bonds are not general obligations as defined under State law and the City is not authorized to levy additional taxes to make pension bond payments.

*Revenue Bonds.* The City may issue revenue bonds pursuant to ORS 287 A.150.

*Notes.* The City may issue revenue bonds in anticipation of tax revenues or other monies in an amount which, in the aggregate, equal up to 80% the taxes or other revenues except grant monies that the City has budgeted or otherwise reasonably expects to have available to pay the revenue bonds. Such notes must mature within 13 months, pursuant to ORS 287A.180.

### Outstanding Long-Term Debt

	Dated	Final Maturity	Original Amount	Outstanding Amount
<b>Governmental Activities</b>				
<b>General Obligation Bonds</b>				
General Obligation Refunding Bonds, Series 2009	1/21/2009	12/1/2018	4,915,000	\$4,040,000
General Obligation Refunding Bonds, Series 2010	9/2/2010	6/1/2021	3,065,000	2,855,000
General Obligation Bonds, Series 2012 <sup>(1)</sup>	1/25/2012	12/1/2031	8,500,000	<u>8,500,000</u>
<b>Subtotal</b>				<b>\$15,395,000</b>
<b>Full Faith and Credit Obligations</b>				
Full Faith and Credit Obligations, Series 2009	1/21/2009	6/1/2029	4,035,000	\$3,795,000
Full Faith and Credit Refunding Obligations, Series 2010	9/2/2010	12/1/2020	2,575,000	<u>2,315,000</u>
<b>Subtotal</b>				<b>\$6,110,000</b>
<b>Total Governmental Activities</b>				<b>\$21,505,000</b>
<b>Business Activities</b>				
<b>Water Revenue Bonds</b>				
Water Revenue Bonds, Series 2000	10/1/2000	10/1/2020	\$1,800,000	<u>\$1,060,000</u>
<b>Subtotal</b>				<b>\$1,060,000</b>

(1) This Issue.

Source: City of West Linn Audited Financial Report for the Fiscal Year ended June 30, 2011.

### Debt Service Requirements

The following tables show the debt service on the Bonds.

## General Obligation Debt Service Requirements

Fiscal Year	General Obligation Bonds				
	Outstanding Bonds		The Bonds		Total Debt Service
	Principal	Interest	Principal	Interest	
2012	\$ 690,000	\$ 200,725	\$ -	\$ -	\$ 890,725
2013	725,000	180,025	135,000	256,483	1,296,508
2014	755,000	160,475	220,000	188,638	1,324,113
2015	785,000	140,225	245,000	184,238	1,354,463
2016	830,000	119,175	275,000	179,338	1,403,513
2017	860,000	95,638	295,000	173,838	1,424,475
2018	900,000	69,163	310,000	167,938	1,447,100
2019	610,000	35,163	335,000	161,738	1,141,900
2020	355,000	21,313	355,000	155,038	886,350
2021	385,000	11,550	375,000	147,938	919,488
2022	-	-	400,000	140,438	540,438
2023	-	-	425,000	132,438	557,438
2024	-	-	450,000	123,938	573,938
2025	-	-	475,000	114,938	589,938
2026	-	-	505,000	105,438	610,438
2027	-	-	530,000	94,706	624,706
2028	-	-	565,000	82,781	647,781
2029	-	-	595,000	69,363	664,363
2030	-	-	630,000	54,488	684,488
2031	-	-	665,000	37,950	702,950
2032	-	-	715,000	9,831	724,831
<b>Total</b>	<b>\$ 6,895,000</b>	<b>\$ 1,033,450</b>	<b>\$ 8,500,000</b>	<b>\$ 2,581,489</b>	<b>\$ 19,009,939</b>

Source: City of West Linn Audited Financial Report for the Fiscal Year ended June 30, 2011 and this issue.

## Summary of Overlapping Debt

(As of November 24, 2011)

Overlapping Issuer Name	Real Market Valuation	Percent Overlapping	Overlapping Debt	
			Gross Property Tax-Backed Debt <sup>(1)</sup>	Net Property Tax-Backed Debt <sup>(2)</sup>
West Linn-Wilsonville School District No. 3J	\$ 7,591,047,720	46.1984%	\$ 106,212,135	\$ 106,212,135
Clackamas Community College	35,664,395,610	10.0039%	8,445,868	3,303,473
Clackamas County Education Service District	46,889,463,367	7.5889%	2,030,043	-
Clackamas County	49,233,660,124	7.2748%	7,590,799	5,649,631
Tualatin Valley Fire and Rescue District	60,517,135,639	6.4587%	3,973,174	3,008,006
Metro	204,123,947,819	1.9029%	3,569,199	2,678,218
Tri-Met	203,265,967,775	1.8124%	175,998	175,998
Port of Portland	223,151,821,692	1.7343%	1,151,931	-
Lake Oswego School District No. 7J	8,841,054,110	0.4073%	478,898	478,898
Portland Community College	164,112,266,666	0.0247%	87,068	45,062
<b>Total</b>			<b>\$ 133,715,113</b>	<b>\$ 121,551,421</b>

(1) Gross Property Tax-Backed Debt includes all limited and unlimited tax supported debt, excluding pension obligations and self-supporting utility debt.

(2) Net Property Tax-backed Debt includes all tax-supported bonds. Self-supporting debt and limited-tax debt, such as capital leases and certificates of participation, are excluded.

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

## Debt Ratios

The following table presents information regarding the City’s direct general obligation debt, including the Bonds, and the estimated portion of the general obligation debt of overlapping taxing districts allocated to the City’s property owners.

### Debt Ratios

Real Market Value	\$	3,487,305,552	
Estimated Population		25,250	
Per Capita Real Market Value	\$	138,111	
<b>Debt Information</b>			
		<b>Gross Direct Debt<sup>(1)</sup></b>	<b>Net Direct Debt<sup>(2)</sup></b>
City Direct Debt	\$	37,120,000	\$ 15,395,000
Overlapping Direct Debt		133,715,113	121,551,421
Total Direct Debt	\$	<u>170,835,113</u>	<u>\$ 136,946,421</u>
<b>Bonded Debt Ratios</b>			
District Direct Debt to Real Market Value		1.06%	0.44%
Total Direct Debt to Real Market Value		4.90%	3.93%
Per Capita City Direct Debt	\$	1,470	\$ 610
Per Capita Total Direct Debt	\$	6,766	\$ 5,424

(1) Gross Direct Debt includes all limited and unlimited tax supported debt. Pension obligations and self-supporting utility debt are excluded.

(2) Net Debt includes all tax-supported bonds. Self-supporting debt and limited-tax debt, such as capital leases and certificates of participation, are excluded.

Source: Clackamas County, Oregon State Treasury and City’s Audited Financial Statements for fiscal year ended June 30, 2011

## Debt Payment Record

The City has never defaulted on a payment of principal or interest on any of its bonds or obligations. Furthermore, the City has never issued refunding bonds for the purpose of avoiding an impending default.

## Future Financing

Following the issuance of the Bonds, the City does not expect to issue additional debt within the next twelve months.

## REVENUE SOURCES

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

The City receives funds from a variety of sources including taxes, intergovernmental revenues and charges for services. General governmental activities, such as City administration, are primarily supported by property taxes. Enterprises, such as water and sewer utilities, are primarily supported by charges for services. See the “Changes in Net Assets” table herein for a detailed breakdown of historic revenues.

### Property Taxes

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



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

Local Option Levies that fund operating expenses are limited to five years, and Local Option Levies that are dedicated to capital expenditures are limited to ten years.

The City does not currently have a Local Option Levy and has no plans at this time to seek voter approval of a Local Option Levy.

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

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

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

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

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

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

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

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

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

To fund government operations other than the public school system (“General Government Taxes”). General Government taxes are limited to \$10 per \$1,000 of the Taxable Real Market Value of property (the “General Government Tax Measure 5 Limits”).

If the taxes on a property exceed the Measure 5 Limit for Education or General Government, then tax rates are compressed to the Measure 5 Limit. Local Option Levy rates compress to zero before there is any compression of Permanent Rates. In Fiscal Year 2011, there was no compression of the City’s Permanent Rate due to the tax rate limitation.

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

Property taxes imposed to pay the principal of and interest on the Bonds ARE NOT subject to the limitations of Article XI, Sections 11 and 11b.

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

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

**Taxes Collected - Clackamas County  
Tax Collection Record <sup>(1)</sup>**

	Percent Collected as of	
	Levy Year <sup>(2)</sup>	6/30/2010 <sup>(3)</sup>
2010	96.28%	96.28%
2009	95.71%	98.29%
2008	95.56%	99.32%
2007	97.28%	99.77%
2006	97.59%	99.95%

- (1) Percentage of total tax levy collection in Clackamas County. Pre-payment discounts are considered to be collected when outstanding taxes are calculated.
- (2) The tax rates are before offsets. The percentage of taxes collected in the “year of the levy” represents taxes collected in a single levy year, beginning July 1 and ending June 30.
- (3) The percentage of taxes collected represents taxes collected for that levy year through June 30, 2010.

Source: Clackamas County Finance and Tax Division.

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

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

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

**Property Values - City of West Linn**  
**Taxable Property Values**

Fiscal Year ended June 30	Real Market Value <sup>(1)</sup>	Assessed Value used to compute the permanent rate <sup>(2)</sup>	AV Annual Growth
2012	3,487,305,552	2,965,918,688	3.52%
2011	3,650,547,820	2,865,044,468	3.48%
2010	3,960,668,206	2,768,702,173	4.26%
2009	4,507,161,484	2,655,549,376	5.52%
2008	4,464,348,037	2,516,737,956	6.22%

(1) Value represents the Real Market Value of taxable properties, including the reduction in Real Market Value of specially assessed properties such as farm and forestland. This value is also commonly referred to as the Measure 5 Real Market Value by county assessors.

(2) Assessed Value of property in the City on which the permanent rate is applied to derive ad valorem property taxes, excluding any other offsets.

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

The following table illustrates the Fiscal Year 2012 tax rates for one representative tax code (the tax code with the highest combined tax rate) in the City including taxing jurisdictions within Clackamas County that overlap the City. The City's Operating Tax Rate Limit is \$2.1200 per \$1,000 of assessed property value. The Operating Tax Rate Limit was calculated in 1997 in conjunction with the implementation of Measure 50. The Permanent Rates shown in the following table are the rates that are actually applied to the assessed value of the taxing district. The Permanent Rates may be different from the Operating Tax Rate Limit of the taxing district due to the decision by the taxing district to levy less than its Operating Tax Rate Limit.

**Fiscal Year 2012 Representative Levy Rate – City of West Linn  
(Rates Per \$1,000 of Assessed Value)**

<b>General Government</b>	<b>Billing Rate</b>	<b>Bond Levy Rate</b>	<b>Local Option Rate<sup>(1)</sup></b>	<b>Consolidated Rate</b>
City of West Linn	\$ 2.1200	\$ 0.2980	\$ -	\$ 2.4180
Clackamas County	2.4041	-	-	2.4041
Clackamas County Extension & 4-H	0.0492	-	-	0.0492
County Library	0.3909	-	-	0.3909
County Soil Conservation District	0.0443	-	-	0.0443
Tualatin Valley Fire & Rescue (FD 64)	1.5252	0.1550	0.2500	1.9302
Port of Portland	0.0691	-	-	0.0691
Metro	0.0945	0.2159	-	0.3104
Tri-Met	-	0.0571	-	0.0571
County Public Safety Local Option	-	-	0.2480	0.2480
Clackamas County UR Special Levy	0.1025	-	-	0.1025
Clackamas County Urban Renewal	0.0369	-	-	0.0369
Vector Control District	0.0065	-	0.0250	0.0315
<b>Total General Government</b>	<b>\$ 6.8432</b>	<b>\$ 0.7260</b>	<b>\$ 0.5230</b>	<b>\$ 8.0922</b>
<b>Education</b>				
Clackamas Community College	\$ 0.5459	\$ 0.1361	\$ -	\$ 0.6820
Clackamas ESD	0.3624	-	-	0.3624
West Linn-Wilsonville School District	4.8684	2.9957	1.5000	9.3641
<b>Total Education</b>	<b>\$ 5.7767</b>	<b>\$ 3.1318</b>	<b>\$ 1.50</b>	<b>\$ 10.4085</b>
<b>Total Tax Rate</b>	<b>\$ 12.6199</b>	<b>\$ 3.8578</b>	<b>\$ 2.0230</b>	<b>\$ 18.5007</b>

NOTE: County assessors report levy rates by tax code. Levy rates apply to the assessed property value. Measure 5 Limits are based on the Taxable Real Market Value and are only reported in total dollar amount of compression, if any, for each taxing jurisdiction (see “Property Taxes – Tax Rate Limitation – Measure 5” herein).

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

Source: Clackamas County Department of Assessment and Taxation. Note that there are three tax codes in Clackamas County that overlap the City and Tax Code 003-002 (represented in the table above) has the highest assessed value of these tax codes.

**Major Taxpayers – City of West Linn  
(FISCAL YEAR 2011-2012)**

Taxpayer	Business/Service	Property Tax		Percent of Total
		Amount <sup>(1)</sup>	Assessed Value <sup>(2)</sup>	
Portland General Electric <sup>(3)</sup>	Electric Utilities	\$ 1,028,271	\$ 63,383,000	2.14%
Simpson Realty Group	Real Estate Management	415,824	24,989,998	0.84%
West Linn Paper Prop. Co.	Paper Manufacturing	365,676	22,090,838	0.74%
West Linn Shopping Ctr. Assoc. LLC	Commercial/Retail Management	313,301	18,539,571	0.63%
Retail Opportunity Investments Corp.	Real Estate Management	287,755	16,754,259	0.56%
Comcast Corporation	Telecommunications	274,754	16,082,400	0.54%
Blackhawk Nevada LLC	Real Estate Management	274,593	16,079,312	0.54%
Northwest Natural Gas Company	Gas Utilities	226,380	13,960,500	0.47%
Elliott Associates Inc	Real Estate Management	180,388	10,796,947	0.36%
Blackhawk LLC	Construction Management	164,848	9,659,168	0.33%
Subtotal - Ten largest taxpayers		\$ 3,531,790	212,335,993	7.16%
All other City's taxpayers			2,753,582,695	92.84%
Total Assessed Value			\$ 2,965,918,688	100.00%

**Major Taxpayers – Clackamas County  
(FISCAL YEAR 2011-2012)**

Taxpayer	Business/Service	Property Tax		Percent of Total
		Amount <sup>(1)</sup>	Assessed Value <sup>(2)</sup>	
Portland General Electric <sup>(3)</sup>	Public Utilities	\$ 7,947,540	\$ 555,237,000	1.46%
Shorenstein Properties LLC	Real Estate Management	4,457,906	260,620,401	0.69%
General Growth Properties Inc.	Shopping Center	3,339,151	205,653,826	0.54%
Northwest Natural Gas	Gas Utilities	3,042,470	194,463,600	0.51%
Clackamas Baking Plant	Food Production	3,037,917	181,846,215	0.48%
Comcast Corporation	Telecommunications	2,660,513	149,777,000	0.39%
Xerox Corporation	Printing	1,543,623	85,169,272	0.22%
PCC Structurals Inc.	Manufacturing/Aerospace	1,370,734	81,109,421	0.21%
Blount Inc	Outdoor Equipment Manufacturing	1,211,348	68,429,283	0.18%
Thomson Reuters PTS Inc	Financial Services	1,196,536	65,753,150	0.17%
Subtotal - Ten largest taxpayers		29,807,737	1,848,059,168	4.86%
All other County's taxpayers			36,178,915,677	95.14%
Total Assessed Value			\$ 38,026,974,845	100.00%

(1) Tax amount is the total tax paid by the taxpayer within the boundaries of the District and County, respectively. This amount is distributed to individual local governments by the County. A breakdown of amounts paid to each individual local government is not available.

(2) Assessed value does not exclude offsets such as urban renewal and farm tax credits.

(3) Portland General Electric is an electric utility company whose service area covers about 4,000 square miles and a population of approximately 1,508,000 people. The company generates electricity using hydropower, coal and gas combustion and wind power. Source: [www.portlandgeneral.com](http://www.portlandgeneral.com)

Source: Clackamas County Department of Assessment and Taxation.

## **Strategic Investments Program**

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

## **FINANCIAL INFORMATION**

### **Financial Reporting and Accounting Policies**

The City’s basic financial statements were prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as prescribed by the Governmental Accounting Standards Board (“GASB”).

The City follows the “governmental activities” and “business-type activities” reporting requirements of GASB-34 that provides a comprehensive two-column look at the City’s financial activities. In addition, the City provides financial statements by funds, divided into two categories: governmental funds and proprietary funds. The General Fund is a governmental fund.

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

Governmental fund financial statements are presented on a modified accrual basis of accounting with a current financial resource measurement focus. The measurement focus concentrates on the fund’s resources available for spending currently or in the near future. Only transactions and events affecting the fund’s current financial resources during the period are reported.

Additional information on the City’s accounting methods is available in the City’s audited financial statements. A copy of the City’s audited financial report for Fiscal Year 2011 is attached hereto as Appendix D.

### **Description of Select Funds**

Funds are classified into two categories: governmental and proprietary. Each category, in turn, is divided into separate fund types.

*Governmental Funds.* Governmental funds are used to account for most of the City’s general activities, including the collection and disbursement of earmarked moneys (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds). The City has five major governmental funds -- the General Fund, the Public Safety Fund, the Parks and Recreation Fund, the Street Fund and the System Development Charges Fund. The City has three non-major governmental funds. The General Fund is used to account for all general government activities not accounted for in some other fund. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash.

*Proprietary Funds.* When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. The City has two major proprietary funds -- the Water Fund and the Environmental Services Fund.

### **Auditing**

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

The City's audits for Fiscal Years 2007 through 2011 ("District Audited Financial Statements") were performed by Talbot, Korvola & Warwick, CPAs in Portland, Oregon (the "Auditor"). The Auditor has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this official statement. The audit report for Fiscal Year 2011 indicates the financial statements, in all material respects, fairly present the City's financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information and the respective changes in financial position and the cash flows, where applicable, in conformance with accounting principles generally accepted in the United States of America. The audited financial report of the City as of June 30, 2011 is attached to this Official Statement as Appendix D.

Future financial statements may be ordered by contacting the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system, a free, centralized repository located at: [www.emma.msrb.org](http://www.emma.msrb.org).

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Summaries of the City's Net Assets and Changes in Net Assets follow:

### Government-wide Statement of Net Assets

(Fiscal Years Ended June 30)

Assets	Governmental Activities					Business-Type Activities				
	2011	2010	2009	2008	2007	2011	2010	2009	2008	2007
Cash and investments	\$ 3,934,163	\$ 4,426,432	\$ 5,990,785	\$ 8,909,059	\$ 9,322,076	\$ 3,077,477	\$ 2,643,759	\$ 2,905,464	\$ 2,774,476	\$ 2,341,505
Restricted cash and investments	5,041,073	6,505,028	6,556,305	-	4,634	154,500	154,500	154,500	-	-
Property taxes receivable	447,856	490,090	480,965	376,763	366,643	-	-	-	-	-
Accounts receivable, net of allowance	1,295,206	588,793	606,370	259,306	52,214	943,029	832,317	868,552	840,867	1,500,083
Prepaid expenses	150,378	36,838	-	142,264	-	-	-	-	-	-
Other assets	-	-	-	-	104,342	-	-	-	-	-
Bond issuance costs	360,457	249,372	275,558	-	-	65,217	71,739	78,261	-	-
Capital assets not being depreciated:	191,799,579	189,225,267	187,871,161	187,454,403	254,526,696	591,215	623,422	394,097	554,996	-
Land and easements	190,330,748	188,514,929	187,514,464	-	-	403,590	403,590	394,097	-	-
Construction in progress	1,468,831	710,338	356,697	-	-	187,625	219,832	-	-	-
Capital assets net of accumulated depreciation:	40,395,411	41,632,563	43,855,460	43,413,506	-	27,498,592	27,690,907	28,286,887	27,025,674	22,173,420
Buildings and improvements	16,449,710	16,690,869	17,068,574	-	-	670,659	701,747	733,337	-	-
Vehicles and equipment	1,198,371	1,212,343	1,407,298	-	-	590,646	625,376	526,896	-	-
Infrastructure	22,747,330	23,729,351	25,379,588	-	-	26,237,287	26,363,784	27,026,654	-	-
Investment in joint venture	-	-	-	-	-	7,349,803	7,275,298	7,318,919	7,260,704	6,972,697
<b>Total Assets</b>	<b>243,424,123</b>	<b>243,154,383</b>	<b>245,636,604</b>	<b>240,555,301</b>	<b>264,376,605</b>	<b>39,679,833</b>	<b>39,291,942</b>	<b>40,006,680</b>	<b>38,456,717</b>	<b>32,987,705</b>
<b>Liabilities</b>										
Accounts payable	535,500	709,133	2,032,083	734,289	581,264	301,915	296,236	848,252	685,154	757,182
Accrued salaries and payroll taxes payable	457,806	433,718	376,654	358,539	381,399	37,938	34,764	27,550	19,079	21,596
Accrued compensated absences payable	811,808	822,748	794,765	407,585	351,341	83,300	79,189	81,415	42,317	75,753
Accrued interest payable	35,890	50,208	165,361	38,312	41,938	16,872	17,992	19,314	20,133	21,087
Deposits payable	367,700	434,163	864,340	813,023	944,359	-	-	5,000	5,000	-
Demand bank note payable	-	-	119,552	175,000	-	-	-	-	-	-
Other liabilities	-	-	-	-	28,735	-	-	-	-	-
Noncurrent liabilities:										
Long-term debt, due within one year	1,065,000	975,000	825,000	705,000	670,000	85,000	80,000	80,000	75,000	70,000
Long-term debt, due in more than one year	12,552,289	13,535,128	14,370,000	11,165,000	11,870,000	1,060,000	1,145,000	1,225,000	1,305,000	1,380,000
Bond Premium	-	-	156,023	-	-	51,780	-	-	-	-
Accrued other postemployment benefit obligations	606,677	477,516	339,352	167,484	-	-	40,757	28,964	14,212	-
<b>Total Liabilities</b>	<b>16,432,670</b>	<b>17,437,614</b>	<b>20,043,130</b>	<b>14,564,232</b>	<b>14,869,036</b>	<b>1,636,805</b>	<b>1,693,938</b>	<b>2,315,495</b>	<b>2,165,895</b>	<b>2,325,618</b>
<b>Net Assets</b>										
Invested in capital assets, net of related debt	218,969,990	217,987,830	219,276,357	218,997,909	241,986,696	26,944,807	27,089,329	27,454,245	26,200,670	20,723,420
Restricted for:										
Library endowment	157,300	157,300	157,300	157,298	-	-	-	-	-	-
Debt service	125,395	117,054	214,386	4,205,331	-	154,500	154,500	154,500	-	-
Building Operations	243,425	72,657	-	-	-	-	-	-	-	-
Capital Projects	4,269,374	6,102,449	6,193,703	116,773	3,525,429	-	-	-	-	-
Unrestricted (deficit)	3,225,969	1,279,479	(248,272)	2,513,758	3,995,444	10,943,721	10,354,175	10,082,440	10,090,152	9,938,667
<b>Total Net Assets</b>	<b>\$ 226,991,453</b>	<b>\$ 225,716,769</b>	<b>\$ 225,593,474</b>	<b>\$ 225,991,069</b>	<b>\$ 249,507,569</b>	<b>\$ 38,043,028</b>	<b>\$ 37,598,004</b>	<b>\$ 37,691,185</b>	<b>\$ 36,290,822</b>	<b>\$ 30,662,087</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 243,424,123</b>	<b>\$ 243,154,383</b>	<b>\$ 245,636,604</b>	<b>\$ 240,555,301</b>	<b>\$ 264,376,605</b>	<b>\$ 39,679,833</b>	<b>\$ 39,291,942</b>	<b>\$ 40,006,680</b>	<b>\$ 38,456,717</b>	<b>\$ 32,987,705</b>

NOTE: The Net Assets presents information on all the City's assets and liabilities with the difference between the two reported as net assets.

Source: City of West Linn - Audited Financial Statements.



# Government-wide Statement of Activities

(Fiscal Years Ended June 30)

	Governmental Activities					Business-Type Activities				
	2011	2010	2009	2008	2007	2011	2010	2009	2008	2007
<b>Revenues:</b>										
Program revenues:										
Charges for services	\$ 10,479,980	\$ 9,875,102	\$ 9,403,914	\$ 8,790,380	\$ 3,527,127	\$ 5,571,029	\$ 5,287,543	\$ 5,521,769	\$ 4,634,629	\$ 5,201,940
Operating grants and contributions	4,015,212	3,045,272	2,486,047	4,126,676	2,374,184	-	-	-	864,853	-
Capital grants and contributions	492,866	769,331	726,425	-	-	206,210	100,349	1,635,213	-	-
Total program revenues	<u>\$ 14,988,058</u>	<u>\$ 13,689,705</u>	<u>\$ 12,616,386</u>	<u>\$ 12,917,056</u>	<u>\$ 5,901,311</u>	<u>\$ 5,777,239</u>	<u>\$ 5,387,892</u>	<u>\$ 7,156,982</u>	<u>\$ 5,499,482</u>	<u>\$ 5,201,940</u>
General revenues:										
Property taxes levied for general purposes	5,918,512	5,785,038	5,536,231	5,263,506	6,674,766	-	-	-	-	-
Property taxes levied for debt service	883,723	828,376	942,300	769,572	930,892	-	-	-	-	-
Franchise taxes	1,662,509	1,952,259	1,727,918	1,685,632	2,098,041	-	-	-	-	-
Unrestricted grants and contributions	674,790	360,470	604,187	263,531	-	-	-	-	-	-
Unrestricted investment earnings	17,718	22,990	50,420	419,705	468,348	2,846	6,928	189,805	109,527	109,918
Net income in investment in joint venture	-	-	-	-	-	-	-	-	288,007	620,460
Gain on disposition of capital assets	221,867	-	-	-	-	662	14,240	-	-	-
Miscellaneous	-	-	-	-	279,634	-	-	-	-	-
Transfers	(365,155)	(128,788)	(27,043)	(131,574)	1,092,116	365,155	128,788	27,043	131,574	(1,092,116)
Total General revenues and transfers	<u>\$ 9,013,964</u>	<u>\$ 8,820,345</u>	<u>\$ 8,834,013</u>	<u>\$ 8,270,372</u>	<u>\$ 11,543,797</u>	<u>\$ 368,663</u>	<u>\$ 149,956</u>	<u>\$ 216,848</u>	<u>\$ 529,108</u>	<u>\$ (361,738)</u>
<b>Total Revenues</b>	<b><u>\$ 24,002,022</u></b>	<b><u>\$ 22,510,050</u></b>	<b><u>\$ 21,450,399</u></b>	<b><u>\$ 21,187,428</u></b>	<b><u>\$ 17,445,108</u></b>	<b><u>\$ 6,145,902</u></b>	<b><u>\$ 5,537,848</u></b>	<b><u>\$ 7,373,830</u></b>	<b><u>\$ 6,028,590</u></b>	<b><u>\$ 4,840,202</u></b>
<b>Expenses:</b>										
General government	\$ 6,675,728	\$ 6,304,523	\$ 5,969,895	\$ 6,007,231	\$ 4,695,751	\$ -	\$ -	\$ -	\$ -	\$ -
Culture and recreation	5,787,089	5,491,882	5,433,099	4,279,297	2,973,587	-	-	-	-	-
Public safety	6,367,739	6,472,333	6,318,096	5,657,223	4,489,727	-	-	-	-	-
Highways and streets	3,492,445	3,491,626	3,527,808	1,235,144	994,334	-	-	-	-	-
Interest on Long-Term Debt	404,337	626,391	599,096	630,842	639,505	-	-	-	-	-
Unallocated depreciation	-	-	-	2,395,306	643,851	-	-	-	-	-
Water	-	-	-	-	-	3,060,633	3,071,098	3,269,250	2,913,892	2,269,609
Environmental services	-	-	-	-	-	2,640,245	2,559,931	2,704,217	2,813,584	1,409,384
Total Expenses	<u>\$ 22,727,338</u>	<u>\$ 22,386,755</u>	<u>\$ 21,847,994</u>	<u>\$ 20,205,043</u>	<u>\$ 14,436,755</u>	<u>\$ 5,700,878</u>	<u>\$ 5,631,029</u>	<u>\$ 5,973,467</u>	<u>\$ 5,727,476</u>	<u>\$ 3,678,993</u>
Excess (Deficiency) Before Transfers	1,274,684	123,295	(397,595)	982,385	3,008,353	445,024	(93,181)	1,400,363	301,114	1,161,209
Transfers In (Out)	-	-	-	-	-	-	-	-	-	-
Increase (Decrease) in Net Assets	1,274,684	123,295	(397,595)	982,385	3,008,353	445,024	(93,181)	1,400,363	301,114	1,161,209
Prior Period Adjustment	-	-	-	(24,498,885) <sup>(1)</sup>	222,698,444 <sup>(2)</sup>	-	-	-	5,327,621 <sup>(1)</sup>	-
Net Assets - July 1	225,716,769	225,593,474	225,991,069	249,507,569	23,800,772	37,598,004	37,691,185	36,290,822	30,662,087	29,500,878
<b>Total Net Assets</b>	<b><u>\$ 226,991,453</u></b>	<b><u>\$ 225,716,769</u></b>	<b><u>\$ 225,593,474</u></b>	<b><u>\$ 225,991,069</u></b>	<b><u>\$ 249,507,569</u></b>	<b><u>\$ 38,043,028</u></b>	<b><u>\$ 37,598,004</u></b>	<b><u>\$ 37,691,185</u></b>	<b><u>\$ 36,290,822</u></b>	<b><u>\$ 30,662,087</u></b>

NOTE: The Statement of Revenues, Expenses and Changes in Net Assets presents information showing how the City's net assets changed during a given Fiscal Year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Revenues and expenses are reported in this statement for some items that will result in cash flows in future periods, such as uncollected taxes and earned, but unused, vacation leave.

(1) In Fiscal Year 2008 all capital asset balances were reviewed, inventoried and audited. For governmental activities the effect was a decrease in total assets of approximately \$24.5 million compared to the previous fiscal year. For business type activities, the effect was an increase in total assets of \$20.2 million, offset by an increase in related accumulated depreciation of \$14.9 million for a total net increase of \$5.3 million from the previous fiscal year.

(2) The City completed implementation of GASB 34 by recording governmental infrastructure, net of related depreciation in the Statement of Net Assets. The effect was an increase of \$222.7 million, with an offsetting increase to net assets invested in capital assets, net of related debt.

Source: City of West Linn - Audited Financial Statements.

## General Fund - Balance Sheet

(Fiscal Years Ended June 30)

Assets	2011	2010	2009	2008	2007
Cash and investments	\$ 1,551,445	\$ 1,790,513	\$ 1,597,648	\$ 1,866,134	\$ 1,917,067
Accounts receivable	154,792	21,471	56,998	5,005	3,255
Prepaid expenses	<u>150,378</u>	<u>36,838</u>	<u>-</u>	<u>142,264</u>	<u>104,342</u>
Total Assets	<u>1,856,615</u>	<u>1,848,822</u>	<u>1,654,646</u>	<u>2,013,403</u>	<u>2,024,664</u>
Liabilities					
Accounts payable	\$ 151,565	\$ 217,035	\$ 0	\$ 409,468	\$ 279,107
Accrued salaries and payroll taxes	193,806	192,218	182,672	178,381	250,367
Accrued vacation payable	-	-	-	7,399	-
Deposits payable	308,382	258,033	184,854	580,592	619,114
Other liabilities	-	-	-	-	28,735
Deferred revenue	<u>-</u>	<u>-</u>	<u>301,715</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>653,753</u>	<u>667,286</u>	<u>669,241</u>	<u>1,175,840</u>	<u>1,177,323</u>
Fund Balances					
Unreserved	\$ 1,052,484	\$ 1,181,536	\$ 985,405	695,299	742,999
Reserved for prepaid expenses	<u>150,378</u>	<u>-</u>	<u>-</u>	<u>142,264</u>	<u>104,342</u>
Total Fund Balance	<u>1,202,862</u>	<u>1,181,536</u>	<u>985,405</u>	<u>837,563</u>	<u>847,341</u>
Total Liabilities and Fund Balance	<u>\$ 1,856,615</u>	<u>\$ 1,848,822</u>	<u>\$ 1,654,646</u>	<u>\$ 2,013,403</u>	<u>\$ 2,024,664</u>

Source: City of West Linn - Audited Financial Statements.

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## General Fund - Statement of Revenues, Expenditures and Changes in Fund Balance

(Fiscal Years Ended June 30)

Revenues	2011	2010	2009	2008	2007
Property taxes <sup>(1)</sup>	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	41,667	8,441	114,960	414	2,789
Franchise taxes	30,932	-	20,000	-	-
Licenses and permits	194,593	177,743	427,045	53,901	50,023
Fines and forfeitures	421,535	428,171	410,519	450,670	476,019
Charges for services <sup>(2)</sup>	5,078,681	5,079,000	4,670,000	3,392,751	91,040
Investment earnings	5,953	3,118	7,552	67,400	52,487
Miscellaneous:	<u>273,233</u>	<u>207,676</u>	<u>488,064</u>	<u>194,433</u>	<u>199,295</u>
<b>Total Revenues</b>	<u>6,046,594</u>	<u>5,904,149</u>	<u>6,138,140</u>	<u>4,159,569</u>	<u>871,653</u>
<b>Expenditures</b>					
Current: General government					
General government	5,627,506	5,347,131	5,175,550	3,476,705	3,233,083
Cultural and recreation	-	-	-	-	-
Public safety	-	-	-	-	-
Debt Service					
Principal	240,000	190,000	180,000	175,000	165,000
Interest	66,812	151,095	159,838	168,136	176,000
Current Refunding	5,933,478	-	-	-	-
Capital outlay	<u>93,224</u>	<u>19,792</u>	<u>274,910</u>	<u>176,217</u>	<u>26,786</u>
<b>Total Expenditures</b>	<u>11,961,020</u>	<u>5,708,018</u>	<u>5,790,298</u>	<u>3,996,058</u>	<u>3,600,869</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(5,914,426)</u>	<u>196,131</u>	<u>347,842</u>	<u>163,511</u>	<u>(2,729,216)</u>
<b>Other Financing Sources (Uses)</b>					
Proceeds from sale of capital assets	891	-	-	-	-
Refunding bonds issued	5,640,000	-	-	-	-
Bond premium on issuance of debt	294,861	-	-	-	-
Transfers In	-	-	-	241,411	2,643,900
Transfers Out	<u>-</u>	<u>-</u>	<u>(200,000)</u>	<u>(414,700)</u>	<u>(300,000)</u>
Total Other Financing Sources (Uses)	<u>5,935,752</u>	<u>-</u>	<u>(200,000)</u>	<u>(173,289)</u>	<u>2,343,900</u>
Net Change in Fund Balance	<u>21,326</u>	<u>196,131</u>	<u>147,842</u>	<u>(9,778)</u>	<u>(385,316)</u>
Beginning Fund Balance	<u>1,181,536</u>	<u>985,405</u>	<u>837,563</u>	<u>847,341</u>	<u>1,232,657</u>
<b>Ending Fund Balance</b>	<u>\$ 1,202,862</u>	<u>\$ 1,181,536</u>	<u>\$ 985,405</u>	<u>\$ 837,563</u>	<u>\$ 847,341</u>

(1) Beginning in Fiscal Year 2007, the City changed its fund structure, creating and consolidating special revenue funds for the significant operations of the City, including Police, Parks and Recreation, Library, and Planning. These activities were previously accounted for in several special revenue funds that captured specific revenue sources, in addition to activity reported in the general fund. As a result of this change, property taxes are now allocated directly to the Public Safety Fund, Parks and Recreation Fund and Other Governmental Funds.

(2) Beginning in Fiscal Year 2008 internal service funds were incorporated to the General Fund.

Source: City of West Linn - Audited Financial Statements.

## Budgetary Process

The City prepares a biennial budget in accordance with Oregon Local Budget Law (ORS Chapter 294) which establishes standard procedures for all budget functions for Oregon local governments. Under the applicable provisions, there must be public participation in the budget process and the adopted budget must be balanced.

The City's administrative staff evaluates the budget requests of the various departments of the City to determine the funding levels of the operating programs. The budget is presented to the public through public hearings held by a budget committee consisting of City Council members and lay members. After giving due consideration to the input received from the citizens, the City Council adopts the budget, authorizes the levying of taxes and sets appropriations. The budget must be adopted no later than June 30 of each Fiscal Year.

The budget may be amended during the applicable Fiscal Year through the adoption of a supplemental budget. Supplemental budgets may be adopted by the Board pursuant to ORS 294.480.

## General Fund Adopted Budget

(Fiscal Years Ended June 30, dollars in thousands)

Resources	2013	2012	2011	2010	2009
Franchise Fees	\$ 125	\$ 120	\$ -	\$ -	\$ -
Franchise Fees (dedicated to sustainability)	40	40	-	-	-
Fees and charges	312	306	360	329	337
Fines and forfeitures	478	464	508	493	408
Interest	5	5	46	45	39
Miscellaneous	102	150	102	100	492
Transfers from other funds	5,714	5,472	5,457	5,474	4,670
Beginning fund balance	1,283	1,275	801	717	838
<b>Total Resources</b>	<b>\$ 8,059</b>	<b>\$ 7,832</b>	<b>\$ 7,274</b>	<b>\$ 7,158</b>	<b>\$ 6,784</b>
Expenditures					
Personal services	\$ 3,970	\$ 3,789	\$ 3,938	\$ 3,718	\$ 3,048
Materials and services	2,303	2,312	2,039	2,028	1,913
Debt service (Series 2000)	300	300	342	341	340
Transfers to other funds	191	123	32	31	350
Transfer to building inspections fund	-	-	-	214	-
Capital outlay	25	25	25	25	416
Contingency	700	700	599	599	-
Unappropriated ending fund balance	570	583	299	202	717
<b>Total Expenditures</b>	<b>\$ 8,059</b>	<b>\$ 7,832</b>	<b>\$ 7,274</b>	<b>\$ 7,158</b>	<b>\$ 6,784</b>

Source: City of West Linn Adopted Budgets.

## Investments

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

Municipalities are also authorized to invest up to \$43,136,592 (adjusted for inflation) in the Local Government Investment Pool of the Oregon Short-Term Fund, which is managed by the State Treasurer's office. Such investments are managed in accordance with the "prudent person rule" (ORS 293.726) and administrative regulations of the State Treasurer which may change from time to time. Eligible investments presently include all of those listed above, as well as repurchase agreements and reverse repurchase agreements. A listing of investments held by the Oregon Short-Term Fund is available on the Oregon State Treasury website under "Other OSTF Reports –OSTF Detailed Monthly Reports": [www.ost.state.or.us/about/boards/OSTF/About.htm](http://www.ost.state.or.us/about/boards/OSTF/About.htm)<sup>(1)</sup>.

## **Pension System**

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

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

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

*Actuarial Valuation.* Oregon statutes require an actuarial valuation of the System at least once every two years. Based on the biennial actuarial valuations as of December 31 of odd-numbered years, such as 2005 and 2007, the Public Employees Retirement Board ("PERB") establishes the contribution rates that employers will pay to fund the operations of T1/T2 Pension Programs, OPSRP and the PERS-sponsored Retirement Health Insurance Account program ("RHIA") (See "Other Post-Employment Benefits" below). Actuarial valuations have been performed annually as of December 31 of each year, with the valuations as of December 31 of even-numbered years (such as 2008) used for advisory purposes only. Actuarial valuations are performed for the entire System (the "System Valuation"), and for each participating employer, including the City. Valuations are released approximately one year after the valuation date. PERS' current actuary is Mercer (US), Inc.

At the September 30, 2011 PERB meeting, Mercer presented the actuarial valuation of assets and liabilities for the System as of December 31, 2010 (the "2010 Mercer Presentation"). The official actuarial valuation report for the System as of December 31, 2010 (the "2010 System Valuation") is expected to be released in late November 2011, and the official actuarial valuation report for the City as of December 31, 2010 (the "2010 City Valuation") is expected to be released in December 2011. Current employer contribution rates are based on the December 31, 2009 actuarial valuation (the "2009 Valuation").

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

Valuation	Rates Effective
December 31, 2007	July 1, 2009 – June 30, 2011
December 31, 2008	Advisory only
December 31, 2009	July 1, 2011 – June 30, 2013
December 31, 2010	Advisory only

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

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

OPSRP’s assets and liabilities are pooled on a program-wide basis. These assets and liabilities are not tracked or calculated on an employer basis. The City’s allocated share of OPSRP’s assets and liabilities is based on the City’s proportionate share of OPSRP’s pooled payroll (the “City Allocated OPSRP UAL”). Changes in the City’s relative growth in payroll will cause the City Allocated OPSRP UAL to shift.

The City’s net unfunded pension UAL is the total of the City Allocated T1/T2 UAL, and City Allocated OPSRP UAL. The City’s net unfunded pension UAL as of the 2007 Valuation and 2009 Valuation is shown in the following table.

**City of West Linn**

**Net Unfunded Pension Actuarial Accrued Liability (Surplus)**

	2009 Valuation	2008 Valuation
Allocated pooled SLGRP T1/T2 UAL	\$ 10,831,971	\$ 8,933,636
Allocated pre-SLGRP pooled liability/(surplus)	-	n/a
Transition liability/(surplus)	(3,833,150)	n/a
Allocated pooled OPSRP UAL	<u>84,858</u>	<u>60,488</u>
Net unfunded pension actuarial accrued liability	7,083,679	8,994,124

Source: 2009 and 2008 Valuations.

As stated above the 2010 City Valuation is expected to be released in December 2011. The City cannot predict what the City’s net pension UAL will be as of December 31, 2010; however, the 2010 Mercer Presentation states that the System-wide funded status increased from 86% at December 31, 2009 to 87% at December 31, 2010.

The funded status of PERS and of the City as reported by Mercer, will change over time depending on the market performance of the securities that the Oregon Public Employees’ Retirement Fund (“OPERF”) has invested, future changes in compensation and benefits of covered employees, demographic characteristics of members and methodologies and assumptions used by the actuary in estimating the assets and liabilities of PERS.

Significant actuarial assumptions and methods used in the valuations included: (a) Projected Unit Credit actuarial cost method, (b) asset valuation method based on market value, (c) rate of return on the investment of present and future assets of 8%, (d) payroll growth rate of 3.75%, (e) consumer price inflation of 2.75% per year, and (f) UAL amortization method of a level percentage of payroll over 21 years (fixed) for the T1/T2 Pension Programs and 16 years (fixed) for OPSRP.

*Employer Contribution Rates.* The City’s contribution rates are based on the current and projected cost of benefits and the anticipated level of funding available from the OPERF, including anticipated investment performance of the fund. Contribution rates are subject to future adjustment based on factors such as the result of subsequent actuarial valuations and changes in benefits resulting from legislative modifications. Employees are required to contribute 6 percent of their annual salary to the respective programs and the City makes this contribution on behalf of its employees. If the 2009 Valuation reports that the funded status of PERS is between 70% and 80% (excluding side accounts) for each individual employer, the rate collar will increase on a sliding scale from 3% to 6% of PERS covered payroll of that individual employer or by 20% to 40% of the previous rate, whichever is greater, effective July 1, 2011 through June 30, 2013.

*Contribution Rate Collar.* In January 2010 the PERS Board adopted a revised implementation of the rate collar limiting increases in employer contribution rates from biennium to biennium (the “Rate Collar”). Under normal conditions, the Rate Collar is the greatest of three percent of payroll or 20 percent of the current base. If the funded status of the SLGRP is below 80 percent, the Rate Collar increases by an additional 0.3 percent for every percentage point under the 80 percent funded level until the aggregate rate collar reaches six percent at the 70 percent funded level. The 2009 System Valuation concluded that the SLGRP funded status was 77 percent, resulting in a rate collar of 3.9 percent. The rate collar limits increases in employer contribution rates before rate reductions from side accounts are deducted, and does not cover charges associated with RHIA and RHIPA.

*City Contribution Rates.* The City’s current contribution rates are based on the 2009 Valuation and are effective through June 30, 2013. The following table shows the City’s current rates effective beginning July 1, 2011 (2009 Valuation) and the previous rates from the City’s 2007 Valuation:

**Employer Contribution Rates – City of West Linn**

	Current Rates (2011-2013)			Previous Rates (2009-2011)		
	T1/T2	OPSRP General	OPSRP P&F	T1/T2	OPSRP General	OPSRP P&F
Normal Cost Rate	9.80%	7.68%	15.40%	7.48%	5.81%	8.52%
UAL Rate	6.10	6.10	6.10	3.20	3.20	3.20
OPSRP UAL Rate	0.08	0.08	0.08	(0.08)	(0.08)	(0.08)
Net Pension Contribution Rate	12.19%	10.07%	17.79%	10.60%	8.93%	11.64%
Retiree Healthcare Rate <sup>(1)</sup>	0.59%	0.59%	0.59%	0.29%	0.19%	0.19%
<b>Total Net Contribution Rate</b>	<b>12.78%</b>	<b>10.66%</b>	<b>18.38%</b>	<b>10.89%</b>	<b>9.12%</b>	<b>11.83%</b>

(1) Contribution rates to fund RHIA benefits are included in the total City employer contribution rate, but are not a pension cost.

Source: 2007 and 2009 Valuations.

The 2010 City Valuation will contain advisory employer contribution rates as of December 31, 2010; these rates are advisory only. Although the City cannot predict what the advisory rates will be, the 2010 Mercer Presentation states that as of December 31, 2010, advisory base employer contribution rates are 3.6% of payroll above current rates, primarily due to the Rate Collar, spreading rate increases to restore funded status across multiple periods.

**Other Post-Employment Benefits**

*Retirement Health Insurance Account.* PERS retirees who receive benefits through the Tier 1 and Tier 2 plans and are enrolled in certain PERS administered health insurance programs, may receive a subsidy towards the payment of health insurance premiums. Under ORS 238.420, retirees may receive a subsidy for Medicare supplemental health insurance of up to \$60 per month towards the cost of their health insurance premium under the RHIA plan. The RHIA program’s assets and liabilities are pooled on a system-wide basis and are not tracked or calculated on an employer basis. According to the 2009 System Valuation, this program had a UAL of approximately \$297 million. The City’s allocated share of the RHIA program’s assets and liabilities is based on the City’s proportionate share of the program’s pooled payroll. According to the City’s 2009 Valuation, the City’s allocated share of the RHIA program’s UAL is \$279,781. The City’s contributions to RHIA for the year ended June 30, 2011 and 2010 were approximately \$23,500 and \$22,900 respectively which equaled the required contributions for that year.

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

The City has adopted early implementation of GASB 45 and implemented this pronouncement starting with the fiscal year ended June 30, 2008. The City’s annual Other Post-Employment Benefit (“OPEB”) cost is calculated based on the annual required contribution (“ARC”) of the City, an amount actuarially determined in accordance with GASB 45. The following table shows the components of the City’s annual OPEB cost for Fiscal Year 2009, the amount actually contributed to the plan and changes in the City’s OPEB obligation to the plan.

**Fiscal Year 2011 OPEB Obligations – City of West Linn**

City's Normal Cost at year end	\$ 115,000
Amortization of UAAL with interest	<u>117,467</u>
Annual Required Contribution (ARC)	232,467
Interest on prior year net OPEB obligation	23,322
Adjustment to ARC	<u>(36,583)</u>
Annual OPEB cost	219,206
Less contribution (amounts paid during year for OPEB)	-
Less implicit benefit payments	<u>(79,022)</u>
Increase in net OPEB obligation	140,184
OPEB obligation at beginning of fiscal year	<u>518,273</u>
OPEB obligation at end of fiscal year	\$ 658,457

Source: City of West Linn - Audited Financial Statements.

**Annual OPEB Cost – City of West Linn**

Fiscal Year ended June 30	Annual OPEB Cost	Percent of Annual OPEB cost contribution	Net OPEB Obligation
2011	\$ 219,206	36%	\$ 658,457
2010	208,533	28%	518,273
2009	239,118	22%	368,316
2008	227,671	20%	181,696

Source: City of West Linn - Audited Financial Statements.



## **Risk Management**

The City is exposed to various risks of loss. A description of the risks is provided in the City's audited financial statements. The audited financial statement for Fiscal Year 2011 is attached hereto as Appendix D.

## **THE INITIATIVE AND REFERENDUM PROCESS**

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

Pursuant to ORS 250.125, a five-member Committee composed of the Secretary of State, the State Treasurer, the Director of the Department of Revenue, the Director of the Department of Administrative Services, and a local government representative must prepare an estimate of the direct financial impact of each measure ("Financial Estimate Statements") to be printed in the voters' pamphlet and on the ballot.

### **Referendum**

"Referendum" generally means measures that have been passed by a legislative body, such as the Legislative Assembly or the governing body of a district, county or other political subdivision and referred to the electors by the legislative body, or by petition prior to the measure's effective date.

In Oregon, both houses of the Legislative Assembly must vote to refer a statute or constitutional amendment for a popular vote. Such referrals cannot be vetoed by the governor. Any change to the Oregon Constitution passed by the Legislative Assembly requires referral to voters. In the case of a referendum by petition, proponents of the referendum must obtain a specified number of signatures from qualified voters. The required number of signatures is equal to four percent of the votes cast for all candidates for governor at the preceding gubernatorial election.

The 2007 Legislative Assembly referred nine measures to voters. The measures appeared on the ballot at the November 6, 2007 special election, May 20, 2008 primary election and November 4, 2008 general election. Eight of the nine measures were approved. One of the measures approved at the November 4, 2008 general election was Measure 56, a constitutional change providing that May and November property tax elections are decided by a simple majority of voters casting a ballot. Another measure that was approved at the November 4, 2008 general election was Measure 57, a statutory change to increase sentences for drug trafficking, theft against elderly and specified repeat property and identity theft crimes, requiring addiction treatment for certain offenders.

The Financial Estimate Statement for Measure 57 estimates the measure would require additional spending of approximately \$9 million in the first year, \$74 million in the second year, \$79 million in the third year, \$106 million in the fourth year and \$143 million annually thereafter. The State may also need to borrow an estimated \$314 million from 2010 to 2017 to build new prison space associated with Measure 57

### **Initiatives**

"Initiative" generally means a new measure placed before the voters as a result of a petition circulated by one or more private citizens.

Any person may file a proposed initiative with the Oregon Secretary of State's office. The Oregon Attorney General is required by law to draft a proposed ballot title for the initiative. Public comment on the draft ballot

title is then solicited by the Secretary of State. After considering any public comments submitted, the Attorney General will either certify the draft ballot title or revise the draft ballot title. Any elector that submitted written comments who is dissatisfied with the ballot title certified by the Attorney General may petition the Oregon Supreme Court seeking a revision of the certified ballot title.

Once the ballot title has been certified and the Secretary of State has authorized the petitioners, the proponents of the initiative may start gathering initiative petition signatures from qualified voters. The number of signatures required is determined by a fixed percentage of the votes cast for all candidates for governor at the preceding gubernatorial election. The signature requirements are eight percent for a constitutional measure (110,358 signatures for November 2010) and six percent for a statutory initiative (82,769 signatures for November 2010).

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

*Historical Initiative Petitions.* The number of initiatives that have been approved in general elections since 1998 are as follows:

**Historical Initiative Petitions**

Number of Year of General Election	Number of Initiatives that Qualified	Initiatives that were Approved
2010	4	2
2008	8	0
2006	10	3
2004	6	2
2002	7	3
2000	18	4
1998	10	6

NOTE: The Secretary of State posts a listing of initiatives on its web site: [www.egov.sos.state.or.us](http://www.egov.sos.state.or.us)  
 Source: *Elections Division, Oregon Secretary of State, Initiative, Referendum and Referral Search, Elections Division.*

*Land Use Measures.* On November 6, 2007, Oregon voters approved Measure 49 (“Measure 49”), which modifies a previous measure approved by the voters in 2004 (“Measure 37”). Measure 37 entitled landowners to compensation for reduction in or release from a land use regulation when the land use regulation restricts the use of the property and reduces its market value if it was enacted after the owner or a family member purchased the property. Property owners seeking compensation or release from regulations under both Measure 49 and Measure 37 must file a claim with the governmental entity which enacted or enforced the regulation.

For claims filed before June 28, 2007, Measure 49 replaced the remedies of Measure 37 with an approval for claimants to establish a specific number of home sites as a form of compensation.

All claims filed after June 28, 2007 are treated as Measure 49 claims. Measure 49 claims may only be filed for regulations enacted after January 1, 2007, and Measure 49 claims may only be filed for land use regulations that limit residential uses of property or restrict farming or forest practices. Under Measure 49, claimants must demonstrate the reduction in value of the property, and may only be exempted from regulation to the extent necessary to allow additional residential development of a value comparable to the value lost as a result of the regulation. The City does not have any Measure 49 outstanding claims.

### **City Charter**

In addition to statutory and constitutional changes by the Legislative Assembly and the initiative and referendum process, the independent basis of legislative authority has been granted to cities in Oregon by municipal charters. A copy of the City Charter is available from the City upon request.

## **LEGAL MATTERS AND LITIGATION**

Legal matters incident to the authorization, issuance and sale of the Bonds by the City are subject to the approving legal opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City ("Bond Counsel"), substantially in the form attached hereto as Appendix C relating to the Bonds. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of the Official Statement.

### **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.

On December 28, 2007, the Oregon Supreme Court decided a case, *Clarke v. Oregon Health Sciences University* ("OHSU"), challenging the constitutionality of parts of the Oregon Tort Claims Act ("OTCA") as applied. Under the OTCA, the State's common law sovereign immunity from suit is lifted and claims may be brought against a public body in Oregon, including the City. The liability of public bodies, however, is capped for individual personal injury claims. In addition, the public body has to be substituted as a defendant in lieu of individual employees of the public body, thereby limiting recovery for claims against individual employees to the limits applicable to public bodies. In *Clarke*, the plaintiff was severely disabled as a result of the negligence of health professionals employed at OHSU, which is a public body under the OTCA. The damages alleged amounted to approximately \$12 million, which was in excess of the liability cap of public bodies.

Article I, Section 10 of the Oregon Constitution provides the right to a remedy to persons who are injured in their person, property or reputation. The *Clarke* court concluded that the then- existing cap on the amount of potential recovery, did not provide a substantial remedy to plaintiff in lieu of what plaintiff would have been able to claim at common law from individual government employees who were admittedly negligent. Therefore, the substitution of OHSU for the individual plaintiffs, under the facts at issue in *Clarke*, violated Article I, Section 10 of the Oregon Constitution.

In response to the *Clarke* decision, the 2009 Oregon Legislature passed Senate Bill 311, which increases the liability limits for Oregon public bodies under the OTCA. Senate Bill 311 was signed by the Governor on April 15, 2009 and became effective on July 1, 2009.

Under the new law, Oregon local public bodies will be subject to the following limits on liability. The State of Oregon is subject to different limits.

*Personal Injury and Death Claim.* The liability of a local public body and its officers, employees and agents acting within the scope of their employment or duties, to any *single claimant* for covered personal injury or death claims (and not property claims) arising out of a single accident or occurrence may not exceed \$500,000, for causes of action arising on or after July 1, 2009, and before July 1, 2010. From July 1, 2010 through June 30, 2015, this cap increases incrementally to \$666,700. The liability limits to *all claimants* for covered personal injury or death claims (and not property claims) arising from a single accident or occurrence increase from \$1 million, for causes of action arising on or after July 1, 2009, and before July 1, 2010, incrementally to \$1,333,300, for causes of action arising on or after July 1, 2014, and before July 1, 2015.

For causes of action arising on or after July 1, 2015, the liability limits for both a single claimant and all claimants will be adjusted based on a determination by a State Court Administrator of the percentage increase or decrease in the cost of living for the previous calendar year as provided in the formula in Senate Bill 311. The adjustment may not exceed 3% for any year.

*Property Damage or Destruction Claim.* The liability of a public body and its officers, employees and agents acting within the scope of their employment or duties, for covered claims for damage and destruction of property that arise from causes of action arising on or after July 1, 2009 are as follows: (a) \$100,000, adjusted as described below, to any single claimant, and (b) \$500,000, adjusted as described below, to all claimants.

Beginning in 2010, these liability limits shall be adjusted based on a determination by a State Court Administrator of the percentage increase or decrease in the cost of living for the previous calendar year as provided in the formula in Senate Bill 311. The adjustment may not exceed 3% for any year.

## **TAX MATTERS**

In the opinion of Orrick, Herrington & Sutcliffe LLP (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating federal corporate alternative minimum taxable income. In the further opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the Bonds is exempt from personal income taxation imposed by the State of Oregon. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

The City has designated the Bonds as “qualified tax-exempt obligations” under Section 265(b)(3) of the Code.

The amount (if any) by which the issue price of the Bonds of any given maturity date is less than the amount to be paid on such date (excluding amounts stated to be interest and payable at least annually over the term of such Bonds) constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each beneficial owner thereof, is treated as interest on the Bonds, as the case may be, that is excluded from gross income for federal income tax purposes and for Oregon personal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to Bonds of any maturity date accrues daily over the term to such maturity date on the basis of a constant interest

rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds, as the case may be, to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial holders of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of beneficial owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

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

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The City has covenanted to comply with certain restrictions designed to ensure that interest on the Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Bonds, as the case may be, being included in gross income for federal income tax purposes, possibly from the date of original delivery of the Bonds. The opinions of Bond Counsel assume compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of delivery of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of Oregon personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a beneficial owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the beneficial owner or the beneficial owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

In addition, no assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code, will not cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent beneficial holders of the Bonds from realizing the full current benefit of the tax status of such interest. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation. Further, no assurance can be given that the introduction or enactment of any such future legislation, or any action of the Internal Revenue Service ("IRS"), including but not limited to regulation, ruling, or selection of the Bonds for audit examination, or the course or result of any IRS examination of the Bonds, or obligations which present similar tax issues, will not affect the market price for the Bonds.

The opinion of Bond Counsel is based on current legal authority and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the IRS or the courts. Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, as the case may be, and, unless separately engaged, Bond Counsel is not obligated to defend the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the City, including the beneficial owners, will have little if any right to participate in the examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the City legitimately disagrees, may not be practical. If such a situation arises, the City or the beneficial owners may incur significant expense, loss of market value to the beneficial owners, or both.

## **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 the Municipal Securities Rulemaking Board ("MSRB"), audited financial information of the City and certain financial information or operating data. In addition, the City has agreed to provide to the MSRB, notice of certain events, pursuant to the requirements of Section (b)(5)(i) of the Rule. As of the date of this Official Statement, the City has one limited and one full continuing disclosure undertaking.

The City failed to comply with its prior undertaking under the Rule by not providing certain audited financial statements by the deadline required in the undertaking. See "Financial Factors – Auditing" herein. Upon discovery of the noncompliance, the City filed its audited financial statements for Fiscal Years 2005 and 2006 on June 2008 and its audited financial statement for Fiscal Year 2007 on December 2008. The City has complied with its prior undertaking under the Rule with its subsequent audited financial statements. A copy of the form of the City's Continuing Disclosure Certificate is attached hereto as Appendix B.

## **RATING**

As noted on the cover page of this Official Statement, Standard & Poor's, a Division of the McGraw-Hill Companies, New York, New York ("S&P"), has assigned its municipal bond rating of "AA" to the Bonds. Moody's Investors Service ("Moody's") has assigned its municipal bond rating of "Aa2" to the Bonds. No application was made to any other rating agency for the purpose of obtaining an additional rating on the Bonds. The ratings reflect only the views of S&P and Moody's and an interpretation of such ratings may be obtained only from the rating agency furnishing the same. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either rating agency, if, in the judgment of such agency, circumstances so warrant. Any such revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds. Any further explanation of the underlying ratings may be obtained from S&P or Moody's.

## **FINANCIAL ADVISOR**

In connection with the authorization and issuance of the Bonds, the District has retained D.A. Davidson & Co., Lake Oswego, Oregon, as its financial advisor (the "Financial Advisor").

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.

## **UNDERWRITING**

Morgan Keegan & Company Inc., acting as underwriter successfully bid for the Bonds in a competitive sale. The bid provides that the underwriter will purchase all of the Bonds at a price of 100.941% of the par value of the Bonds. The Bonds will be reoffered at an average price of 101.208% of the par value of the Bonds. After the initial public offering, the public offering prices may vary from time to time.

On January 11, 2012, Regions Financial Corporation, Morgan Keegan's parent company, entered into a definitive agreement to sell Morgan Keegan to Raymond James Financial. The transaction is expected to close on or before March 31, 2012.

## **CONCLUDING STATEMENT**

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

The information assembled herein is not to be construed as a contract with Owners of the Bonds.

## **APPROVAL OF OFFICIAL STATEMENT**

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

CITY OF WEST LINN, OREGON

By: \_\_\_\_\_

Authorized City Official

## **APPENDIX A**

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### **ECONOMIC AND DEMOGRAPHIC INFORMATION**

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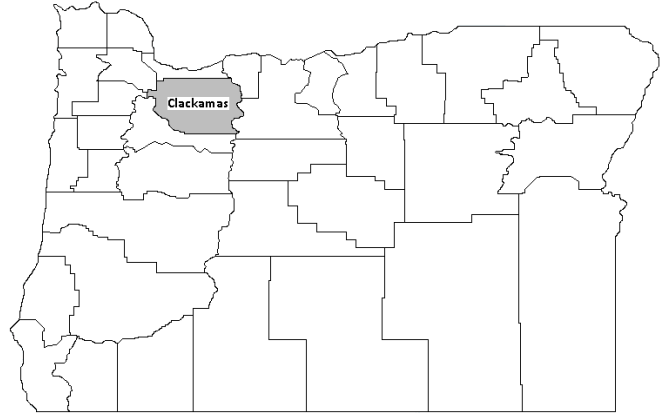


## ECONOMIC AND DEMOGRAPHIC INFORMATION

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

### Local Economic Overview

The City is located in Clackamas County (the "County"), approximately 30 miles northeast of the City of Salem and 14 miles southeast of the City of Portland. The City has a 2011 preliminary estimated population of 25,250. Historical population of the City and the County is shown in the following table.



**Population: State of Oregon, Clackamas County and the City of West Linn**

July 1	State of Oregon	Clackamas County	City of West Linn
2010	3,844,195	381,775	24,445
2009	3,823,465	379,845	24,400
2008	3,791,075	376,660	24,400
2007	3,745,455	372,270	24,180
2006	3,690,505	367,040	24,180
2005	3,631,440	361,300	24,075
2004	3,582,600	356,250	23,970
2003	3,541,500	353,450	23,820
2002	3,504,700	350,850	23,430
2001	3,471,700	345,150	23,090
2000	3,436,750	340,000	22,440
<b>April 1<sup>(1)</sup></b>			
2000	3,421,399	338,391	22,261
1990	2,842,321	278,850	16,389

(1) U.S. Census Count on April 1.

Source: *Center for Population Research and Census, Portland State University.*

Major employers in the City follow:

Company	Service	No. Employees
West Linn - Wilsonville SD	Public School	372
West Linn Paper Company	Paper Manufacturing	250
Safeway Inc.	Grocery Store/Related Products	170
City of West Linn	Government	130
New Albertsons Inc.	Grocery Store/Related Products	87
American Golf Corporation	Public Golf Course	80
Rose Linn Vintage Place	Skilled Nursing Care Facility	80
Pond Maintenance Services	Building Maintenance Services	75
Tanner Springs Assisted Living	Skilled Nursing Care Facility	72
Elton Enterprises IV Inc	Eating Places	70
First Student Inc.	School Bus Services	70
Zupans	Grocery Store/Related Products	70
Coffee Rush Inc	Grocery Store/Related Products	55
Ho Lock Security	Repair Services	40
Fisher Corporation	Gas Station / Retail Stores	40
Thriftway Stores	Grocery Store/Related Products	40

Source: Selectory Online (Dun and Bradstreet). December 2011.

According to the 2000 Census, half of the County's working residents are employed outside the County. Approximately 60 percent of jobs in the County are held by County residents. Labor trends by employment and industry are provided below:

### Clackamas County: Labor Force and Employment

	2010	2009	2008	2007	2006	2005	2010 Change from				
							2009	2008	2007	2006	2005
Civilian Labor Force	203,675	201,036	199,542	195,869	194,991	191,232	2,639	4,133	7,806	8,684	12,443
Unemployment	20,655	20,564	11,280	8,930	9,332	10,576	91	9,375	11,725	11,323	10,079
Percent of Labor Force	10.1%	10.2%	5.7%	4.6%	4.8%	5.5%	xx	xx	xx	xx	xx
Total Employment	183,020	180,472	188,262	186,939	185,659	180,656	2,548	-5,242	-3,919	-2,639	2,364
	2010	2009	2008	2007	2006	2005	2010 Change from				
	2009	2008	2007	2006	2005		2009	2008	2007	2006	2005
Total Nonfarm Payroll Employment	134,900	137,300	148,300	148,500	144,900	140,900	-2,400	-13,400	-13,600	-10,000	-6,000
Total Private	117,400	119,300	130,000	130,600	127,400	123,600	-1,900	-12,600	-13,200	-10,000	-6,200
Mining and Logging	200	100	200	200	200	200	100	0	0	0	0
Construction	8,500	9,100	11,700	12,600	12,000	10,700	-600	-3,200	-4,100	-3,500	-2,200
Manufacturing	15,700	16,200	18,500	18,400	18,300	18,200	-500	-2,800	-2,700	-2,600	-2,500
Trade, transportation, and utilities	30,900	31,100	33,300	33,500	33,400	33,200	-200	-2,400	-2,600	-2,500	-2,300
Information	2,100	2,200	2,100	2,000	1,700	1,600	-100	0	100	400	500
Financial activities	8,400	8,800	9,600	10,400	10,600	10,300	-400	-1,200	-2,000	-2,200	-1,900
Professional and business services	15,000	15,000	17,400	17,500	16,700	15,700	0	-2,400	-2,500	-1,700	-700
Educational and health services	18,800	18,600	17,900	16,700	16,200	15,800	200	900	2,100	2,600	3,000
Leisure and hospitality	12,800	13,100	14,000	13,900	13,100	12,600	-300	-1,200	-1,100	-300	200
Other services	5,000	5,100	5,300	5,400	5,300	5,300	-100	-300	-400	-300	-300
Government	17,500	18,000	18,300	17,900	17,500	17,300	-500	-800	-400	0	200

Source: State of Oregon Employment Division, Department of Human Resources as of November 2011.

Per capita income in the County is higher than that of the State. In 2009, the County represented 12.19 percent of the State's total personal income.

Year	State of Oregon		Clackamas County	
	Total Personal Income (\$000)	Per Capita Income	Total Personal Income (\$000)	Per Capita Income
2010	\$ 139,841,938	\$ 36,427	n.a.	n.a.
2009	138,203,200	36,125	\$ 16,853,655	\$ 43,646
2008	137,569,686	36,365	17,080,392	44,803
2007	133,405,144	35,737	16,670,935	44,384
2006	127,447,708	34,656	15,876,388	42,805
2005	117,670,842	32,525	14,604,778	39,968
2004	113,001,122	31,622	13,879,128	38,477
2003	108,506,328	30,564	13,135,579	36,926

Source: U.S. Department of Commerce, Bureau of Economic Analysis, October 2011.

Historic building permits for single-family and multi-family housing in the County follow:

Year	New Single Family		New Multi-Family	
	Number	Construction Cost	Units	Construction Cost
2010	625	159,045,763	18	8,006,271
2009	580	160,529,460	135	11,653,028
2008	838	216,701,203	-	-
2007	1,887	488,332,941	108	10,163,320
2006	2,130	572,539,010	570	58,596,297
2005	2,430	640,249,557	230	21,705,705

Source: U.S. Census Bureau, October 2011.

**APPENDIX B**

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**CONTINUING DISCLOSURE**

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**CONTINUING DISCLOSURE CERTIFICATE**  
**CITY OF WEST LINN, OREGON**  
**GENERAL OBLIGATION BONDS, SERIES 2012**

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the City of West Linn, Oregon (the “City”) in connection with the execution and delivery of the City’s General Obligation Bonds, Series 2012 (the “Bonds”). The Bonds are being executed and delivered pursuant to Resolution No. 2011-21 adopted by the City Council of the City on November 28, 2011 (the “Resolution”). The City covenants and agrees as follows:

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

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

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

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

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

“Holder” shall mean the person in whose name any Bond shall be registered.

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

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

“Official Statement” shall mean the Official Statement, dated January 12, 2012, prepared and distributed in connection with the initial sale of the Bonds.

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

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

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than 270 days after the end of the City’s fiscal year, commencing with the report for the City’s fiscal year ending June 30, 2012, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City’s fiscal year changes, it shall give notice of such change in a filing with the MSRB. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

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

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

SECTION 4. Content of Annual Reports. The City’s Annual Report shall contain or include by reference the following:

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

(b) To the extent not included in its annual financial statements, the City shall also provide a statement containing: (1) the total real market value and total assessed value of property within the City (as indicated in the records of the county assessors); (2) the amount or rate of property taxes levied by the City for the fiscal year, and the amount of property taxes the City received during the fiscal year; (3) the aggregate tax rate for all ad valorem property taxes levied within the boundaries of the City; and, (4) the total principal amount of general obligation bonds and other tax-supported bonds of the City which are outstanding at the end of the fiscal year.

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

SECTION 5. Reporting of Significant Events.

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

(1) Principal and interest payment delinquencies;

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

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

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

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

(6) Tender offers;

(7) Defeasances;

(8) Rating changes; or

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

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

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

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

(2) Modifications to rights of Bond holders;

(3) Optional, unscheduled or contingent bond calls;

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

(5) Non-payment related defaults;

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

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

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

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

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

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



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

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

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a) or (b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

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

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

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

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Certificate, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

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

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

Date: January 25, 2012.

CITY OF WEST LINN, OREGON

By: \_\_\_\_\_  
Richard Seals  
Chief Financial Officer

**CONTINUING DISCLOSURE EXHIBIT A**

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

Name of City: CITY OF WEST LINN, CLACKAMAS COUNTY, OREGON  
Name of Issue: \$8,500,000 City of West Linn, Oregon General Obligation Bonds,  
Series 2012  
Date of Issuance: January 25, 2012

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

Dated: \_\_\_\_\_

CITY OF WEST LINN, OREGON

By \_\_\_\_\_ [to be signed only if filed]  
Title \_\_\_\_\_

**APPENDIX C**

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**FORM OF LEGAL OPINION**

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January 25, 2012

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

\$8,500,000  
City of West Linn, Oregon  
General Obligation Bonds, Series 2012  
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the City of West Linn, Oregon (the “Issuer”) in connection with the issuance of \$8,500,000 aggregate principal amount of City of West Linn, Oregon General Obligation Bonds, Series 2012 (the “Bonds”), authorized pursuant to Resolution No. 2011-21 adopted by the City Council of the Issuer on November 28, 2011 (the “Resolution”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolution.

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

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Resolution and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent

conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against cities in the State of Oregon. We express no opinion with respect to any indemnification, contribution, penalty, arbitration, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

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

1. The Bonds constitute valid and binding general obligations of the Issuer.
2. The Resolution has been legally adopted by, and constitutes the valid and binding obligation of, the Issuer.
3. The full faith and credit of the Issuer are pledged to the punctual payment of the principal of and interest on the Bonds when due. The Issuer has power and is obligated to levy annually a direct *ad valorem* tax upon all of the taxable property within the Issuer's boundaries without limitation as to rate or amount for the payment of the principal of and interest on the Bonds.
4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of Oregon personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We note that the City has designated the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP  
per

**APPENDIX D**

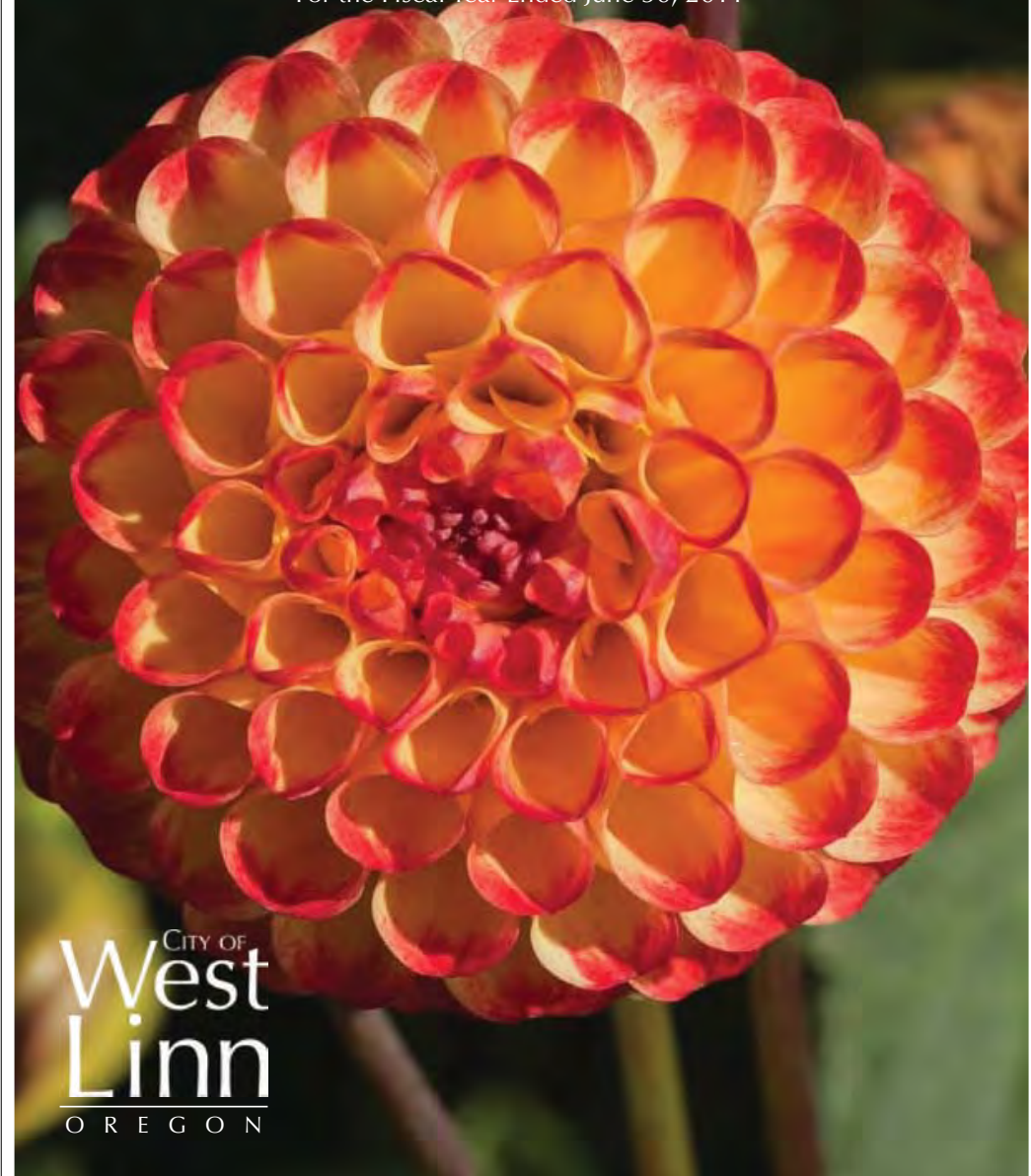
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**AUDITED FINANCIAL STATEMENT - 2011**

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# Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2011



CITY OF  
**West  
Linn**  
OREGON



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

For the fiscal year ended June 30, 2011

prepared by

Finance Department  
City of West Linn, Oregon

available online at  
<http://westlinnoregon.gov>



*THIS REPORT WAS PRINTED  
ON RECYCLED PAPER*



*This report was printed on recycled paper*

**CITY OF WEST LINN, OREGON**  
 Comprehensive Annual Financial Report  
 For the fiscal year ended June 30, 2011

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**CITY OF WEST LINN, OREGON**  
Comprehensive Annual Financial Report  
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CITY OF WEST LINN, OREGON  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

SECTION I

**INTRODUCTORY SECTION**

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## CITY OF West Linn

December 16, 2011

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

The Comprehensive Annual Financial Report (CAFR) of the City of West Linn, Oregon (the City) for the fiscal year ended June 30, 2011 is hereby submitted.

This report presents the financial position of the City as of June 30, 2011 and the results of its operations for the fiscal year then ended. The financial statements and supporting schedules have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and meet the requirements of the standards prescribed by the Oregon Secretary of State Audits Division. We believe the data, as presented, is accurate in all material respects and presented in a manner designed to fairly set forth the financial position and results of operations of the various funds of the City.

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

Talbot, Korvola & Warwick LLP, Certified Public Accountants, have issued an unqualified or "clean" opinion on the City's financial statements for the fiscal year ended June 30, 2011. The independent auditor's opinion is located at page 13 in the Financial Section of this report.

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

### **Profile of the Government**

West Linn is a community where citizens, civic organizations, businesses and city government work together to ensure that the community retains its hometown identity, high quality of life and its natural beauty. The City incorporated in 1913 and today serves a population of 25,150. It is close to the region's business core and urban amenities, with Portland approximately twenty miles to the north. At the same time, the City provides a

small-town atmosphere and distinct neighborhoods that range from the Historic Willamette District with its pioneer-era dwellings, to the contemporary architecture of newer homes. The City is approximately twenty miles from the Portland International Airport.

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

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

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

### **Local Economy**

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

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

### **Long-term Financial Planning**

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

Along with the adoption of the 2012-2013 biennial budget, certain utility rate fee increases were approved by City Council with the support of the Citizens' Budget Committee and the Utility Advisory Board. Effective January 1, 2011, a five percent rate increase for water, sewer, and surface water management fees was approved and effective July 1, 2011, a five percent rate increase was approved for parks and street maintenance fees.

In regards to the City's long-term debt obligations, the City had \$6.9 million outstanding in two general obligation bond issues, \$6.7 million outstanding in two full faith and credit obligations, and \$1.1 million outstanding in a water revenue bond issue, for a total of \$14.7 million in long-term debt outstanding as of June 30, 2011.

### City's Credit Ratings

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

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

### Standard & Poor's Downgrades U.S. Debt to AA+

The United States government has been rated Aaa and AAA with Moody's Investors Service and Standard & Poor's respectively since 1917. Accordingly, U.S. Treasury obligations have been the benchmark for risk-free investments for just about one hundred years. On July 13, 2011, Moody's Investors Service placed the Aaa bond rating of the United States government on review for possible downgrade given the rising possibility that the statutory debt limit would not be raised on a timely basis, leading to a default on treasury debt obligations.

In August 2011, Moody's and Fitch maintained their Aaa rating on U.S. debt, but issued a negative outlook. Standard & Poor's however lowered their rating one level to AA+, the first-ever reduction for U.S. debt. Standard & Poor's then lowered 11,500 municipal bond ratings tied to the federal government, but stated that they would not make further downgrades of state and local government credits dependent on federal funding until details of U.S. spending cuts are settled.

The City of West Linn is an AA rated city, does not have any federal secured debt, and was not immediately/directly affected by these downgrades. Over the long term, the downgrades of AAA debt may eventually trickle-down and could affect all municipal debt holdings and general interest rates – it is hard to say the impact at this time.

### Bond Refundings

In September 2010, the City closed on two current refundings totaling \$5.6 million in outstanding bonds originally issued in fiscal year 2000, effectively reducing the overall interest rates from 5.25 percent to 2.09 percent. These bond refundings resulted in a reduction of \$1.1 million dollars in future debt service payments. Savings on these future interest costs translates into lower property taxes in the future for all citizens of West Linn.

### Major Initiatives

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

In preparing the budget for the 2012-2013 biennium, the City Council adopted various goals that were then incorporated into the budgeted operations. The City Council updated their

previous goal list and established guidelines for achievement in the following major areas: locating a police station site, recreation and culture, urban and growth management, library services, utility infrastructure, finances, and partnerships with other agencies.

The Citizens' Budget Committee moved forward with the City's first biennial budget allowing better alignment of the City's budget with the State's biennial budget and increasing the focus on a longer term. With this financial report ending June 2011, the actual results reflect the second year of the biennium. Additionally, the City's Audit Committee, consisting of Councilors Kovash and Tan, partnering with a citizen member who is a West Linn resident and a certified public accountant, Nikki Kobiha, continue their focus on audit oversight and improving all finance processes.

### Voters Pass Police Station Bond Measure

On November 8, 2011, voters approved Ballot Measure 3-377 authorizing the issuance of up to \$8.5 million in general obligation bonds to allow for the acquisition, construction and furnishing of a new police station to be located at 8th Avenue and 13th Street. It is estimated that this measure will increase the property tax rate by \$0.16 per \$1,000 of assessed value and that the tax impact on an average West Linn home with an assessed value of \$285,000 is estimated at \$46 per year.

### Awards

**Comprehensive Annual Financial Reporting Award.** For the third consecutive time since the late nineties, the City received the *Certificate of Achievement for Excellence in Financial Reporting* award from the Government Finance Officer's Association (GFOA) for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2010. The *Certificate of Achievement for Excellence in Finance Reporting* is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. In order to receive this award, a government unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards and satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

**Popular Annual Financial Reporting Award.** Also for the City's third consecutive time, the GFOA has given their *Award for Outstanding Achievement in Popular Annual Financial Reporting* for the City's Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2010. The *Award for Outstanding Achievement in Popular Annual Financial Reporting* is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government popular reports. In order to receive this award, a government unit must publish a PAFR, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

**Distinguished Budget Presentation Award.** The City also received the *Distinguished Budget Presentation Award* for its 2012-2013 biennial budget from the GFOA, making this the third budget document in a row to receive this award. This award is the highest form of recognition in governmental budgeting. Its attainment represents a significant accomplishment by a governmental entity, its financial staff, and its management. This international award program was first established in 1984 to encourage exemplary budgetary practices and to provide peer recognition for government finance officers who

prepare budget documents. Budget proficiency is rated in four major categories: as a policy document, an operations guide, a financial plan, and a communications device.

**Acknowledgements**

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

Respectfully submitted,



Christopher A. Jordan  
City Manager



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



Casey A. Camors, CPA  
Deputy Chief Financial Officer

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## City of West Linn, Oregon

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2010

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



President



Executive Director

**CITY OF WEST LINN, OREGON**  
Elected and Appointed Officials

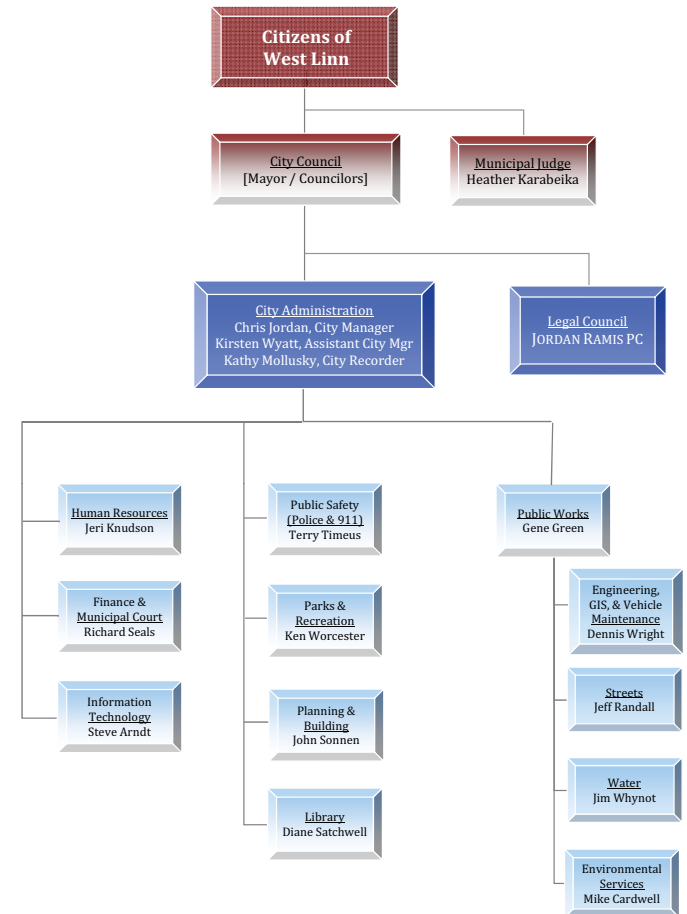
<b>Elected Officials</b>	<b>Term Expires</b>
John Kovash, Mayor	December 31, 2012
Jody Carson, Council President	December 31, 2014
Teri Cummings, Councilor	December 31, 2012
Mike Jones, Councilor	December 31, 2014
Jenni Tan, Councilor	December 31, 2012
Heather Karabeika, Municipal Court Judge	December 31, 2014

<b>Appointed Officials</b>	<b>Position</b>
Christopher A. Jordan	City Manager
JORDAN RAMIS PC	Legal Counsel

**Management Team:**

Steve Arndt	Chief Technology Officer
Casey Camors, CPA	Deputy Chief Financial Officer
Gene Green	Public Works Director
Jeri Knudson	Human Resources Director
Kathy Mollusky	City Recorder
Diane Satchwell	Library Director
Richard Seals, CPA CMA CFM CFE	Chief Financial Officer
John Sonnen, AICP	Planning Director
Terry Timeus	Police Chief
Ken Worcester	Parks and Recreation Director
Kirsten Wyatt	Assistant City Manager

**CITY OF WEST LINN, OREGON**  
Organizational Chart





**CITY OF WEST LINN, OREGON**  
**Audit Committee**

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

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

<u>Audit Committee Members</u>	<u>Term Expires</u>
Two Council Members:	
John Kovash, Mayor	December 31, 2012
Jenni Tan, Councilor	December 31, 2012
One Citizen Member:	
Nikki Koblaha, CPA	December 31, 2012

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

SECTION II

**FINANCIAL SECTION**

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Talbot, Korvola & Warwick, LLP

Chartered Accountants  
CPA Firm # 00000000

4800 NW Macadam Ave. Suite 400  
Portland, Oregon 97209-3975

P 503.274.2849  
F 503.274.2155

www.tkw.com

**INDEPENDENT AUDITOR'S REPORT**

December 16, 2011

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Linn, Oregon, (the City) as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2011, and the respective changes in financial position and the cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the Schedules of Funding Progress (included in the Required Supplementary Information), as listed in the Table of Contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



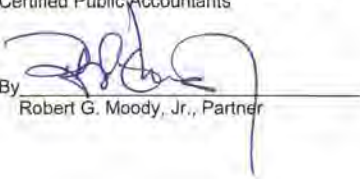
**INDEPENDENT AUDITOR'S REPORT (Continued)**

City Council  
City of West Linn, Oregon  
December 16, 2011  
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The budgetary comparison information for the General Fund and Major Special Revenue Funds presented as Required Supplementary Information and Notes to Required Supplementary Information, as listed in the Table of Contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. The Other Supplementary Information and Other Financial Schedules, listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying Introductory and Statistical Sections, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

**TALBOT, KORVOLA & WARWICK, LLP**  
Certified Public Accountants

By   
Robert G. Moody, Jr., Partner

**CITY OF WEST LINN, OREGON**  
**Management's Discussion and Analysis**  
**For the fiscal year ended June 30, 2011**

Management's Discussion and Analysis (MD&A) is presented to facilitate financial analysis and provide an overview of the financial activities of the City of West Linn (the City) for the fiscal year ended June 30, 2011. Information in the MD&A is based on currently known facts, decisions and conditions. Please read it in conjunction with the basic financial statements and the accompanying notes to those financial statements.

**FINANCIAL HIGHLIGHTS**

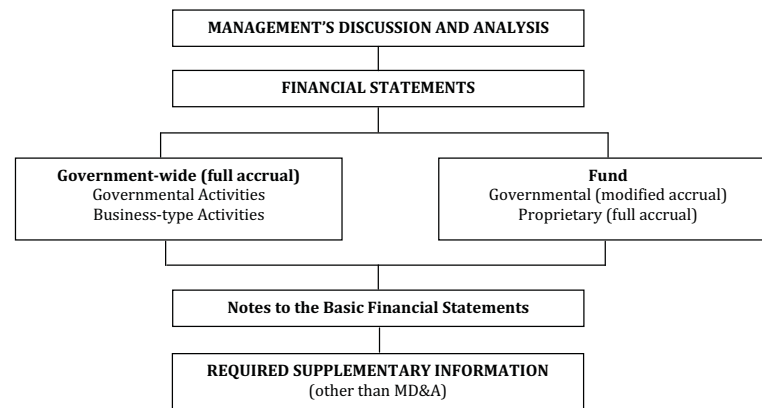
- The City's assets totaled \$283.1 million at June 30, 2011, consisting of \$260.3 million in capital assets, \$7.0 million in unrestricted cash and investments, \$5.2 million in restricted cash and investments, and \$10.6 million in investment in joint venture and other assets. Total assets increased by \$0.7 million from the previous fiscal year.
- The City's liabilities totaled \$18.1 million at June 30, 2011 consisting of \$15.4 million in long-term liabilities and \$2.7 million in accounts payable and other liabilities.
- The assets of the City exceeded its liabilities by \$265.0 million at the close of fiscal year 2011. Unrestricted net assets totaled \$14.2 million with the remainder of the City's net assets invested in capital assets net of related debt (\$245.9 million) and restricted for endowment, capital projects, building operations, and debt service (\$4.9 million).
- For its governmental activities, the City generated \$10.5 million in charges for services and received \$4.5 million in operating and capital grants and contributions. Direct expenses, including interest on long-term debt for governmental activities were \$22.7 million for the year, resulting in a net expense of \$7.7 million. \$9.3 million of general revenues received and \$0.4 million of transfers out resulted in a change in net assets of \$1.3 million.
- For its business-type activities, the City generated \$5.8 million in charges for services and in capital grants and contributions to fund direct expenses of \$5.7 million.
- Fund balance in the City's governmental funds was \$9.1 million at June 30, 2011, down by \$1.0 million from June 30, 2010.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

**Chart 1 - Required Elements of the Comprehensive Annual Financial Report**



**Government-wide Statements**

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

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

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

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

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

## Statement of Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$265.0 million at the close of the most recent fiscal year.

By far, the largest portion of the City's net assets (93 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment, and infrastructure), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves either cannot or are not expected to be used or liquidated to repay these liabilities.

**Table 1**  
**Net Assets as of June 30<sup>th</sup>**  
*(in millions)*

	Government activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 11.2	\$ 12.3	\$ 11.6	\$ 11.0	\$ 22.8	\$ 23.3
Capital assets	232.2	230.8	28.1	28.3	260.3	259.1
Total assets	243.4	243.1	39.7	39.3	283.1	282.4
Long-term liabilities	13.2	15.0	1.1	1.3	14.3	16.3
Other liabilities	3.3	2.4	0.5	0.4	3.8	2.8
Total liabilities	16.5	17.4	1.6	1.7	18.1	19.1
Net assets:						
Invested in capital assets, net of related debt	219.0	218.3	27.0	27.1	246.0	245.4
Restricted for:						
Library endowment	0.1	0.1	-	-	0.1	0.1
Debt service	0.1	0.1	0.2	0.2	0.3	0.3
Building operations	0.2	0.1	-	-	0.2	0.1
Capital projects	4.4	6.1	-	-	4.4	6.1
Unrestricted	3.1	1.0	10.9	10.3	14.0	11.3
Total net assets	\$ 226.9	\$ 225.7	\$ 38.1	\$ 37.6	\$ 265.0	\$ 263.3

A portion of the City's net assets (\$5.0 million or about two percent) represents resources that are subject to external restrictions on how they may be used. The balance of *unrestricted net assets* (\$14.0 million or about five percent) may be used to meet the City's ongoing obligations to citizens and creditors.

As of June 30, 2011, the City had positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities.

Total net assets remained even from the prior year at \$265.0 million representing a commensurate increase in ongoing revenues and ongoing expenses.

## Statement of Activities

As with the *Statement of Net Assets*, the City reports governmental activities on a consolidated basis. A summary of the *Statement of Activities* is in Table 2 below.

**Table 2**  
**Changes in Net Assets**  
*(in millions)*

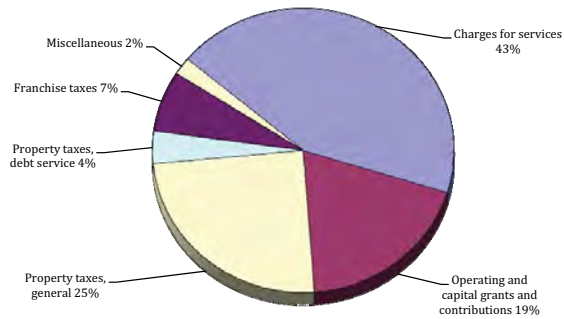
	Governmental Activities		Business-type Activities		Total	
	FY10-11	FY09-10	FY10-11	FY09-10	FY10-11	FY09-10
Revenues						
Program revenues						
Charges for services	\$ 10.5	\$ 9.9	\$ 5.6	\$ 5.3	\$ 16.1	\$ 15.2
Operating grants and contributions	4.0	3.0	-	-	4.0	3.0
Capital grants and contributions	0.5	0.8	0.2	0.1	0.7	0.9
General revenues						
Property taxes	6.8	6.6	-	-	6.8	6.6
Franchise taxes	1.7	1.9	-	-	1.7	1.9
Grants and contributions not restricted to specific programs	0.7	0.4	-	-	0.7	0.4
Miscellaneous	0.2	-	-	-	0.2	-
Total revenues	24.4	22.6	5.8	5.4	30.2	28.0
Expenses						
Governmental activities						
General government	6.7	6.3	-	-	6.7	6.3
Culture and recreation	5.8	5.5	-	-	5.8	5.5
Public safety	6.4	6.5	-	-	6.4	6.5
Highways and streets	3.5	3.5	-	-	3.5	3.5
Interest on long-term debt	0.4	0.6	-	-	0.4	0.6
Business-type activities						
Water	-	-	3.1	3.1	3.1	3.1
Environmental services	-	-	2.6	2.5	2.6	2.5
Total expenses	22.8	22.4	5.7	5.6	28.5	28.0
Change in net assets before transfers	1.6	0.2	0.1	(0.2)	1.7	-
Transfers	(0.4)	(0.1)	0.4	0.1	-	-
Change in net assets	1.2	0.1	0.5	(0.1)	1.7	-
Net assets - beginning	225.7	225.6	37.6	37.7	263.3	263.3
Net assets - ending	\$ 226.9	\$ 225.7	\$ 38.1	\$ 37.6	\$ 265.0	\$ 263.3

## Governmental Activities

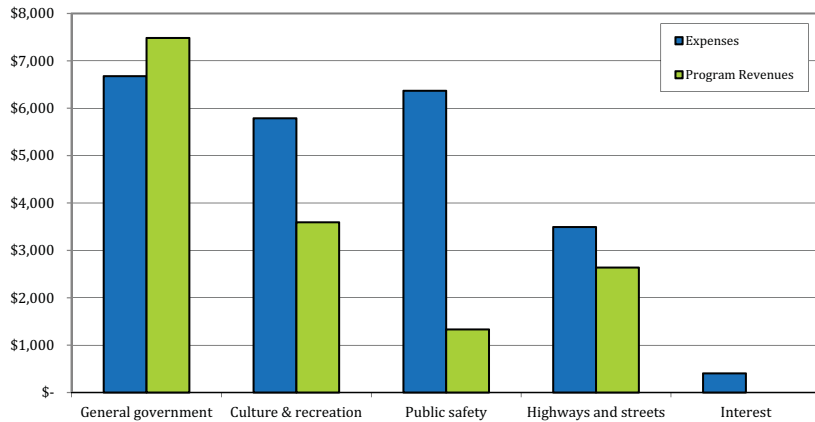
Governmental activities increased the City's net assets by \$1.3 million in fiscal year 2010-11, as compared to a \$0.1 million increase in the prior fiscal year, 2009-10. Key elements of these changes are illustrated in Table 2 above.

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

**Revenues by Source - Governmental Activities**



**Expenses and Program Revenues - Governmental Activities (in thousands)**

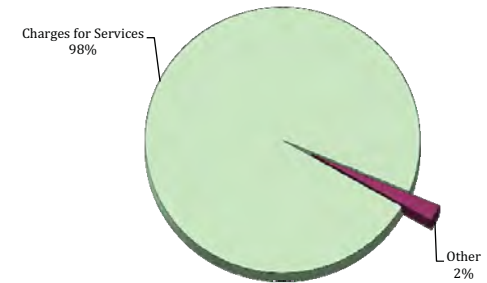


**Business-type Activities**

The water fund revenues represent approximately 55 percent of all utility revenues for the City. The City continues to contribute capital investment to the water system while maintaining a consistent level of service.

The environmental services fund revenues represent approximately 45 percent of all utility revenues for the City. The fund provides sewer collection services and surface water management services. Overall the fund continues to realize improved operating results. Sewer operations realized a positive margin while surface water management operation had a negative margin.

**Revenues by Source - Business-type Activities**



**FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS**

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

As of June 30, 2011, the City's governmental funds reported a combined ending fund balance of \$9.1 million, an decrease of \$1.0 million when compared to the prior year. Unassigned fund balance combined with committed fund balance as of June 30, 2011, was \$4.2 million and is available for spending at the City's discretion.

**General Fund**

The general fund is the chief operating fund of the City. At June 30, 2011, total fund balance was \$1.2 million, reflecting no change from the prior year, of which \$1.1 million is considered unassigned. The City's general fund continues to be funded with charges for services from other funds, including the three special revenue funds receiving property tax revenues: public safety, parks and recreation, and library. General fund revenues from charges for services remained consistent at \$5.1 million as in the prior year. Expenditures in the general fund increased by \$0.1 million from \$5.7 million in the prior year to \$6.0 million in the current year.

**Public Safety Fund**

This special revenue fund accounts for police, 911 dispatch, and overall safety activities within city limits. Revenues increased to \$6.3 million from \$6.0 million in the prior year attributed to an increased property tax revenue allocation. Expenditures in the public safety fund increased by \$1.5 million from the prior year due to a capital outlay one-time expenditure. This capital expenditure used the funding from full faith and credit obligations issued in 2009 in the amount of \$1.5 million for land acquisition which was completed in fiscal year 2011.

**Parks and Recreation Fund**

This special revenue fund is used to account for funding parks and recreation programs throughout the City. Overall revenues increased slightly from the prior year to \$4.0 million which includes \$0.5 million received from the sale of park land. Overall expenditures increased to \$3.9 million. These increases had the combined effect of an overall change to fund balance an increase of \$0.1 million in the current year. Additionally, the new debt service payments commenced on the full faith and credit obligations issued in the prior year for park projects.

**Street Fund**

This special revenue fund accounts for the operation and maintenance of the City's street and sidewalk systems, including medians. Revenue increased from \$2.1 million in the 2009-10 fiscal year to \$2.6 million in the 2010-11 fiscal year. This increase is attributable to increase in the state gas tax rate by the State of Oregon in January 2011. Overall street expenditures increased to \$2.2 million from \$2.0 million in the 2009-10 fiscal year due to additional capital expenditures in the current year. The street fund had an overall increase in fund balance of \$0.4 million for the fiscal year ended June 30, 2011.

**Systems Development Charges Fund**

This capital projects fund accounts for systems development charges and improvements including those for the street, water, surface water, sewer, park, and bike/pedestrian systems. Revenues decreased from \$1.3 million in the 2009-10 fiscal year to \$1.0 million in the 2010-11 fiscal year due to new development slowing down with the economy. Expenditures in the systems development charges fund decreased by \$0.7 million the 2010-11 fiscal year reflecting declining projects as well.

**General Fund Budgetary Highlights**

The original appropriated budget of the general fund for the 2010-2011 biennium budget period amounted to \$13.1 million including \$0.6 million for contingencies. There were no differences between the general fund's original budget and final budget. As fiscal year 2011 is the second year of the budget biennium, this fiscal year completes the general fund's first original biennial budget. The general fund shows no over expenditures in the biennial budget amounts and overall spent 89 percent of it's expenditure budget as originally budgeted with no supplemental adjustments. These positive variances remaining are all within current expectations planned for the biennium and no unusual variances from the original or final budget of the general fund are noted.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As of June 30, 2011, the City had invested \$260.3 million in capital assets, net of depreciation as reflected in the following table. This represents a net increase (additions, deductions and depreciation) of \$1.2 million in fiscal year 2011. Governmental capital assets totaled \$232.2 million while business-type capital assets totaled \$28.1 million.

**Table 3**  
**Capital Assets as of June 30<sup>th</sup>**  
*(net of depreciation, in millions)*

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land and easements	\$ 190.3	\$ 188.5	\$ 0.4	\$ 0.4	\$ 190.7	\$ 188.9
Buildings and improvements	16.5	16.7	0.7	0.7	17.2	17.4
Vehicles and equipment	1.2	1.2	0.6	0.6	1.8	1.8
Infrastructure	22.7	23.7	26.2	26.4	48.9	50.1
Construction in progress	1.5	0.7	0.2	0.2	1.7	0.9
Capital assets, net	<u>\$ 232.2</u>	<u>\$ 230.8</u>	<u>\$ 28.1</u>	<u>\$ 28.3</u>	<u>\$ 260.3</u>	<u>\$ 259.1</u>

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

**Table 4**  
**Change in Capital Assets**  
*(in millions)*

	Governmental Activities		Business-type Activities		Total	
	FY10-11	FY09-10	FY10-11	FY09-10	FY10-11	FY09-10
Beginning balance	\$ 230.8	\$ 231.7	\$ 28.3	\$ 28.7	\$ 259.1	\$ 260.4
Additions	4.8	2.0	0.7	0.9	5.5	2.9
Reductions and adjustments	(0.6)	(0.1)	0.3	(0.1)	(0.3)	(0.2)
Depreciation	(2.8)	(2.8)	(1.2)	(1.2)	(4.0)	(4.0)
Ending balance	<u>\$ 232.2</u>	<u>\$ 230.8</u>	<u>\$ 28.1</u>	<u>\$ 28.3</u>	<u>\$ 260.3</u>	<u>\$ 259.1</u>

Assets utilized in governmental activities increased by a net \$1.4 million which includes increases in land, building, machinery and equipment, and sidewalk improvements. Capital asset additions include completion of various projects throughout the community. More detailed information about the City's capital assets is presented beginning on page 42 in the notes to the basic financial statements.

**Debt Outstanding**

As of the end of the fiscal year, the City had \$14.7 million in long-term bonded debt obligations outstanding – a decrease of six percent from the prior year – as shown in Table 5. More detailed information about the City's long-term debt obligations is presented on pages 44 and 45 in the notes to the basic financial statements.

**Table 5**  
**Outstanding Long-term Debt Obligations as of June 30<sup>th</sup>**  
*(in millions)*

	2011	2010
Governmental:		
General obligation bonds	\$ 6.9	\$ 7.6
Full faith and credit obligations	6.7	6.9
Sub-total	13.6	14.5
Business-type:		
Water revenue bonds	1.1	1.2
Total	<u>\$ 14.7</u>	<u>\$ 15.7</u>

During the fiscal year ended June 30, 2011, the Standard and Poor's bond rating was upgraded from AA- to AA following a similar upgrade by Moody's the fiscal year before. For current refunding information, refer to the current refunding note in the notes to the financial statements.

Under Oregon Revised Statutes, general obligation debt issues are limited to three percent of the real market value of all taxable property within the City's boundaries. The \$6.9 million in general obligation debt applicable to this limit is well below the \$110 million maximum limitation.

**Economic Factors**

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

The State of Oregon does not have a sales tax, making property taxes a primary funding source for general government, public safety, and culture and recreation services provided by the City. The underlying taxable assessed value continues to be below real market values (currently about 80 percent), therefore, real market values would have to decrease an additional 20 percent before the City's property tax revenue stream would be negatively impacted.

The largest resource used for governmental activities, at 43 percent, consisted of charges for service, including permits, licenses, recreation charges, and system development charges. Property tax revenue, the next largest revenue sources, provided 28 percent of the resources used for governmental activities. A special tax levy of approximately \$1.8 million (24 percent of total levy)

that provided public safety funding expired as of June 30, 2007. To maintain service levels and reduce the reliance on a local option levy requiring a vote every five years, the City implemented fees for parks and street maintenance to offset the foregone property tax revenue. Property taxes for general operations increased slightly over the last year and investment earnings were down due to the decline in interest rates.

The business-type activities are funded with utility fees and charges. After several years in which the City decided to defer utility rate increases, effective July 1, 2005, July 1, 2006 and subsequently on January 1, 2007, 2008, 2009, 2010, and 2011, the City increased utility rates by five percent each. The rate increases are restricted by a Charter provision limiting annual utility rate increases to no more than five percent. The rate increases are consistent with financial proformas prepared with the issuance of revenue bonds in 1999 and were necessary to maintain a revenue coverage ratio above the rate promised to the bond holders in the revenue bond covenants. Similar rate increases are anticipated over the next several years to generate sufficient revenue to fund operations and provide adequate funds for anticipated capital replacement projects.

**Requests for Information**

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



## BASIC FINANCIAL STATEMENTS

*Statement of Net Assets*

*Statement of Activities*

*Fund Financial Statements*

*Notes to Basic Financial Statements*

## CITY OF WEST LINN, OREGON

### STATEMENT OF NET ASSETS

JUNE 30, 2011

	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
Cash and investments	\$ 3,934,163	\$ 3,077,477	\$ 7,011,640
Restricted cash and investments	5,041,073	154,500	5,195,573
Property taxes receivable	447,856	-	447,856
Accounts receivable, net of allowance	1,295,206	943,029	2,238,235
Prepaid expenses	150,378	-	150,378
Bond issuance costs	360,457	65,217	425,674
Capital assets not being depreciated:			
Land and easements	190,330,748	403,590	190,734,338
Construction in progress	1,468,831	187,625	1,656,456
Capital assets net of accumulated depreciation:			
Buildings and improvements	16,449,710	670,659	17,120,369
Vehicles and equipment	1,198,371	590,646	1,789,017
Infrastructure	22,747,330	26,237,287	48,984,617
Investment in joint venture	-	7,349,803	7,349,803
<b>TOTAL ASSETS</b>	<b>243,424,123</b>	<b>39,679,833</b>	<b>283,103,956</b>
<b>LIABILITIES:</b>			
Accounts payable	535,500	301,915	837,415
Accrued salaries and payroll taxes payable	457,806	37,938	495,744
Accrued compensated absences payable	811,808	83,300	895,108
Accrued interest payable	35,890	16,872	52,762
Deposits payable	367,700	-	367,700
Noncurrent liabilities:			
Long-term debt obligations, due within one year	1,065,000	85,000	1,150,000
Long-term debt obligations, due in more than one year	12,552,289	1,060,000	13,612,289
Accrued other postemployment benefit obligations	606,677	51,780	658,457
<b>TOTAL LIABILITIES</b>	<b>16,432,670</b>	<b>1,636,805</b>	<b>18,069,475</b>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	218,577,701	26,944,807	245,522,508
Restricted for:			
Library endowment, nonexpendable	157,300	-	157,300
Debt service	125,395	154,500	279,895
Building operations	243,425	-	243,425
Capital projects	4,404,616	-	4,404,616
Unrestricted	3,483,016	10,943,721	14,426,737
<b>TOTAL NET ASSETS</b>	<b>\$ 226,991,453</b>	<b>\$ 38,043,028</b>	<b>\$ 265,034,481</b>

See notes to basic financial statements

**CITY OF WEST LINN, OREGON**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FUNCTION / PROGRAM	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>GOVERNMENTAL ACTIVITIES:</b>							
General government	\$ 6,675,728	\$ 7,231,694	\$ 255,336	\$ -	\$ 811,302	\$ -	\$ 811,302
Culture and recreation	5,787,089	1,763,111	1,827,212	-	(2,196,766)	-	(2,196,766)
Public safety	6,367,739	692,589	581,577	-	(5,093,573)	-	(5,093,573)
Highways and streets	3,492,445	792,586	1,351,087	492,866	(855,906)	-	(855,906)
Interest on long-term debt	404,337	-	-	-	(404,337)	-	(404,337)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>22,727,338</b>	<b>10,479,980</b>	<b>4,015,212</b>	<b>492,866</b>	<b>(7,739,280)</b>	<b>-</b>	<b>(7,739,280)</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>							
Water	3,060,633	3,071,063	-	46,138	-	56,568	56,568
Environmental services	2,640,245	2,499,966	-	160,072	-	19,793	19,793
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>5,700,878</b>	<b>5,571,029</b>	<b>-</b>	<b>206,210</b>	<b>-</b>	<b>76,361</b>	<b>76,361</b>
<b>TOTAL ACTIVITIES</b>	<b>\$ 28,428,216</b>	<b>\$ 16,051,009</b>	<b>\$ 4,015,212</b>	<b>\$ 699,076</b>	<b>(7,739,280)</b>	<b>76,361</b>	<b>(7,662,919)</b>
<b>GENERAL REVENUES:</b>							
Property taxes, levied for general purposes					5,918,512	-	5,918,512
Property taxes, levied for debt service					883,723	-	883,723
Franchise taxes					1,662,509	-	1,662,509
Grants and contributions not restricted to specific programs					674,790	-	674,790
Unrestricted investment earnings					17,718	2,846	20,564
Gain on disposition of capital assets					221,867	662	222,529
<b>TRANSFERS</b>					<b>(365,155)</b>	<b>365,155</b>	<b>-</b>
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>					<b>9,013,964</b>	<b>368,663</b>	<b>9,382,627</b>
<b>CHANGE IN NET ASSETS</b>					<b>1,274,684</b>	<b>445,024</b>	<b>1,719,708</b>
<b>NET ASSETS - beginning</b>					<b>225,716,769</b>	<b>37,598,004</b>	<b>263,314,773</b>
<b>NET ASSETS - ending</b>					<b>\$ 226,991,453</b>	<b>\$ 38,043,028</b>	<b>\$ 265,034,481</b>

See notes to basic financial statements  
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**CITY OF WEST LINN, OREGON**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**June 30, 2011**

	General Fund	Public Safety Fund	Parks and Recreation Fund	Street Fund	Systems Development Charges Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>							
Cash and investments	\$ 1,551,445	\$ 914,092	\$ -	\$ 1,143,083	\$ -	\$ 325,543	\$ 3,934,163
Restricted cash and investments	-	-	-	-	4,269,899	771,174	5,041,073
Property taxes receivable	-	257,585	88,823	-	-	101,448	447,856
Accounts receivable	154,792	90,135	707,436	252,913	-	89,930	1,295,206
Prepaid expenditures	150,378	-	-	-	-	-	150,378
<b>TOTAL ASSETS</b>	<b>\$ 1,856,615</b>	<b>\$ 1,261,812</b>	<b>\$ 796,259</b>	<b>\$ 1,395,996</b>	<b>\$ 4,269,899</b>	<b>\$ 1,288,095</b>	<b>\$ 10,868,676</b>
<b>LIABILITIES:</b>							
Accounts payable	\$ 151,565	\$ 22,090	\$ 184,845	\$ 39,210	\$ 525	\$ 137,265	\$ 535,500
Accrued salaries and payroll taxes	193,806	129,300	48,200	14,600	-	71,900	457,806
Deposits payable	308,382	-	-	51,091	-	8,227	367,700
Deferred revenue	-	215,118	74,179	-	-	84,722	374,019
<b>TOTAL LIABILITIES</b>	<b>653,753</b>	<b>366,508</b>	<b>307,224</b>	<b>104,901</b>	<b>525</b>	<b>302,114</b>	<b>1,735,025</b>
<b>FUND BALANCES:</b>							
Non-spendable	150,378	-	-	-	-	157,300	307,678
Restricted	-	-	-	-	4,269,374	504,062	4,773,436
Committed	-	895,304	489,035	1,291,095	-	324,619	3,000,053
Unassigned	1,052,484	-	-	-	-	-	1,052,484
<b>TOTAL FUND BALANCES</b>	<b>1,202,862</b>	<b>895,304</b>	<b>489,035</b>	<b>1,291,095</b>	<b>4,269,374</b>	<b>985,981</b>	<b>9,133,651</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,856,615</b>	<b>\$ 1,261,812</b>	<b>\$ 796,259</b>	<b>\$ 1,395,996</b>	<b>\$ 4,269,899</b>	<b>\$ 1,288,095</b>	

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported in funds.	232,194,990
Other assets are not available to pay for current-period expenditures and therefore, are deferred in the funds: Bond issuance costs	360,457
Liabilities, including accrued liabilities and bonds payable, that are not due and payable in the current period and therefore, are not reported in funds: Deferred property taxes Accrued compensated absences payable Accrued interest payable Long-term debt obligations Bond premium Accrued other postemployment benefit obligations	\$ 374,019 (811,808) (35,890) (13,225,000) (392,289) (606,677) (14,697,645)
Net assets of governmental activities	<u>\$ 226,991,453</u>

See notes to basic financial statements  
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**CITY OF WEST LINN, OREGON**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	General Fund	Public Safety Fund	Parks and Recreation Fund	Street Fund	Systems Development Charges Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>							
Property taxes	\$ -	\$ 4,213,922	\$ 1,326,790	\$ -	\$ -	\$ 1,293,336	\$ 6,834,048
Intergovernmental	41,667	581,577	559,998	1,351,087	-	1,480,883	4,015,212
Franchise taxes	30,932	1,372,104	-	103,189	-	156,284	1,662,509
Fines and forfeitures	421,535	35,815	-	-	-	62,737	520,087
Licenses and permits	194,593	14,158	-	-	-	803,434	1,012,185
Charges for services	5,078,681	-	1,700,374	792,586	-	349,000	7,920,641
Systems development charges	-	-	-	-	1,027,067	-	1,027,067
Investment earnings	5,953	3,619	-	722	4,299	3,125	17,718
Miscellaneous	273,233	61,443	5,643	323,902	-	10,569	674,790
<b>TOTAL REVENUES</b>	<b>6,046,594</b>	<b>6,282,638</b>	<b>3,592,805</b>	<b>2,571,486</b>	<b>1,031,366</b>	<b>4,159,368</b>	<b>23,684,257</b>
<b>EXPENDITURES:</b>							
Current:							
General government	5,627,506	-	-	-	36,351	856,442	6,520,299
Cultural and recreation	-	-	3,005,226	-	-	1,929,137	4,934,363
Public safety	-	5,789,015	-	-	-	472,526	6,261,541
Highways and streets	-	-	-	1,545,578	-	-	1,545,578
Debt service:							
Principal	6,173,478	56,000	19,000	75,000	-	680,000	7,003,478
Interest	66,812	56,000	19,723	76,000	-	200,120	418,655
Capital outlay	93,224	1,571,400	945,271	516,782	453,257	773,841	4,353,775
<b>TOTAL EXPENDITURES</b>	<b>11,961,020</b>	<b>7,472,415</b>	<b>3,989,220</b>	<b>2,213,360</b>	<b>489,608</b>	<b>4,912,066</b>	<b>31,037,689</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(5,914,426)</b>	<b>(1,189,777)</b>	<b>(396,415)</b>	<b>358,126</b>	<b>541,758</b>	<b>(752,698)</b>	<b>(7,353,432)</b>
<b>OTHER FINANCING SOURCES:</b>							
Proceeds from sale of capital asset	891	-	483,000	3,996	-	-	487,887
Refunding bonds issued	5,640,000	-	-	-	-	-	5,640,000
Bond premium on issuance of debt	294,861	-	-	-	-	-	294,861
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>5,935,752</b>	<b>-</b>	<b>483,000</b>	<b>3,996</b>	<b>-</b>	<b>-</b>	<b>6,422,748</b>
<b>OVER (UNDER) EXPENDITURES AND NET CHANGE IN FUND BALANCES</b>	<b>21,326</b>	<b>(1,189,777)</b>	<b>86,585</b>	<b>362,122</b>	<b>541,758</b>	<b>(752,698)</b>	<b>(930,684)</b>
<b>FUND BALANCES - beginning</b>	<b>1,181,536</b>	<b>2,085,081</b>	<b>402,450</b>	<b>928,973</b>	<b>3,727,616</b>	<b>1,738,679</b>	<b>10,064,335</b>
<b>FUND BALANCES - ending</b>	<b>\$ 1,202,862</b>	<b>\$ 895,304</b>	<b>\$ 489,035</b>	<b>\$ 1,291,095</b>	<b>\$ 4,269,374</b>	<b>\$ 985,981</b>	<b>\$ 9,133,651</b>

See notes to basic financial statements  
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**CITY OF WEST LINN, OREGON**  
**RECONCILIATION OF STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Net change in fund balances - total governmental funds (page 29)	\$ (930,684)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation was greater than capital outlay.	
Capital outlay	\$ 4,353,775
Depreciation expense	<u>(2,878,306)</u>
	1,475,469
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and transfers) is to decrease net assets.	(138,309)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(31,813)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Refunding bonds issued	(5,640,000)
Long-term debt principal repayments	1,070,000
Payment for current refunding	<u>5,933,478</u>
	1,363,478
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Accrued compensated absences payable	10,940
Accrued interest payable	14,318
Accrued other postemployment benefit obligations	(129,161)
Amortization of bond issuance costs	(107,393)
Amortization of bond premium	<u>(252,161)</u>
	<u>(463,457)</u>
Change in net assets of governmental activities (page 27)	<u>\$ 1,274,684</u>

See notes to basic financial statements  
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CITY OF WEST LINN, OREGON  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

	Business-type Activities - Enterprise Funds		
	Water Fund	Environmental Services Fund	Total
<b>ASSETS:</b>			
Current assets:			
Cash and investments	\$ 346,539	\$ 2,730,938	\$ 3,077,477
Restricted cash and investments	154,500	-	154,500
Accounts receivable, net of allowance for doubtful accounts	375,345	567,684	943,029
Bond issuance costs	6,522	-	6,522
<b>Total current assets</b>	<b>882,906</b>	<b>3,298,622</b>	<b>4,181,528</b>
Noncurrent assets:			
Capital assets not being depreciated	307,854	283,361	591,215
Capital assets, net of accumulated depreciation	9,703,552	17,795,040	27,498,592
Investment in joint venture	7,349,803	-	7,349,803
Bond issuance costs	58,695	-	58,695
<b>Total noncurrent assets</b>	<b>17,419,904</b>	<b>18,078,401</b>	<b>35,498,305</b>
<b>TOTAL ASSETS</b>	<b>18,302,810</b>	<b>21,377,023</b>	<b>39,679,833</b>
<b>LIABILITIES:</b>			
Current liabilities:			
Accounts payable	132,119	169,796	301,915
Accrued salaries and payroll taxes payable	20,700	17,238	37,938
Accrued compensated absences payable	48,866	34,434	83,300
Accrued interest payable	16,872	-	16,872
Bonds payable - due within one year	85,000	-	85,000
<b>Total current liabilities</b>	<b>303,557</b>	<b>221,468</b>	<b>525,025</b>
Noncurrent liabilities:			
Bonds payable	1,060,000	-	1,060,000
Accrued other postemployment benefit obligations	28,244	23,536	51,780
<b>Total noncurrent liabilities</b>	<b>1,088,244</b>	<b>23,536</b>	<b>1,111,780</b>
<b>TOTAL LIABILITIES</b>	<b>1,391,801</b>	<b>245,004</b>	<b>1,636,805</b>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	8,866,406	18,078,401	26,944,807
Restricted for debt service	154,500	-	154,500
Unrestricted	7,890,103	3,053,618	10,943,721
<b>TOTAL NET ASSETS</b>	<b>\$ 16,911,009</b>	<b>\$ 21,132,019</b>	<b>\$ 38,043,028</b>

See notes to basic financial statements  
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CITY OF WEST LINN, OREGON  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**AND CHANGES IN FUND NET ASSETS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Business-type Activities - Enterprise Funds		
	Water Fund	Environmental Services Fund	Total
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 2,902,041	\$ 2,341,643	\$ 5,243,684
Systems development charges	35,699	105,261	140,960
Licenses and permits	-	53,006	53,006
Other operating revenues	58,818	56	58,874
<b>TOTAL OPERATING REVENUES</b>	<b>2,996,558</b>	<b>2,499,966</b>	<b>5,496,524</b>
<b>OPERATING EXPENSES:</b>			
Salaries and wages	522,158	475,767	997,925
Materials and supplies	2,041,375	1,348,645	3,390,020
Depreciation	428,492	815,833	1,244,325
<b>TOTAL OPERATING EXPENSES</b>	<b>2,992,025</b>	<b>2,640,245</b>	<b>5,632,270</b>
<b>OPERATING INCOME (LOSS)</b>	<b>4,533</b>	<b>(140,279)</b>	<b>(135,746)</b>
<b>NONOPERATING INCOME (EXPENSE):</b>			
Investment earnings	7	2,839	2,846
Net gain on investment in joint venture	74,505	-	74,505
Gain (loss) on disposal of capital assets	(1,781)	2,443	662
Interest expense	(68,608)	-	(68,608)
<b>TOTAL NONOPERATING INCOME (EXPENSE)</b>	<b>4,123</b>	<b>5,282</b>	<b>9,405</b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	<b>8,656</b>	<b>(134,997)</b>	<b>(126,341)</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>28,588</b>	<b>542,777</b>	<b>571,365</b>
<b>CHANGE IN NET ASSETS</b>	<b>37,244</b>	<b>407,780</b>	<b>445,024</b>
<b>NET ASSETS - beginning</b>	<b>16,873,765</b>	<b>20,724,239</b>	<b>37,598,004</b>
<b>NET ASSETS - ending</b>	<b>\$ 16,911,009</b>	<b>\$ 21,132,019</b>	<b>\$ 38,043,028</b>

See notes to basic financial statements  
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CITY OF WEST LINN, OREGON  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Funds		
	Water Fund	Environmental Services Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers and users of services	\$ 2,973,539	\$ 2,412,273	\$ 5,385,812
Payments to suppliers for goods and services	(2,037,374)	(1,340,445)	(3,377,819)
Payments to employees for services	(512,292)	(467,325)	(979,617)
NET CASH FROM OPERATING ACTIVITIES	<u>423,873</u>	<u>604,503</u>	<u>1,028,376</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Principal paid on capital debt	(80,000)	-	(80,000)
Interest paid on capital debt	(69,728)	-	(69,728)
Acquisition and construction of capital assets	(57,920)	(389,856)	(447,776)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(207,648)</u>	<u>(389,856)</u>	<u>(597,504)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest earnings received on investments	7	2,839	2,846
NET DECREASE IN CASH AND INVESTMENTS	216,232	217,486	433,718
<b>CASH AND INVESTMENTS - beginning</b>	<u>284,807</u>	<u>2,513,452</u>	<u>2,798,259</u>
<b>CASH AND INVESTMENTS - ending</b>	<u>\$ 501,039</u>	<u>\$ 2,730,938</u>	<u>\$ 3,231,977</u>
Cash and investments are shown in the <i>Statement of Net Assets</i> as follows:			
Cash and investments	\$ 346,539	\$ 2,730,938	\$ 3,077,477
Restricted cash and investments	154,500	-	154,500
	<u>\$ 501,039</u>	<u>\$ 2,730,938</u>	<u>\$ 3,231,977</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ 4,533	\$ (140,279)	\$ (135,746)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	428,492	815,833	1,244,325
Amortization of bond issuance costs	6,522	-	6,522
Increase in accounts receivable	(23,019)	(87,693)	(110,712)
Increase (decrease) in accounts payable	(2,521)	8,200	5,679
Increase in accrued salaries and payroll taxes payable	1,700	1,474	3,174
Increase in accrued compensated absences payable	2,153	1,958	4,111
Increase in accrued postemployment benefit obligations	6,013	5,010	11,023
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 423,873</u>	<u>\$ 604,503</u>	<u>\$ 1,028,376</u>
<b>NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>			
Net gain on investment in joint venture	\$ 74,505	\$ -	\$ 74,505
Capital assets transferred from (to) governmental funds	(17,548)	382,703	365,155
Capital assets contributed by developers	46,136	160,074	206,210

See notes to basic financial statements  
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CITY OF WEST LINN, OREGON  
 Notes to Basic Financial Statements  
 June 30, 2011

**1. Summary of Significant Accounting Policies**

The financial statements of the City of West Linn, Oregon (the City) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). GAAP statements require the application of all relevant Governmental Accounting Standards Board (GASB) pronouncements. The financial statements have incorporated all applicable GASB pronouncements as well as, for the proprietary funds, the Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, unless that guidance conflicts with or contradicts GASB pronouncements. No FASB guidance issued after November 30, 1989 has been applied.

**Reporting Entity**

The City is a municipal corporation, incorporated in 1913. It operates under its own charter with a Council/City Manager form of government. The Councilors, composed of the Mayor and four council members, comprise the legislative branch of the government. Individual departments are under the direction of the City Manager who is appointed by the Council.

The City provides a full range of municipal services to the community, which include police protection and municipal court services, traffic control and improvement, street maintenance and improvement, water, sewer and surface water management services, planning and zoning regulation, building inspection and regulation, parks and recreation services, and community library services.

**Government-wide and Fund Financial Statements**

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

*Government-wide financial statements* display information about the City as a whole. The effect of interfund activity has been removed from these statements except for interfund services provided and used and reimbursements between funds which if eliminated would distort the direct costs and program revenues reported for the various functions. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the *Statement of Net Assets* and the *Statement of Activities*.

The *Statement of Net Assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers

or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not attributable to a specific program are reported as general revenues.

*Fund financial statements* display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, or fiduciary. Currently, the City has only governmental and proprietary type funds. Major individual governmental funds and major individual enterprise funds are reported in the fund financial statements and in separate columns in the financial section of the basic financial statements. Nonmajor funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the combining and individual fund statements and schedules, located in the supplementary information section.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include charges between the City's business-type activities/enterprise funds, as well as some special revenue funds, and the General Fund. The City allocates charges as reimbursement for services provided by the General Fund in support of those functions based on levels of service provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. These charges are included in direct program expenses.

#### **Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded. The government-wide financial statements are presented on a full accrual basis of accounting with an economic resource measurement focus, as are the proprietary funds financial statements. An economic resource focus concentrates on an entity or fund's net assets. All transactions and events that affect the total economic resources (net assets) during the period are reported. An economic resources measurements focus is inextricably connected with full accrual accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash inflows and outflows.

Governmental fund financial statements are presented on a modified accrual basis of accounting with a current financial resource measurement focus. The measurement focus concentrates on the fund's resources available for spending currently or in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Similar to the connection between an economic resource measurement focus and full accrual basis of accounting, a current financial resource measurement focus is inseparable from a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become *measurable* and *available*). *Measurable* means the amount of the transaction can be determined and revenues are considered *available* when they are collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues considered susceptible to accrual are property taxes, state, county and local shared revenues, franchise taxes, intergovernmental revenues, and investment income.

A deferred revenue liability arises on the balance sheets of the governmental funds when potential revenue does not meet both the *measurable* and *available* criteria for recognition in the current period. This unavailable deferred revenue consists primarily of uncollected property taxes not deemed available to finance operations of the current period. In the government-wide statement of activities, with a full accrual basis of accounting, revenue must be recognized as soon as it is earned

regardless of its availability. Thus, the liability created on the balance sheets of the governmental funds for unavailable deferred revenue, is eliminated.

Similar to the way its revenues are recorded, governmental funds only record those expenditures that affect current financial resources. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. In the government-wide financial statements, however, with a full accrual basis of accounting, all expenses affecting the economic resource status of the government are recognized.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation. This reconciliation is part of the basic financial statements.

GASB Statement No. 34 sets forth minimum criteria for the determination of major funds. Nonmajor funds are combined in a column in the fund financial statements and detailed in the supplementary information section.

The City reports the following major governmental funds:

- *General Fund*  
Accounts for the City's legislative and administration, human resources, finance, information technology, municipal court, facilities, public works support services, vehicle and equipment maintenance, and related debt service. The primary revenue sources are reimbursement charges for services to other funds, fines and forfeitures, licenses and permits, and miscellaneous income.
- *Public Safety Fund*  
Accounts for the activities of the City's police department. The primary revenues are an allocation of the City's property tax levy, franchise taxes, and intergovernmental revenue, committed to that purpose.
- *Parks and Recreation Fund*  
Accounts for the operation and maintenance of the City's parks and recreation programs. The primary sources of revenue include a commitment of the City's property tax levy and charges for services.
- *Street Fund*  
Accounts for the operation and maintenance of the City's street and sidewalk systems including medians. The primary sources of revenue are intergovernmental revenues and charges for services committed to construction and maintenance of these systems.
- *Systems Development Charges Fund*  
Accounts for the receipt and expenditures of systems development charges (SDCs) restricted to streets, surface water, water, sewer, parks, and bike/pedestrian.

Additionally, the City reports non-major funds within the governmental fund types:

- *Special Revenue Funds*  
These funds account for the receipt and expenditures of dedicated revenue sources.

- **Debt Service Fund**  
This fund accounts for the accumulation of resources for the payment of general obligation bond principal and interest.
- **Park Bond Construction Fund**  
Accounts for bond proceeds used for the acquisition of park land and improvements.

The City reports each of its two proprietary funds as major funds:

- **Water Fund**  
This fund accounts for the operation and maintenance of water service and distribution facilities.
- **Environmental Services Fund**  
This fund accounts for the operation and maintenance of the sewer and surface water collection systems.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of sales and services, administrative overhead, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Assets, Liabilities, and Equity**

**Cash and Investments**

Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments consist of funds held in the Oregon State Treasurer's Local Government Investment Pool (LGIP). The individual funds' portion of the LGIP's fair value is presented as "Cash and Investments" in the basic financial statements.

The LGIP is administered by the Oregon State Treasury. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the State who by law is made the custodian of, or has control of, any public funds. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP.

The City's investment policy, adopted by the City Council, essentially mirrors the requirements of the Oregon Revised Statutes. Currently, the City's investment portfolio includes primarily investments in the State of Oregon Local Government Investment Pool.

**Receivables and Payables**

Property taxes are levied on and become a lien against property on July 1 of the year in which they are due. Collection dates are November 15, February 15, and May 15 following the lien date. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

In the fund financial statements, property tax receivables that are collected within 60 days after the end of fiscal year are considered *measurable* and *available*, and therefore, are recognized as

revenue. The property taxes receivable portion beyond 60 days is recorded as deferred revenue. Assessments are recognized as receivables at the time property owners are assessed on property improvements. These receivables are entirely offset by deferred revenue, as assessment revenue is recognized upon collection.

In the government-wide financial statements, property taxes and assessment receivables are recognized as revenue when earned and are shown net of an allowance for uncollectibles.

In the proprietary funds, receivables include services provided but not billed. The enterprise funds' receivables include billings for residential and commercial customers utilizing the City's water, sewer, and storm water services and are reported net of an allowance for uncollectibles, which is determined based upon an estimated percentage of the receivable balance.

**Capital Assets**

Purchased or constructed capital assets acquired prior to June 30, 2008 are recorded at estimated historical cost with subsequent additions at cost. Donated capital assets are recorded at their estimated fair value at the time of donation. Infrastructure (bridges, roads, and drainage systems) acquired during the year have been recorded at cost or fair value if donated by developers. The City defines capital assets as assets with an initial cost of more than \$10,000 and an estimated useful life of more than one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' useful lives are not capitalized.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

	Useful Lives <u>(in years)</u>
Buildings and structures	25 - 50
Improvements other than buildings	10 - 20
Machinery and equipment	5 - 30
Vehicles	5 - 10
Infrastructure	20 - 50

**Investment in Joint Venture**

Investment in joint venture with other governments is reported at cost plus or minus the City's share of operating income or loss utilizing the equity method of accounting for investments.

**Accrued Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability reported for unpaid accumulated sick leave since the City, by policy, does not pay out sick leave banks when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. As compensated absences are due and payable on demand, they are considered due within one year. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of termination or retirement.

**Other Postemployment Benefit Obligations**

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for the Postemployment Benefits Other Than Pensions* (OPEB), the City's net OPEB obligation is recognized as a long-term liability in the government-wide financial statements and in the proprietary fund statements, the amount of which is actuarially determined. The annual required contribution is recognized on the accrual basis in accordance with actuarial standards.

**Long-term Debt Obligations**

In the government-wide financial statements, and in the proprietary fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, and proprietary fund type statement of net assets. When significant, bond premiums, discounts, amounts deferred on refundings, and issuance costs are deferred and amortized over the applicable bond term. In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs, as period costs in the year of issue. The face amount of debt issued and any related premium is reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Equity**

The City implemented GASB Statement No. 54 for the year ending June 30, 2011. GASB Statement No. 54 requires analysis and presentation of fund balance in five categories. The new fund balance categories are:

- *Non-spendable* – Includes items that are not in a spendable form because they are either legally or contractually required to be maintained intact.
- *Restricted* – Includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.
- *Committed* – Includes items committed by the City Council, by resolution of the Council. Commitments may be modified or rescinded by similar resolution.
- *Assigned* – Includes items assigned by specific uses, authorized by the City Manager and/or Finance Director/Chief Financial Officer.
- *Unassigned* – This is the residual classification used for those balances not assigned to another category in the General Fund. Deficit fund balance in other governmental funds are also presented as unassigned.

GASB Statement No. 54 implementation requires the highest legal authority to approve authorized commitments of fund balance and to approve who can authorize making assignments of fund balance. These requirements, to include designating the City Manager and/or Finance Director/Chief Financial Officer to make assignments of fund balance, were approved by the City Council on June 14, 2010, utilizing the highest relevant means appropriate for such action with Resolution No. 2010-23.

GASB Statement No. 54 also requires a spending policy, as it relates to ending fund balance. The spending policy states in what order fund balance categories are spent. On June 14, 2010, the Council approved the following fund balance order of spending: (1) restricted fund balance first, then (2) committed fund balance, then (3) assigned fund balance, and (4) unassigned fund balance last. The City maintains a minimum fund balance policy equal to 15 percent of operations.

**Library Endowment**

In 1981 the Wallace B. Caufield Trust endowed funds to the City where the principal is to be legally preserved and the interest can be used only to purchase books for the library. This Trust called for an initial distribution followed by the splitting of the proceeds from the sale of a building with the City of Oregon City. The final distribution of this Trust occurred in 1982 after the Trust completed the sale of the building. As the amount of this endowment is immaterial to the financial statements as a whole, a separate permanent fund is not utilized. The City properly accounts for the legally restricted principal in the net assets section of the *Statement of Net Assets* presented on page 26 and restricted cash and restricted fund balance on the library fund's *Balance Sheet* presented on page 68.

**Use of Estimates**

The preparation of the financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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 amounts could differ from those estimates.

**2. Detailed Notes on All Funds**

**Deposits and Investments**

The City maintains a common cash and investment pool for all City funds. The types of investments in which the City may invest are restricted by State of Oregon statutes and a Council adopted investment policy. Authorized investments consist of U.S. Treasury obligations including treasury notes, bonds and strips; Federal instrumentality securities from specific Federal Agencies; commercial paper rated at least A-1 or an equivalent rating; corporate bonds rated at least Aa or an equivalent rating; bankers acceptances rated at least Aa or an equivalent rating; Oregon State Treasurer's Local Government Investment Pool limited by state statute; certificates of deposits; repurchase agreements and obligations of the states of Oregon, California, Idaho and Washington rated AA or better.

As of June 30, 2011, the City's cash and investments were comprised of the following:

Cash on hand			\$	1,700
Deposits with financial institutions				3,486,435
Oregon State Treasurer's Local Government Investment Pool				8,719,078
Total cash and investments			\$	<u>12,207,213</u>

	Government Activities	Business-type Activities	Total
Cash and investments	\$ 3,934,163	\$ 3,077,477	\$ 7,011,640
Restricted cash and investments	5,041,073	154,500	5,195,573
Total cash and investments	<u>\$ 8,975,236</u>	<u>\$ 3,231,977</u>	<u>\$ 12,207,213</u>

Deposits. Deposits with financial institutions are comprised of bank demand deposits. The combined total bank balance is \$3,509,632. Of these deposits, \$500,000 is covered by federal depository insurance. As required by Oregon Revised Statutes, deposits in excess of federal depository insurance were held at qualified depositories for public funds. All qualified depositories



for public funds are included in the multiple financial institution collateral pool that is maintained by and in the name of the Office of the State Treasurer.

*Interest rate risk.* In accordance with its investment policy, the City manages its exposure to declines in fair value by limiting the individual maturities in its investment portfolio to eighteen months or less.

*Credit risk.* State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the City's policy to limit its use of these investment types to the top two ratings issued by NRSROs, where applicable. The State of Oregon Local Government Investment Pool (LGIP) is not rated by NRSROs.

*Concentration of credit risk.* The City's investment policy, as it relates to investing outside of the LGIP, does not allow for an investment in any one issuer that is in excess of five percent of the City's total investments (ORS 294.035).

*Custodial credit risk.* Custodial risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. As of June 30, 2011, all the City deposits are insured or collateralized.

The City participates in an external investment pool, the State of Oregon Treasury Local Government Investment Pool (LGIP). The LGIP is not registered with the U.S. Securities and Exchange Commission as an investment company. The State's investment policies are governed by the Oregon Revised Statutes (ORS) and the Oregon Investment Council (Council). The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. These funds are invested exercising reasonable care, skill and caution. Investments in the LGIP are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which establishes diversification percentages and specifies investment types and maturities. The portion of the external investment pool belonging to local government participants is reported in an Investment Trust Fund in the State's Comprehensive Annual Financial Report. A copy of the State's Comprehensive Annual Financial Report may be obtained online at [www.ost.state.or.us](http://www.ost.state.or.us) or by mail at the Oregon State Treasury, 350 Winter St. NE, Salem, Oregon 97310-0840.

The City's position in the LGIP at June 30, 2011 is stated at fair market value, which is 100 percent of pool shares.

#### Receivables

As of June 30, 2011, accounts receivable are reflected in the basic financial statements net of an allowance for uncollectible accounts. The allowance for uncollectible accounts pertains only to utility billing collections in the business-type activities.

Accounts, contracts and grants	\$ 2,257,235
Allowance for uncollectible accounts	<u>(19,000)</u>
Total accounts receivable	<u>\$ 2,238,235</u>
Accounts receivable - governmental activities	\$ 1,295,206
Accounts receivable - business-type activities	<u>943,029</u>
Total accounts receivable	<u>\$ 2,238,235</u>

#### Investment in Joint Venture

South Fork Water Board (SFWB) operates a water distribution system jointly with the City of West Linn and the City of Oregon City, each party owning 50 percent. Revenues earned by SFWB are expended for the continued operation and maintenance of facilities within the municipal boundaries of these two cities. Upon dissolution of the SFWB, the net 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. The City's net investment and its share of the operating results of the SFWB are reported in the City's Water Fund. Net Assets of the City's Water Fund were increased \$74,505 from a net gain of the joint venture in fiscal year 2010-11. Complete financial statements for the SFWB can be obtained from the City of Oregon City Finance Department, 625 Center Street, Oregon City, Oregon 97045. The investment in South Fork Water Board is accounted for using the equity method.

#### Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Beginning balance as of June 30, 2010	Additions	Reductions and adjustments	Ending balance as of June 30, 2011
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land and easements	\$ 188,514,929	\$ 2,013,156	\$ (197,337)	\$ 190,330,748
Construction in progress	710,338	1,371,842	(613,349)	1,468,831
Total capital assets not being depreciated	<u>189,225,267</u>	<u>3,384,998</u>	<u>(810,686)</u>	<u>191,799,579</u>
Capital assets being depreciated:				
Buildings and improvements	26,120,012	123,677	384,383	26,628,072
Vehicles and equipment	2,559,094	177,802	(133,039)	2,603,857
Infrastructure	56,757,833	1,160,164	(218,881)	57,699,116
Total capital assets being depreciated	<u>85,436,939</u>	<u>1,461,643</u>	<u>32,463</u>	<u>86,931,045</u>
Less accumulated depreciation for:				
Buildings and improvements	(9,429,143)	(780,296)	31,077	(10,178,362)
Vehicles and equipment	(1,346,751)	(174,706)	115,971	(1,405,486)
Infrastructure	(33,028,482)	(1,923,304)	-	(34,951,786)
Total accumulated depreciation	<u>(43,804,376)</u>	<u>(2,878,306)</u>	<u>147,048</u>	<u>(46,535,634)</u>
Total capital assets being depreciated, net	<u>41,632,563</u>	<u>(1,416,663)</u>	<u>179,511</u>	<u>40,395,411</u>
Total capital assets, net	<u>\$ 230,857,830</u>	<u>\$ 1,968,335</u>	<u>\$ (631,175)</u>	<u>\$ 232,194,990</u>

	Beginning balance as of June 30, 2010	Additions	Reductions and adjustments	Ending balance as of June 30, 2011
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 403,590	\$ -	\$ -	\$ 403,590
Construction in progress	219,832	63,912	(96,119)	187,625
Total capital assets not being depreciated	623,422	63,912	(96,119)	591,215
Capital assets being depreciated:				
Buildings and improvements	1,579,504	512	-	1,580,016
Vehicles and equipment	1,203,050	78,426	(50,975)	1,230,501
Infrastructure	55,305,491	515,422	481,688	56,302,601
Total capital assets being depreciated	58,088,045	594,360	430,713	59,113,118
Less accumulated depreciation for:				
Buildings and improvements	(877,757)	(31,600)	-	(909,357)
Vehicles and equipment	(577,674)	(86,674)	24,493	(639,855)
Infrastructure	(28,941,707)	(1,126,051)	2,444	(30,065,314)
Total accumulated depreciation	(30,397,138)	(1,244,325)	26,937	(31,614,526)
Capital assets being depreciated, net	27,690,907	(649,965)	457,650	27,498,592
Total capital assets, net	\$ 28,314,329	\$ (586,053)	\$ 361,531	\$ 28,089,807

Depreciation expense for governmental activities in the amount of \$2,878,306 and for business-type activities the amount of \$1,244,325 was charged to functions/programs as follows:

	Governmental activities	Business-type activities	Total
General government	\$ 51,019	\$ -	\$ 51,019
Culture and recreation	813,708	-	813,708
Public safety	71,110	-	71,110
Highways and streets	1,942,469	-	1,942,469
Water	-	428,492	428,492
Environmental services	-	815,833	815,833
Depreciation expense	<u>\$ 2,878,306</u>	<u>\$ 1,244,325</u>	<u>\$ 4,122,631</u>

### Interfund Transfers

Transfers between funds provide support for various City programs in accordance with budgetary authorizations and are utilized to cover administrative services, provide for additional funding for reserve purposes, contribute towards the cost of capital projects, and to provide for other operational resources. For fiscal year ended June 30, 2011, all City transfers are properly classified under Charges for Services for financial reporting purposes. Transfers of capital assets are also made between funds to ensure full utilization of useable assets and are classified under Transfers for financial statement purposes.

### Leases

Leases which meet certain criteria established by the GASB are classified as capital leases. When these leases are incurred, the assets and related liabilities are recorded at the lesser of the present value of minimum lease payments or the fair value of the lease. Leases, which do not meet the criteria of a capital lease, are classified as operating leases and related rental payments are charged to operations in their respective funds. Currently, all of the City's leases are classified as operating leases.

The City leases various pieces of equipment for use in its operations under cancelable and noncancelable operating leases. Total costs for such leases were approximately \$83,000 for the year ended June 30, 2011. The future minimum lease payments for noncancelable operating leases are as follows:

Fiscal year ending June 30,	Amount
2012	\$ 17,072
2013	1,605
2014	420
2015	210
2016	-
	<u>\$ 19,307</u>

### Long-term Debt Obligations

In the following paragraphs, long-term debt information is presented separately with respect to governmental and business-type activities. The following table presents current year changes in those obligations and the current portions due for each issue. For the governmental activities, claims and judgments, and compensated absences are generally liquidated by the general fund. As compensated absences are due and payable on demand, they are considered due within one year.

	Beginning balance as of June 30, 2010	Additions	Reductions	Ending balance as of June 30, 2011	Due within one year
<b>Governmental activities:</b>					
General Obligation bonds					
Series 2000 Library Expansion, interest at 4.7-5.4%, original issue of \$3,900,000, due 2021	\$ 3,050,000	\$ -	\$ (3,050,000)	\$ -	\$ -
Series 2009-A Park Refundings, interest at 3.0-4.0%, original issue of \$4,915,000, due 2019	4,510,000	-	(470,000)	4,040,000	490,000
Series 2010-A Library Refundings, interest at 2.0-3.0%, original issue of \$3,900,000, due 2021	-	3,065,000	(210,000)	2,855,000	200,000
Full Faith and Credit obligations					
Series 2000 City Hall, interest at 4.3-5.25%, original issue of \$4,300,000, due 2021	2,865,000	-	(2,865,000)	-	-
Series 2009-B Str/Police/Parks, interest at 3.0-4.35%, original issue of \$4,035,000, due 2029	3,945,000	-	(150,000)	3,795,000	155,000
Series 2010-B City Hall Refunding, interest at 3.0-4.0%, original issue of \$4,300,000, due 2021	-	2,575,000	(40,000)	2,535,000	220,000
Plus: Bond issuance premium	140,128	294,861	(42,700)	392,289	-
Long-term bonded debt obligations	14,510,128	5,934,861	(6,827,700)	13,617,289	1,065,000
Compensated absences for governmental activities	822,748	1,013,060	(1,024,000)	811,808	811,808
Total governmental activities	15,332,876	6,947,921	(7,851,700)	14,429,097	1,876,808
<b>Business-type activities:</b>					
Revenue bonds					
Series 2000 Water Revenue and Refunding, interest at 5.75-6.0%, original issue of \$1,800,000, due 2021	1,225,000	-	(80,000)	1,145,000	85,000
Compensated absences for business-type activities	79,189	52,311	(48,200)	83,300	83,300
Total business-type activities	1,304,189	52,311	(128,200)	1,228,300	168,300
<b>Total long-term debt obligations</b>					
General Obligation bonds	7,560,000	3,065,000	(3,730,000)	6,895,000	690,000
Full Faith and Credit obligations	6,810,000	2,575,000	(3,055,000)	6,330,000	375,000
Revenue bonds	1,225,000	-	(80,000)	1,145,000	85,000
Plus: Bond issuance premium	140,128	294,861	(42,700)	392,289	-
Long-term bonded debt obligations	15,735,128	5,934,861	(6,907,700)	14,762,289	1,150,000
Compensated absences	901,937	1,065,371	(1,072,200)	895,108	895,108
Total long-term debt obligations	<u>\$ 16,637,065</u>	<u>\$ 7,000,232</u>	<u>\$ (7,979,900)</u>	<u>\$ 15,657,397</u>	<u>\$ 2,045,108</u>

Future maturities of bond principal and interest at June 30, 2011, are as follows:

Year	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 1,065,000	\$ 427,374	\$ 85,000	\$ 65,044	\$ 1,150,000	\$ 492,418
2013	1,110,000	395,351	90,000	60,011	1,200,000	455,362
2014	1,150,000	364,174	95,000	54,694	1,245,000	418,868
2015	1,195,000	331,924	105,000	48,944	1,300,000	380,868
2016	1,250,000	298,499	110,000	42,763	1,360,000	341,262
2017-2021	5,450,000	890,415	660,000	104,100	6,110,000	994,515
2022-2026	1,175,000	330,613	-	-	1,175,000	330,613
2027-2029	830,000	73,298	-	-	830,000	73,298
	<u>\$ 13,225,000</u>	<u>\$ 3,111,648</u>	<u>\$ 1,145,000</u>	<u>\$ 375,556</u>	<u>\$ 14,370,000</u>	<u>\$ 3,487,204</u>

**Current Refunding.** On September 2, 2010, the City issued \$3,065,000 of general obligation bonds for a current refunding of \$3,050,000 of the Series 2000 general obligation bonds. The refunding was undertaken to reduce total future debt service payments. The reacquisition price exceeded the net carrying amount of the old debt by \$53,026. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. The transaction also resulted in an economic gain of \$552,514 and a reduction of \$616,376 in future debt service payments.

Also on September 2, 2010, the City issued \$2,575,000 of full faith and credit obligation bonds for a current refunding of \$2,665,000 of the Series 2000 full faith and credit obligation bonds. The refunding was undertaken to reduce total future debt service payments. The reacquisition price exceeded the net carrying amount of the old debt by \$67,480. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. The transaction also resulted in an economic gain of \$426,227 and a reduction of \$471,790 in future debt service payments.

The above two refundings resulted in a combined economic gain of \$978,741 and a reduction of \$1,088,166 in future debt service payments. During this refunding process, the City received a credit upgrade from Standard and Poor's Rating Services to the AA level and Moody's Investors Service reaffirmed the City's Aa2 credit rating which was previously upgraded from the Aa3 level in May 2010.

#### Employee Retirement Pension Plan

**Plan Description.** The City is a participating employer in the Oregon Public Employees Retirement System ("PERS"), an agent multiple-employer public employee retirement system established under Oregon Revised Statutes 238.600 that acts as a common investment and administrative agent for public employers in the State of Oregon. PERS is a defined benefit pension plan that provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries. Benefits are established by state statute.

In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for PERS. The Oregon Public Service Retirement Plan ("OPSRP") is effective for all new employees hired on or after August 29, 2003, and applies to any inactive PERS members who return to employment following a six month or greater break in service. The new plan consists of a defined benefit program (the "Pension Program") and a defined contribution portion (the Individual Account Program or "IAP"). The Pension Program portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service and a factor that varies based on type of service (general versus police or fire).

Beginning January 1, 2004, all PERS member contributions go into the IAP portion of OPSRP. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account. Those employees who had established a PERS membership prior to creation of OPSRP will be members of both the PERS and OPSRP system as long as they remain in covered employment.

Both PERS and OPSRP are administered by the Oregon Public Employees Retirement Board ("OPERB"). The comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700, by calling (503) 598-7377, or by accessing the PERS web site at [www.pers.state.or.us](http://www.pers.state.or.us).

**Funding Policy.** The rate of employer contributions to PERS is determined periodically by PERS based on actuarial valuations performed at least every two years. Members of PERS and OPSRP are required to contribute 6 percent of their salary covered under the plan. The City is required by ORS 238.225 to contribute at an actuarially determined rate. The City's rate is 10.89 percent for PERS and 9.12 percent for OPSRP – general employees, and 11.83 percent for OPSRP – police employees, of salary covered under the plan. These rates are reported inclusive of the retiree healthcare rates disclosed in a separate note disclosure. The contribution requirements for plan members and the City are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

**Annual Pension Cost.** For the years ended June 30, 2011, 2010, and 2009 the City's annual pension costs were approximately \$869,000, \$839,000, and \$1,113,000 respectively, and were equal to the City's required and actual contributions. The required contribution was determined as part of the actuarial valuation at December 31, 2009, using the projected unit credit actuarial cost method. The fair market value method is used to determine the actuarial value of the plan's assets. Significant actuarial assumptions used in the valuation include: (i) consumer price inflation of 2.75 percent per year, (ii) healthcare cost inflation assumed at 7 percent in 2010, then declining by 0.5 percent per year until the rate of 4.5 percent is reached in 2029; (iii) a rate of return on the future investment earnings of the assets of the members' regular accounts are assumed to accrue at an annual rate of 8 percent compounded annually; (iv) a rate of return on the future investment earnings of the members' variable accounts are assumed to accrue at an annual rate of 8.5 percent, compounded annually; (v) projected annual rate of wage inflation of 3.75 percent, compounded annually, excluding merit or longevity increases; (vi) unfunded actuarial liability is amortized on a level percentage of combined annual payroll on a closed group fixed term basis over twenty years.

#### Postemployment Healthcare Plan (implicit subsidy)

**Plan Description.** The City does not have a formal post employment benefits plan for the employees; however the City is required by Oregon Revised Statutes 243.303 to provide retirees with group health and dental insurance from the date of retirement to age 65 at the same rate provided to current employees. GASB 45 is applicable to the City due to the implicit rate subsidy. This "plan" is a single-employer plan that does not stand-alone and therefore does not issue its own financial statements.

**Funding Policy.** The City collects insurance premiums from all retirees each month and deposits them into a restricted insurance premium account. The City then pays health insurance premiums for all retirees at tiered rates to the insurance company. The required contributions to the plan include the employer's pay-as-you-go amount, an amount paid by retirees, and an additional amount calculated to prefund future benefits as determined by the actuary.

For fiscal year ended June 30, 2011, the City retirees paid 100 percent of their insurance premium costs.

The required monthly contributions of the plan members were as follows for the fiscal year ended June 30, 2011.

	Medical		Dental	
	HealthNet	Kaiser	CIS-ODS	Kaiser
Employee	\$ 588	\$ 471	\$ 56	\$ 53
Employee + child(ren)	1,059	848	NA	80
Employee + spouse	1,163	943	97	93
Employee + family	1,630	1,414	180	171

**Annual OPEB Cost and Net OPEB Obligation.** The City's annual other post employment benefit cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of 15 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's OPEB obligation to the plan.

City's normal cost at year end	\$ 115,000
Amortization of UAAL with interest	117,467
Annual Required Contribution (ARC)	232,467
Interest on prior year net OPEB obligation	23,322
Adjustment to ARC	(36,583)
Annual OPEB cost	219,206
Less contribution (amounts paid during year for OPEB)	-
Less implicit benefit payments	(79,022)
Increase in net OPEB obligation	140,184
OPEB obligation at beginning of fiscal year	518,273
OPEB obligation at end of fiscal year	\$ 658,457

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last three fiscal years ended were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percent of Annual OPEB Cost Contribution	Net OPEB Obligation
6/30/2011	\$ 219,206	36%	\$ 658,457
6/30/2010	\$ 208,533	28%	\$ 518,273
6/30/2009	\$ 239,118	22%	\$ 368,316

**Funded Status and Funding Progress.** As of August 1, 2010, representing the date of the most recent actuarial valuation, the plan was zero percent funded. The actuarial accrued liability for benefits was \$1,535,710, and the actuarial value of assets was zero, resulting in an unfunded accrued liability of \$1,535,710.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**Actuarial Methods and Assumptions.** Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the August 1, 2010 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8.5 percent, reduced incrementally to an ultimate rate of 5 percent. The UAAL is being amortized using the level percentage of payroll over an open period of fifteen years.

#### Retirement Health Insurance Account (RHIA)

**Plan Description.** As a member of Oregon Public Employees Retirement System (OPERS) the City contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700.

**Funding Policy.** Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. An eligible surviving spouse or dependent of a deceased PERS retiree may receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating cities are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently 0.29 percent of annual covered payroll for Tier 1/Tier 2, and .19 percent for OPSRP. The OPERS Board of Trustees sets the employer contribution rate based on the annual required contribution (ARC) of the employers, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The City's contributions to RHIA for the year ended June 30, 2011 and 2010, were approximately \$23,500 and \$22,900 respectively which equaled the required contributions for that year.

**Deferred Compensation Plan**

The City has a deferred compensation plan created in accordance with the Internal Revenue Code Section 457(g). The Plan is managed by independent plan administrators. The Plan is available to all employees of the City. Employees may defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death, or financial hardship. The Plan's assets are held in a custodial account for the exclusive benefit of participants and beneficiaries, and are not subject to the claims of the City's creditors, nor can they be used by the City for any purpose other than the payment of benefits to the Plan participants. Accordingly, these Plan assets and related liability are not recorded in the City's basic financial statements.

**3. Other Information**

**Commitments and Contingencies**

The City is a defendant in various litigation proceedings. Management believes any losses arising from these actions will not materially affect the City's financial position. Following this paragraph are various commitments and contingencies that the City is involved with.

**Sewage Treatment Arrangement** – 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 collections facilities; bill and collect user charges, and bill and collect connection charges.
- Should the District fail to perform services outlined in the agreement, the City can terminate the agreement upon thirty-day written notice.

**Financial Management Services** – The City entered into an intergovernmental agreement effective February 1, 2011 with the City of Milwaukie to provide professional financial management services for both cities at the Finance Director level overseeing both finance departments. Pertinent terms of this agreement are as follows:

- The term of the agreement continues through June 30, 2013, may be extended or renewed for one-year periods, and expires annually each June 30<sup>th</sup> by mutual agreement of each City with written acknowledgement no less than sixty days prior.
- It includes providing the financial management services for each City targeting one contract director to be present on-site at each City, five days per week. The City of Milwaukie agrees to pay the City \$8,333 per month indexed by 3 percent after twelve months.

**Public Safety 911/Communication Services** – The City has an agreement with the City of Lake Oswego to provide public safety dispatching services for West Linn's Police Department. Pertinent terms of this agreement are as follows:

- Intergovernmental Cooperative Agreement was entered October 7, 2004 for dispatching public safety services and is currently being proposed to be renewed for the next five years through fiscal year 2015-16.
- The dispatching services include, but are not limited to 24-hour-per-day answering of emergency telephone lines (including 9-1-1 calls) for fire, police, and emergency medical service requests; radio communications with police personnel regarding emergency and routine police matters; and other dispatching services for law enforcement purposes.

- As part of this agreement, the State redirects the City's state-allocated 911 monies directly to the City of Lake Oswego to help offset the annual contract costs summarized below. These annual monies from the State average approximately \$120,000 per fiscal year.
- Below is a summary of the annual contract costs and proposed costs going forward:

Year of Arrangement	Fiscal Year	Payment for services	Computer replacement	Annual Contract Amt	Percentage increase
Year 1	2004-05	\$ 200,000	\$ 20,000	\$ 220,000	
Year 2	2005-06	212,000	20,000	232,000	5.5%
Year 3	2006-07	224,720	20,000	244,720	5.5%
Year 4	2007-08	238,203	20,000	258,203	5.5%
Year 5	2008-09	252,495	20,000	272,495	5.5%
Year 6	2009-10	267,644	20,000	287,644	5.6%
Year 7	2010-11	283,702	100,000	383,702	33.4%
		<u>\$ 1,678,764</u>	<u>\$ 220,000</u>	<u>\$ 1,898,764</u>	
<i>Proposed:</i>					
Year 8	2011-12	\$ 382,000	\$ -	\$ 382,000	-0.4%
Year 9	2012-13	394,670	-	394,670	3.3%
Year 10	2013-14	407,783	-	407,783	3.3%
Year 11	2014-15	421,356	-	421,356	3.3%
Year 12	2015-16	435,403	-	435,403	3.3%
		<u>\$ 2,041,212</u>	<u>\$ -</u>	<u>\$ 2,041,212</u>	

**Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. Except for unemployment compensation, the City purchases commercial insurance to minimize its exposure to these risks. There has been no reduction in commercial insurance coverage from the previous fiscal year. Workers compensation claims are insured through incurred loss retrospective policies and the City is self-insured for unemployment compensation claims.

Settled claims have not exceeded coverage for any of the past three fiscal years. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

**Property tax limitation**

The citizens of the State of Oregon approved the first property tax limitation in 1990 – Measure 5. This limitation divides property taxes into an education category and a non-education category. The tax rate in the education category was limited to \$5 per thousand of real market value for fiscal year 1995-96 and thereafter. The non-education category was limited to \$10 per thousand of real market value. Although all non-education taxes to the City currently do not exceed the \$10 per \$1,000 of property real market value limitation; this limitation may affect the availability of future tax revenues for the City.

A second property tax limitation was approved in November 1996 and later modified in May 1997 – Measures 47 and 50, respectively. This limitation set a maximum permanent tax rate for the City exclusive of bonded debt at \$2.12 per \$1,000 assessed value. Assessed values can only grow by a maximum of 3 percent, exclusive of new construction and annexations.

**Fund Balance Classification**

In accordance with the requirements of GASB Statement No. 54, below are schedules of ending fund balances as of June 30, 2011 and the prior fiscal year end reclassified to conform to new reporting requirements:

Fund balances by classification for the fiscal year ended June 30, 2011:

	General Fund	Public Safety Fund	Parks and Recreation Fund	Systems Development Charges Fund	Street Fund	Other Governmental Funds	Total Governmental Funds
<b>Non-spendable</b>							
Prepaid items	\$ 150,378	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 150,378
Library endowment	-	-	-	-	-	157,300	157,300
	<u>150,378</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>157,300</u>	<u>307,678</u>
<b>Restricted</b>							
Systems development	-	-	-	4,269,374	-	-	4,269,374
Building operations	-	-	-	-	-	243,425	243,425
Debt service	-	-	-	-	-	125,395	125,395
Park improvements	-	-	-	-	-	135,242	135,242
	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,269,374</u>	<u>-</u>	<u>504,062</u>	<u>4,773,436</u>
<b>Committed</b>							
Public safety	-	895,304	-	-	-	-	895,304
Parks and Rec	-	-	489,035	-	-	-	489,035
Street services	-	-	-	-	1,291,095	-	1,291,095
Library services	-	-	-	-	-	61,762	61,762
Planning services	-	-	-	-	-	262,857	262,857
	<u>-</u>	<u>895,304</u>	<u>489,035</u>	<u>-</u>	<u>1,291,095</u>	<u>324,619</u>	<u>3,000,053</u>
<b>Assigned</b>	-	-	-	-	-	-	-
<b>Unassigned</b>	1,052,484	-	-	-	-	-	1,052,484
	<u>\$ 1,202,862</u>	<u>\$ 895,304</u>	<u>\$ 489,035</u>	<u>\$ 4,269,374</u>	<u>\$ 1,291,095</u>	<u>\$ 985,981</u>	<u>\$ 9,133,651</u>

Fund balances as previously stated for the fiscal year ended June 30, 2010:

	General Fund	Public Safety Fund	Parks and Recreation Fund	Systems Development Charges Fund	Street Fund	Other Governmental Funds	Total Governmental Funds
<b>Reserved for:</b>							
Library endowment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 157,300	\$ 157,300
Debt service	-	-	-	-	-	117,054	117,054
Building operations	-	-	-	-	-	72,657	72,657
Capital projects	-	1,500,000	-	3,727,616	-	874,833	6,102,449
	<u>-</u>	<u>1,500,000</u>	<u>-</u>	<u>3,727,616</u>	<u>-</u>	<u>1,221,844</u>	<u>6,449,460</u>
<b>Unreserved, reported in:</b>							
General fund	1,181,536	-	-	-	-	-	1,181,536
Special revenue funds	-	585,081	402,450	-	928,973	516,835	2,433,339
	<u>1,181,536</u>	<u>585,081</u>	<u>402,450</u>	<u>-</u>	<u>928,973</u>	<u>516,835</u>	<u>3,614,875</u>
	<u>\$ 1,181,536</u>	<u>\$ 2,085,081</u>	<u>\$ 402,450</u>	<u>\$ 3,727,616</u>	<u>\$ 928,973</u>	<u>\$ 1,738,679</u>	<u>\$ 10,064,335</u>

Fund balances as restated for the fiscal year ended June 30, 2010:

	General Fund	Public Safety Fund	Parks and Recreation Fund	Systems Development Charges Fund	Street Fund	Other Governmental Funds	Total Governmental Funds
<b>Non-spendable</b>							
Prepaid items	\$ 36,838	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,838
Library endowment	-	-	-	-	-	157,300	157,300
	<u>36,838</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>157,300</u>	<u>194,138</u>
<b>Restricted</b>							
Systems development	-	-	-	3,727,616	-	-	3,727,616
Building operations	-	-	-	-	-	72,657	72,657
Debt service	-	-	-	-	-	117,054	117,054
Park improvements	-	1,500,000	-	-	-	874,833	2,374,833
	<u>-</u>	<u>1,500,000</u>	<u>-</u>	<u>3,727,616</u>	<u>-</u>	<u>1,064,544</u>	<u>6,292,160</u>
<b>Committed</b>							
Public safety	-	585,081	-	-	-	-	585,081
Parks and Rec	-	-	402,450	-	-	-	402,450
Street services	-	-	-	-	928,973	-	928,973
Library services	-	-	-	-	-	89,690	89,690
Planning services	-	-	-	-	-	325,543	325,543
	<u>-</u>	<u>585,081</u>	<u>402,450</u>	<u>-</u>	<u>928,973</u>	<u>415,233</u>	<u>2,331,737</u>
<b>Assigned</b>	-	-	-	-	-	101,602	101,602
<b>Unassigned</b>	1,144,698	-	-	-	-	-	1,144,698
	<u>\$ 1,181,536</u>	<u>\$ 2,085,081</u>	<u>\$ 402,450</u>	<u>\$ 3,727,616</u>	<u>\$ 928,973</u>	<u>\$ 1,637,077</u>	<u>\$ 9,962,733</u>

**Subsequent Event**

On November 8, 2011, voters approved Ballot Measure 3-377 authorizing the issuance of up to \$8.5 million in general obligation bonds to allow for the acquisition, construction and furnishing of a new police station to be located at 8th Avenue and 13th Street. It is estimated that this measure will increase the property tax rate by \$0.16 per \$1,000 of assessed value and that the tax impact on an average West Linn home with an assessed value of \$285,000 is estimated at \$46 per year.

**REQUIRED SUPPLEMENTARY INFORMATION**

*Schedules of Revenues, Expenditures and Changes  
in Fund Balances – Budget and Actual*

*Schedules of Funding Progress*

*Notes to Required Supplementary Information*

**SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL**  
(required supplementary information)

**General Fund**

**Special Revenue Funds**

Public Safety Fund  
Parks and Recreation Fund  
Street Fund

CITY OF WEST LINN, OREGON

GENERAL FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budget for the		Actual			Variance with Final Budget
	2010-2011 Biennium		1st Year FY 2009-10	2nd Year FY 2010-11	Total	
	Original	Final				
<b>REVENUES:</b>						
Intergovernmental	\$ -	\$ -	\$ 8,441	\$ 41,667	\$ 50,108	\$ 50,108
Fines and forfeitures	1,001,000	1,001,000	428,171	421,535	849,706	(151,294)
Licenses and permits	689,000	689,000	177,743	194,593	372,336	(316,664)
Franchise taxes	-	-	-	30,932	30,932	30,932
Investment earnings	91,000	91,000	3,118	5,953	9,071	(81,929)
Miscellaneous	202,000	202,000	207,676	273,233	480,909	278,909
<b>TOTAL REVENUES</b>	<b>1,983,000</b>	<b>1,983,000</b>	<b>825,149</b>	<b>967,913</b>	<b>1,793,062</b>	<b>(189,938)</b>
<b>EXPENDITURES:</b>						
City Council	118,000	118,000	55,448	52,039	107,487	10,513
City Administration	1,919,000	1,919,000	916,256	992,800	1,909,056	9,944
Human Resources	704,000	704,000	333,165	342,133	675,298	28,702
Finance	1,973,000	1,973,000	944,439	976,712	1,921,151	51,849
Information Technology	1,938,000	1,938,000	740,381	826,205	1,566,586	371,414
Municipal Court	579,000	579,000	221,073	327,591	548,664	30,336
Facility Services	963,000	963,000	441,427	482,333	923,760	39,240
Public Works Support Services	2,600,000	2,600,000	1,238,473	1,205,769	2,444,242	155,758
Vehicle and Equipment Maintenance	749,000	749,000	340,878	367,641	708,519	40,481
Nondepartmental:						
General services	230,000	230,000	104,383	115,507	219,890	10,110
Debt service	683,000	683,000	341,095	306,812	647,907	35,093
Contingency	599,000	599,000	-	-	-	599,000
<b>TOTAL EXPENDITURES</b>	<b>13,055,000</b>	<b>13,055,000</b>	<b>5,677,018</b>	<b>5,995,542</b>	<b>11,672,560</b>	<b>1,382,440</b>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<b>(11,072,000)</b>	<b>(11,072,000)</b>	<b>(4,851,869)</b>	<b>(5,027,629)</b>	<b>(9,879,498)</b>	<b>1,192,502</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers from other funds	10,931,000	10,931,000	5,079,000	5,078,681	10,157,681	(773,319)
Transfers to other funds	(277,000)	(277,000)	(31,000)	(32,000)	(63,000)	214,000
Proceeds from sale of capital asset	-	-	-	891	891	891
Refunding bonds issued	-	-	-	5,640,000	5,640,000	5,640,000
Bond premium on issuance of debt	-	-	-	294,861	294,861	294,861
Payment to refunded bond escrow agent	-	-	-	(5,933,478)	(5,933,478)	(5,933,478)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>10,654,000</b>	<b>10,654,000</b>	<b>5,048,000</b>	<b>5,048,955</b>	<b>10,096,955</b>	<b>(557,045)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(418,000)</b>	<b>(418,000)</b>	<b>196,131</b>	<b>21,326</b>	<b>217,457</b>	<b>635,457</b>
<b>FUND BALANCES - beginning</b>	<b>717,000</b>	<b>717,000</b>	<b>985,405</b>	<b>1,181,536</b>	<b>985,405</b>	<b>268,405</b>
<b>FUND BALANCES - ending</b>	<b>\$ 299,000</b>	<b>\$ 299,000</b>	<b>\$ 1,181,536</b>	<b>\$ 1,202,862</b>	<b>\$ 1,202,862</b>	<b>\$ 903,862</b>

CITY OF WEST LINN, OREGON

PUBLIC SAFETY FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budget for the		Actual			Variance with Final Budget
	2010-2011 Biennium		1st Year FY 2009-10	2nd Year FY 2010-11	Total	
	Original	Final				
<b>REVENUES:</b>						
Property taxes	\$ 7,806,000	\$ 7,806,000	\$ 3,850,870	\$ 4,213,922	\$ 8,064,792	\$ 258,792
Intergovernmental	785,000	785,000	428,445	581,577	1,010,022	225,022
Franchise taxes	3,006,000	3,006,000	1,568,040	1,372,104	2,940,144	(65,856)
Fines and forfeitures	193,000	193,000	78,248	35,815	114,063	(78,937)
Licenses and permits	67,000	67,000	27,078	14,158	41,236	(25,764)
Investment earnings	77,000	77,000	4,487	3,619	8,106	(68,894)
Miscellaneous	106,000	106,000	49,725	61,443	111,168	5,168
<b>TOTAL REVENUES</b>	<b>12,040,000</b>	<b>12,040,000</b>	<b>6,006,893</b>	<b>6,282,638</b>	<b>12,289,531</b>	<b>249,531</b>
<b>EXPENDITURES:</b>						
Personal services	7,705,000	7,705,000	3,923,723	3,739,493	7,663,216	41,784
Materials and services	1,120,000	1,120,000	510,095	694,522	1,204,617	(84,617)
Debt service:						
Principal	90,000	90,000	34,000	56,000	90,000	-
Interest	136,000	136,000	79,000	56,000	135,000	1,000
Capital outlay	1,700,000	1,700,000	75,531	1,571,400	1,646,931	53,069
Contingency	682,000	682,000	-	-	-	682,000
<b>TOTAL EXPENDITURES</b>	<b>11,433,000</b>	<b>11,433,000</b>	<b>4,622,349</b>	<b>6,117,415</b>	<b>10,739,764</b>	<b>693,236</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>607,000</b>	<b>607,000</b>	<b>1,384,544</b>	<b>165,223</b>	<b>1,549,767</b>	<b>942,767</b>
<b>OTHER FINANCING USES:</b>						
Transfers to other funds	(2,814,000)	(2,814,000)	(1,459,000)	(1,355,000)	(2,814,000)	-
<b>NET CHANGE IN FUND BALANCES</b>	<b>(2,207,000)</b>	<b>(2,207,000)</b>	<b>(74,456)</b>	<b>(1,189,777)</b>	<b>(1,264,233)</b>	<b>942,767</b>
<b>FUND BALANCES - beginning</b>	<b>2,433,000</b>	<b>2,433,000</b>	<b>2,159,537</b>	<b>2,085,081</b>	<b>2,159,537</b>	<b>(273,463)</b>
<b>FUND BALANCES - ending</b>	<b>\$ 226,000</b>	<b>\$ 226,000</b>	<b>\$ 2,085,081</b>	<b>\$ 895,304</b>	<b>\$ 895,304</b>	<b>\$ 669,304</b>



**CITY OF WEST LINN, OREGON**  
**PARKS AND RECREATION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Budget for the		Actual			Variance with Final Budget
	2010-2011 Biennium		1st Year	2nd Year	Total	
	Original	Final	FY 2009-10	FY 2010-11		
<b>REVENUES:</b>						
Property taxes	\$ 2,832,000	\$ 2,832,000	\$ 1,527,886	\$ 1,326,790	\$ 2,854,676	\$ 22,676
Intergovernmental	997,000	997,000	47,900	559,998	607,898	(389,102)
Charges for services	3,234,000	3,234,000	1,530,990	1,700,374	3,231,364	(2,636)
Investment earnings	20,000	20,000	530	-	530	(19,470)
Miscellaneous	52,000	52,000	25,150	5,643	30,793	(21,207)
<b>TOTAL REVENUES</b>	<b>7,135,000</b>	<b>7,135,000</b>	<b>3,132,456</b>	<b>3,592,805</b>	<b>6,725,261</b>	<b>(409,739)</b>
<b>EXPENDITURES:</b>						
Personal services	2,870,000	2,870,000	1,386,426	1,416,006	2,802,432	67,568
Materials and services	1,506,000	1,506,000	669,486	786,220	1,455,706	50,294
Debt service:						
Principal	30,000	30,000	11,000	19,000	30,000	-
Interest	50,000	50,000	26,186	19,723	45,909	4,091
Capital outlay	1,297,000	1,297,000	350,742	945,271	1,296,013	987
Contingency	347,000	347,000	-	-	-	347,000
<b>TOTAL EXPENDITURES</b>	<b>6,100,000</b>	<b>6,100,000</b>	<b>2,443,840</b>	<b>3,186,220</b>	<b>5,630,060</b>	<b>469,940</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>1,035,000</b>	<b>1,035,000</b>	<b>688,616</b>	<b>406,585</b>	<b>1,095,201</b>	<b>60,201</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers to other funds	(1,583,000)	(1,583,000)	(780,000)	(803,000)	(1,583,000)	-
Proceeds from sale of capital asset	-	-	-	483,000	483,000	483,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,583,000)</b>	<b>(1,583,000)</b>	<b>(780,000)</b>	<b>(320,000)</b>	<b>(1,100,000)</b>	<b>483,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(548,000)</b>	<b>(548,000)</b>	<b>(91,384)</b>	<b>86,585</b>	<b>(4,799)</b>	<b>543,201</b>
<b>FUND BALANCES - beginning</b>	<b>660,000</b>	<b>660,000</b>	<b>493,834</b>	<b>402,450</b>	<b>493,834</b>	<b>(166,166)</b>
<b>FUND BALANCES - ending</b>	<b>\$ 112,000</b>	<b>\$ 112,000</b>	<b>\$ 402,450</b>	<b>\$ 489,035</b>	<b>\$ 489,035</b>	<b>\$ 377,035</b>

**CITY OF WEST LINN, OREGON**  
**STREET FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Budget for the		Actual			Variance with Final Budget
	2010-2011 Biennium		1st Year	2nd Year	Total	
	Original	Final	FY 2009-10	FY 2010-11		
<b>REVENUES:</b>						
Intergovernmental	\$ 3,507,000	\$ 3,507,000	\$ 1,159,718	\$ 1,351,087	\$ 2,510,805	\$ (996,195)
Franchise taxes	136,000	136,000	100,875	103,189	204,064	68,064
Charges for services	1,492,000	1,492,000	778,226	792,586	1,570,812	78,812
Investment earnings	12,000	12,000	2,141	722	2,863	(9,137)
Miscellaneous	40,000	40,000	64,816	323,902	388,718	348,718
<b>TOTAL REVENUES</b>	<b>5,187,000</b>	<b>5,187,000</b>	<b>2,105,776</b>	<b>2,571,486</b>	<b>4,677,262</b>	<b>(509,738)</b>
<b>EXPENDITURES:</b>						
Personal services	873,000	873,000	410,546	453,082	863,628	9,372
Materials and services	1,170,000	1,170,000	487,504	433,496	921,000	249,000
Debt service:						
Principal	120,000	120,000	45,000	75,000	120,000	-
Interest	182,000	182,000	105,000	76,000	181,000	1,000
Capital outlay	2,959,000	2,959,000	279,925	516,782	796,707	2,162,293
Contingency	155,000	155,000	-	-	-	155,000
<b>TOTAL EXPENDITURES</b>	<b>5,459,000</b>	<b>5,459,000</b>	<b>1,327,975</b>	<b>1,554,360</b>	<b>2,882,335</b>	<b>2,576,665</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(272,000)</b>	<b>(272,000)</b>	<b>777,801</b>	<b>1,017,126</b>	<b>1,794,927</b>	<b>2,066,927</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers to other funds	(1,330,000)	(1,330,000)	(671,000)	(659,000)	(1,330,000)	-
Proceeds from sale of capital asset	-	-	-	3,996	3,996	3,996
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,330,000)</b>	<b>(1,330,000)</b>	<b>(671,000)</b>	<b>(655,004)</b>	<b>(1,326,004)</b>	<b>3,996</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,602,000)</b>	<b>(1,602,000)</b>	<b>106,801</b>	<b>362,122</b>	<b>468,923</b>	<b>2,070,923</b>
<b>FUND BALANCES - beginning</b>	<b>1,654,000</b>	<b>1,654,000</b>	<b>822,172</b>	<b>928,973</b>	<b>822,172</b>	<b>(831,828)</b>
<b>FUND BALANCES - ending</b>	<b>\$ 52,000</b>	<b>\$ 52,000</b>	<b>\$ 928,973</b>	<b>\$ 1,291,095</b>	<b>\$ 1,291,095</b>	<b>\$ 1,239,095</b>

**CITY OF WEST LINN, OREGON**  
**Required Supplementary Information**  
**June 30, 2011**

**Oregon Public Employees Retirement System – Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (Asset)	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability (Asset) as a Percent of Covered Payroll
12/31/2009	\$ 36,537,972	\$ 43,536,793	\$ 6,998,821	84 %	\$ 8,017,150	87 %
12/31/2007	41,594,000	38,664,625	(2,929,375)	108	6,684,358	(44)
12/31/2005	35,196,000	36,127,000	931,000	97	6,342,000	15

**Other Postemployment Benefits Plan – Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percent of Covered Payroll
8/1/2010	\$ -	\$ 1,535,710	\$ 1,535,710	0 %	\$ 7,897,000	19 %
8/1/2008	-	1,422,086	1,422,086	0	6,986,000	20
8/1/2006	-	1,449,903	1,449,903	0	6,646,000	22

**CITY OF WEST LINN, OREGON**  
**Notes to Required Supplementary Information**  
**June 30, 2011**

Required Supplementary Information includes budgetary comparisons for the general fund, public safety fund, parks and recreation fund, and street fund. The budgetary comparison information for all other funds can be found in Supplementary Information which follows this section.

**1. Budgetary Information**

Municipal budgets are adopted on a basis consistent with Oregon Revised Statutes (ORS 294 – Local Budget Law). The City Manager is responsible for submitting a proposed budget to the Citizens Budget Committee comprised of the City Council and an equal number of citizens of the City. The City is required to prepare a budget for each fund that is balanced in accordance with Oregon Revised Statutes. Each fund is budgeted on the modified accrual basis of accounting.

The Citizens' Budget Committee conducts public hearings for the purpose of obtaining citizens' comments, and then approves a budget and submits it to the City Council for final adoption. The approved expenditures for each fund may not be increased by more than 10 percent by Council without returning to the Citizens Budget Committee for a second approval. After the Council adopts the budget and certifies the total ad valorem taxes to be levied, no additional tax levy may be made for that budget period.

The City Council legally adopts the budget by resolution before July 1. The resolution establishes appropriations for each fund and sets the level by which expenditures cannot legally exceed appropriations. In the general fund, the levels of budgetary control established by resolution are set at the department level. For all other funds, the levels of budgetary control are personal services, materials and services, debt service, capital outlay, transfers and operating contingency. Appropriations lapse at the end of the fiscal year for goods or services not yet received.

The City Council may modify the budget by transferring appropriations between levels of control and by adopting supplemental budgets. Unexpected additional resources may be added to the budget through the use of a supplemental budget. Some supplemental budgets require hearings before the public, publications in newspapers and approval by the City Council. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the City Council. For the biennium ended June 30, 2011, no supplemental budget resolutions were proposed or approved.

**OTHER SUPPLEMENTARY INFORMATION**

*Combining and Individual Fund Financial  
Statements and Schedules*

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**COMBINING AND INDIVIDUAL FUND FINANCIAL  
STATEMENTS AND SCHEDULES**  
For Major and Nonmajor Governmental Funds

**MAJOR**

**Capital Projects Fund**

Systems Development Charges Fund - accounts for the receipt and expenditures of systems development charges (SDCs) dedicated to streets, surface water, water, sewer, parks, and bike/pedestrian.

**NONMAJOR**

**Special Revenue Funds**

These nonmajor funds are used to account for specific revenues that are legally restricted and committed for expenditures of a particular purpose.

Library Fund - accounts for the operation of the City's library facility. Primary revenue sources include an allocation of the City's property tax levy, intergovernmental revenues, and fines and forfeitures.

Communications Fund - accounts for the expenditure of funds for public access television and other communication functions. The primary revenue source is a partial allocation of cable TV franchise taxes.

Building Inspections Fund - accounts for the City's building inspection activities. The primary revenue source is license and permit fees.

Planning Fund - accounts for the City's planning activities. Primary revenue sources are license and permit fees, intergovernmental revenues, franchise taxes, and charges for services.

**Debt Service Fund**

Debt Service Fund - is a nonmajor fund that accounts for the payment of general obligation bond principal and interest. The principal source of revenue is property taxes, which for general obligation debt is exempt from tax limitation.

**Capital Projects Fund**

Parks Bond Construction Fund - accounts for the voter-approved general obligation bond funds for the acquisition of land and construction of park facilities.

**CITY OF WEST LINN, OREGON  
MAJOR GOVERNMENTAL FUND - CAPITAL PROJECTS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

SYSTEMS DEVELOPMENT CHARGES FUND	Budget for the 2010-2011 Biennium		1st Year Actual
	Original	Final	FY 2009-10
<b>REVENUES:</b>			
Systems development charges:			
Street - systems development charges	\$ 41,000	\$ 41,000	\$ 181,558
Surface water - systems development charges	18,000	18,000	13,266
Water - systems development charges	138,000	138,000	191,264
Sewer - systems development charges	65,000	65,000	91,954
Parks - systems development charges	254,000	254,000	123,878
Bike/Pedestrian - systems development charges	-	-	6,807
Intergovernmental	667,000	667,000	633,600
Investment earnings	207,000	207,000	8,402
<b>TOTAL REVENUES</b>	<b>1,390,000</b>	<b>1,390,000</b>	<b>1,250,729</b>
<b>EXPENDITURES:</b>			
Materials and services	100,000	100,000	-
Capital outlay	4,600,000	4,600,000	1,213,688
Contingency	251,000	251,000	-
<b>TOTAL EXPENDITURES</b>	<b>4,951,000</b>	<b>4,951,000</b>	<b>1,213,688</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(3,561,000)</b>	<b>(3,561,000)</b>	<b>37,041</b>
<b>OTHER FINANCING USES:</b>			
Transfers to other funds	(71,000)	(71,000)	(35,000)
<b>NET CHANGE IN FUND BALANCES</b>	<b>(3,632,000)</b>	<b>(3,632,000)</b>	<b>2,041</b>
<b>FUND BALANCES - beginning</b>	<b>3,632,000</b>	<b>3,632,000</b>	<b>3,725,575</b>
<b>FUND BALANCES - ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,727,616</b>

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2nd Year Actual FY 2010-11							Actual	Variance with Final Budget
Street	Surface Water	Water	Sewer	Parks	Bike/ Pedestrian	Total	Total Biennium	
\$ 219,107	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 219,107	\$ 400,665	\$ 359,665
-	10,484	-	-	-	-	10,484	23,750	5,750
-	-	302,362	-	-	-	302,362	493,626	355,626
-	-	-	115,017	-	-	115,017	206,971	141,971
-	-	-	-	167,338	-	167,338	291,216	37,216
-	-	-	-	-	212,759	212,759	219,566	219,566
-	-	-	-	-	-	-	633,600	(33,400)
641	768	1,133	1,753	-	4	4,299	12,701	(194,299)
<u>219,748</u>	<u>11,252</u>	<u>303,495</u>	<u>116,770</u>	<u>167,338</u>	<u>212,763</u>	<u>1,031,366</u>	<u>2,282,095</u>	<u>892,095</u>
-	-	-	-	106	245	351	351	99,649
474	-	190	385,569	67,024	-	453,257	1,666,945	2,933,055
-	-	-	-	-	-	-	-	251,000
<u>474</u>	<u>-</u>	<u>190</u>	<u>385,569</u>	<u>67,130</u>	<u>245</u>	<u>453,608</u>	<u>1,667,296</u>	<u>3,283,704</u>
219,274	11,252	303,305	(268,799)	100,208	212,518	577,758	614,799	4,175,799
-	-	(16,000)	-	(20,000)	-	(36,000)	(71,000)	-
219,274	11,252	287,305	(268,799)	80,208	212,518	541,758	543,799	4,175,799
591,639	684,031	1,288,285	1,220,286	(63,446)	6,821	3,727,616	3,725,575	93,575
<u>\$ 810,913</u>	<u>\$ 695,283</u>	<u>\$ 1,575,590</u>	<u>\$ 951,487</u>	<u>\$ 16,762</u>	<u>\$ 219,339</u>	<u>\$ 4,269,374</u>	<u>\$ 4,269,374</u>	<u>\$ 4,269,374</u>

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

JUNE 30, 2011

	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total
<b>ASSETS:</b>				
Cash and investments	\$ 325,543	\$ -	\$ -	\$ 325,543
Restricted cash and investments	501,846	115,259	154,069	771,174
Property taxes receivable	39,970	61,478	-	101,448
Accounts receivable	89,930	-	-	89,930
<b>TOTAL ASSETS</b>	<u>\$ 957,289</u>	<u>\$ 176,737</u>	<u>\$ 154,069</u>	<u>\$ 1,288,095</u>
<b>LIABILITIES:</b>				
Accounts payable	\$ 118,438	\$ -	\$ 18,827	\$ 137,265
Accrued salaries and payroll taxes	71,900	-	-	71,900
Deposits payable	8,227	-	-	8,227
Deferred revenue	33,380	51,342	-	84,722
<b>TOTAL LIABILITIES</b>	<u>231,945</u>	<u>51,342</u>	<u>18,827</u>	<u>302,114</u>
<b>FUND BALANCES:</b>				
Non-spendable	157,300	-	-	157,300
Restricted	243,425	125,395	135,242	504,062
Committed	324,619	-	-	324,619
<b>TOTAL FUND BALANCES</b>	<u>725,344</u>	<u>125,395</u>	<u>135,242</u>	<u>985,981</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 957,289</u>	<u>\$ 176,737</u>	<u>\$ 154,069</u>	<u>\$ 1,288,095</u>

CITY OF WEST LINN, OREGON  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total
<b>REVENUES:</b>				
Property taxes	\$ 405,055	\$ 888,281	\$ -	\$ 1,293,336
Intergovernmental	1,480,883	-	-	1,480,883
Franchise taxes	156,284	-	-	156,284
Licenses and permits	803,434	-	-	803,434
Fines and forfeitures	62,737	-	-	62,737
Charges for services	349,000	-	-	349,000
Investment earnings	1,076	180	1,869	3,125
Miscellaneous	10,569	-	-	10,569
<b>TOTAL REVENUES</b>	<b>3,269,038</b>	<b>888,461</b>	<b>1,869</b>	<b>4,159,368</b>
<b>EXPENDITURES:</b>				
Current:				
General government	\$ 856,442	\$ -	\$ -	\$ 856,442
Cultural and recreation	1,926,894	-	2,243	1,929,137
Public safety	472,526	-	-	472,526
Debt service:				
Principal	-	680,000	-	680,000
Interest	-	200,120	-	200,120
Capital outlay	34,624	-	739,217	773,841
<b>TOTAL EXPENDITURES</b>	<b>3,290,486</b>	<b>880,120</b>	<b>741,460</b>	<b>4,912,066</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND NET CHANGE IN FUND BALANCES</b>	<b>(21,448)</b>	<b>8,341</b>	<b>(739,591)</b>	<b>(752,698)</b>
<b>FUND BALANCES - beginning</b>	<b>746,792</b>	<b>117,054</b>	<b>874,833</b>	<b>1,738,679</b>
<b>FUND BALANCES - ending</b>	<b>\$ 725,344</b>	<b>\$ 125,395</b>	<b>\$ 135,242</b>	<b>\$ 985,981</b>

CITY OF WEST LINN, OREGON  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2011**

	Library Fund	Communications Fund	Building Inspections Fund	Planning Fund	Total
<b>ASSETS:</b>					
Cash and investments	\$ 111,502	\$ 514	\$ -	\$ 213,527	\$ 325,543
Restricted cash and investments	157,300	-	344,546	-	501,846
Property taxes receivable	39,970	-	-	-	39,970
Accounts receivable	-	-	-	89,930	89,930
<b>TOTAL ASSETS</b>	<b>\$ 308,772</b>	<b>\$ 514</b>	<b>\$ 344,546</b>	<b>\$ 303,457</b>	<b>\$ 957,289</b>
<b>LIABILITIES:</b>					
Accounts payable	\$ 14,330	\$ 514	\$ 90,179	\$ 13,415	\$ 118,438
Accrued salaries and payroll taxes	42,000	-	8,300	21,600	71,900
Deposits payable	-	-	2,642	5,585	8,227
Deferred revenue	33,380	-	-	-	33,380
<b>TOTAL LIABILITIES</b>	<b>89,710</b>	<b>514</b>	<b>101,121</b>	<b>40,600</b>	<b>231,945</b>
<b>FUND BALANCES:</b>					
Non-spendable	157,300	-	-	-	157,300
Restricted	-	-	243,425	-	243,425
Committed	61,762	-	-	262,857	324,619
<b>TOTAL FUND BALANCES</b>	<b>219,062</b>	<b>-</b>	<b>243,425</b>	<b>262,857</b>	<b>725,344</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 308,772</b>	<b>\$ 514</b>	<b>\$ 344,546</b>	<b>\$ 303,457</b>	<b>\$ 957,289</b>

CITY OF WEST LINN, OREGON  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Library Fund	Communications Fund	Building Inspections Fund	Planning Fund	Total
<b>REVENUES:</b>					
Property taxes	\$ 405,055	\$ -	\$ -	\$ -	\$ 405,055
Intergovernmental	1,267,214	-	-	213,669	1,480,883
Franchise taxes	-	91,884	-	64,400	156,284
Licenses and permits	-	-	642,616	160,818	803,434
Fines and forfeitures	62,737	-	-	-	62,737
Charges for services	-	-	-	349,000	349,000
Investment earnings	594	-	-	482	1,076
Miscellaneous	4,503	-	678	5,388	10,569
<b>TOTAL REVENUES</b>	<b>1,740,103</b>	<b>91,884</b>	<b>643,294</b>	<b>793,757</b>	<b>3,269,038</b>
<b>EXPENDITURES:</b>					
Current:					
General government	-	-	-	856,442	856,442
Cultural and recreation	1,768,032	158,862	-	-	1,926,894
Public safety	-	-	472,526	-	472,526
Debt service:					
Interest	-	-	-	-	-
Capital outlay	-	34,624	-	-	34,624
<b>TOTAL EXPENDITURES</b>	<b>1,768,032</b>	<b>193,486</b>	<b>472,526</b>	<b>856,442</b>	<b>3,290,486</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND NET CHANGE IN FUND BALANCE</b>	<b>(27,929)</b>	<b>(101,602)</b>	<b>170,768</b>	<b>(62,685)</b>	<b>(21,448)</b>
<b>FUND BALANCES - beginning</b>	<b>246,991</b>	<b>101,602</b>	<b>72,657</b>	<b>325,542</b>	<b>746,792</b>
<b>FUND BALANCES - ending</b>	<b>\$ 219,062</b>	<b>\$ -</b>	<b>\$ 243,425</b>	<b>\$ 262,857</b>	<b>\$ 725,344</b>

CITY OF WEST LINN, OREGON  
**LIBRARY FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Budget for the 2010-2011 Biennium		Actual		Total	Variance with Final Budget
	Original	Final	1st Year FY 2009-10	2nd Year FY 2010-11		
<b>REVENUES:</b>						
Property taxes	\$ 1,128,000	\$ 1,128,000	\$ 397,550	\$ 405,055	\$ 802,605	\$ (325,395)
Intergovernmental	3,525,000	3,525,000	1,193,937	1,267,214	2,461,151	(1,063,849)
Fines and forfeitures	166,000	166,000	58,732	62,737	121,469	(44,531)
Investment earnings	16,000	16,000	817	594	1,411	(14,589)
Miscellaneous	25,000	25,000	6,132	4,503	10,635	(14,365)
<b>TOTAL REVENUES</b>	<b>4,860,000</b>	<b>4,860,000</b>	<b>1,657,168</b>	<b>1,740,103</b>	<b>3,397,271</b>	<b>(1,462,729)</b>
<b>EXPENDITURES:</b>						
Personal services	2,496,000	2,496,000	1,083,161	1,186,953	2,270,114	225,886
Materials and services	464,000	464,000	189,221	202,079	391,300	72,700
Capital outlay	1,075,000	1,075,000	-	-	-	1,075,000
Contingency	233,000	233,000	-	-	-	233,000
<b>TOTAL EXPENDITURES</b>	<b>4,268,000</b>	<b>4,268,000</b>	<b>1,272,382</b>	<b>1,389,032</b>	<b>2,661,414</b>	<b>1,606,586</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>592,000</b>	<b>592,000</b>	<b>384,786</b>	<b>351,071</b>	<b>735,857</b>	<b>143,857</b>
<b>OTHER FINANCING USES:</b>						
Transfers to other funds	(748,000)	(748,000)	(369,000)	(379,000)	(748,000)	-
<b>NET CHANGE IN FUND BALANCES</b>	<b>(156,000)</b>	<b>(156,000)</b>	<b>15,786</b>	<b>(27,929)</b>	<b>(12,143)</b>	<b>143,857</b>
<b>FUND BALANCES - beginning</b>	<b>314,000</b>	<b>314,000</b>	<b>231,205</b>	<b>246,991</b>	<b>231,205</b>	<b>(82,795)</b>
<b>FUND BALANCES - ending</b>	<b>\$ 158,000</b>	<b>\$ 158,000</b>	<b>\$ 246,991</b>	<b>\$ 219,062</b>	<b>\$ 219,062</b>	<b>\$ 61,062</b>

CITY OF WEST LINN, OREGON  
COMMUNICATIONS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budget for the 2010-2011 Biennium		Actual			Variance with Final Budget
	Original	Final	1st Year FY 2009-10	2nd Year FY 2010-11	Total	
	<b>REVENUES:</b>					
Franchise taxes	\$ 265,000	\$ 265,000	\$ 114,708	\$ 91,884	\$ 206,592	\$ (58,408)
Investment earnings	28,000	28,000	228	-	228	(27,772)
<b>TOTAL REVENUES</b>	<b>293,000</b>	<b>293,000</b>	<b>114,936</b>	<b>91,884</b>	<b>206,820</b>	<b>(86,180)</b>
<b>EXPENDITURES:</b>						
Materials and services	334,000	334,000	169,856	137,181	307,037	26,963
Capital outlay	100,000	100,000	-	34,624	34,624	65,376
Contingency	15,000	15,000	-	-	-	15,000
<b>TOTAL EXPENDITURES</b>	<b>449,000</b>	<b>449,000</b>	<b>169,856</b>	<b>171,805</b>	<b>341,661</b>	<b>107,339</b>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<b>(156,000)</b>	<b>(156,000)</b>	<b>(54,920)</b>	<b>(79,921)</b>	<b>(134,841)</b>	<b>21,159</b>
<b>OTHER FINANCING USES:</b>						
Transfers to other funds	-	-	-	(21,681)	(21,681)	(21,681)
<b>NET CHANGE IN FUND BALANCE</b>	<b>(156,000)</b>	<b>(156,000)</b>	<b>(54,920)</b>	<b>(101,602)</b>	<b>(156,522)</b>	<b>(522)</b>
<b>FUND BALANCES - beginning</b>	<b>164,000</b>	<b>164,000</b>	<b>156,522</b>	<b>101,602</b>	<b>156,522</b>	<b>(7,478)</b>
<b>FUND BALANCES - ending</b>	<b>\$ 8,000</b>	<b>\$ 8,000</b>	<b>\$ 101,602</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (8,000)</b>

CITY OF WEST LINN, OREGON  
BUILDING INSPECTIONS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES (DEFICIT) - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budget for the 2010-2011 Biennium		Actual			Variance with Final Budget
	Original	Final	1st Year FY 2009-10	2nd Year FY 2010-11	Total	
	<b>REVENUES:</b>					
Licenses and permits	\$ 788,000	\$ 788,000	\$ 557,682	\$ 642,616	\$ 1,200,298	\$ 412,298
Investment earnings	-	-	248	-	248	248
Miscellaneous	-	-	6,614	678	7,292	7,292
<b>TOTAL REVENUES</b>	<b>788,000</b>	<b>788,000</b>	<b>564,544</b>	<b>643,294</b>	<b>1,207,838</b>	<b>419,838</b>
<b>EXPENDITURES:</b>						
Personal services	531,000	531,000	289,805	383,253	673,058	(142,058)
Materials and services	59,000	59,000	8,980	16,273	25,253	33,747
Debt service:						
Principal	120,000	120,000	119,552	-	119,552	448
Interest	1,000	1,000	491	-	491	509
Contingency	28,000	28,000	-	-	-	28,000
<b>TOTAL EXPENDITURES</b>	<b>739,000</b>	<b>739,000</b>	<b>418,828</b>	<b>399,526</b>	<b>818,354</b>	<b>(79,354)</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>49,000</b>	<b>49,000</b>	<b>145,716</b>	<b>243,768</b>	<b>389,484</b>	<b>340,484</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers from other funds	214,000	214,000	-	-	-	(214,000)
Transfers to other funds	(144,000)	(144,000)	(71,000)	(73,000)	(144,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>70,000</b>	<b>70,000</b>	<b>(71,000)</b>	<b>(73,000)</b>	<b>(144,000)</b>	<b>(214,000)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>119,000</b>	<b>119,000</b>	<b>74,716</b>	<b>170,768</b>	<b>245,484</b>	<b>126,484</b>
<b>FUND BALANCES (DEFICIT) - beginning</b>	<b>-</b>	<b>-</b>	<b>(2,059)</b>	<b>72,657</b>	<b>(2,059)</b>	<b>(2,059)</b>
<b>FUND BALANCES - ending</b>	<b>\$ 119,000</b>	<b>\$ 119,000</b>	<b>\$ 72,657</b>	<b>\$ 243,425</b>	<b>\$ 243,425</b>	<b>\$ 124,425</b>



CITY OF WEST LINN, OREGON  
 PLANNING FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budget for the 2010-2011 Biennium		Actual			Variance with Final Budget
	Original	Final	1st Year FY 2009-10	2nd Year FY 2010-11	Total	
<b>REVENUES:</b>						
Intergovernmental	\$ 444,000	\$ 444,000	\$ 206,831	\$ 213,669	\$ 420,500	\$ (23,500)
Franchise taxes	298,000	298,000	168,636	64,400	233,036	(64,964)
Licenses and permits	231,000	231,000	274,505	160,818	435,323	204,323
Investment earnings	2,000	2,000	755	482	1,237	(763)
Miscellaneous	2,000	2,000	357	5,388	5,745	3,745
<b>TOTAL REVENUES</b>	<b>977,000</b>	<b>977,000</b>	<b>651,084</b>	<b>444,757</b>	<b>1,095,841</b>	<b>118,841</b>
<b>EXPENDITURES:</b>						
Personal services	1,284,000	1,284,000	573,688	611,293	1,184,981	99,019
Material and services	76,000	76,000	36,647	38,149	74,796	1,204
Contingency	120,000	120,000	-	-	-	120,000
<b>TOTAL EXPENDITURES</b>	<b>1,480,000</b>	<b>1,480,000</b>	<b>610,335</b>	<b>649,442</b>	<b>1,259,777</b>	<b>220,223</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(503,000)</b>	<b>(503,000)</b>	<b>40,749</b>	<b>(204,685)</b>	<b>(163,936)</b>	<b>339,064</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers from other funds	630,000	630,000	276,000	349,000	625,000	(5,000)
Transfers to other funds	(409,000)	(409,000)	(202,000)	(207,000)	(409,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>221,000</b>	<b>221,000</b>	<b>74,000</b>	<b>142,000</b>	<b>216,000</b>	<b>(5,000)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(282,000)</b>	<b>(282,000)</b>	<b>114,749</b>	<b>(62,685)</b>	<b>52,064</b>	<b>334,064</b>
<b>FUND BALANCES - beginning</b>	<b>318,000</b>	<b>318,000</b>	<b>210,793</b>	<b>325,542</b>	<b>210,793</b>	<b>(107,207)</b>
<b>FUND BALANCES - ending</b>	<b>\$ 36,000</b>	<b>\$ 36,000</b>	<b>\$ 325,542</b>	<b>\$ 262,857</b>	<b>\$ 262,857</b>	<b>\$ 226,857</b>

CITY OF WEST LINN, OREGON  
 DEBT SERVICE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budget for the 2010-2011 Biennium		Actual			Variance with Final Budget
	Original	Final	1st Year FY 2009-10	2nd Year FY 2010-11	Total	
<b>REVENUES:</b>						
Property taxes	\$ 1,770,000	\$ 1,770,000	\$ 827,126	\$ 888,281	\$ 1,715,407	\$ (54,593)
Investment earnings	12,000	12,000	314	180	494	(11,506)
<b>TOTAL REVENUES</b>	<b>1,782,000</b>	<b>1,782,000</b>	<b>827,440</b>	<b>888,461</b>	<b>1,715,901</b>	<b>(66,099)</b>
<b>EXPENDITURES:</b>						
Debt service:						
Principal	1,170,000	1,170,000	545,000	680,000	1,225,000	(55,000)
Interest	690,000	690,000	379,772	200,120	579,892	110,108
<b>TOTAL EXPENDITURES</b>	<b>1,860,000</b>	<b>1,860,000</b>	<b>924,772</b>	<b>880,120</b>	<b>1,804,892</b>	<b>55,108</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND NET CHANGE IN FUND BALANCE</b>	<b>(78,000)</b>	<b>(78,000)</b>	<b>(97,332)</b>	<b>8,341</b>	<b>(88,991)</b>	<b>(10,991)</b>
<b>FUND BALANCES - beginning</b>	<b>222,000</b>	<b>222,000</b>	<b>214,386</b>	<b>117,054</b>	<b>214,386</b>	<b>(7,614)</b>
<b>FUND BALANCES - ending</b>	<b>\$ 144,000</b>	<b>\$ 144,000</b>	<b>\$ 117,054</b>	<b>\$ 125,395</b>	<b>\$ 125,395</b>	<b>\$ (18,605)</b>

CITY OF WEST LINN, OREGON  
 PARK BOND CONSTRUCTION FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budget for the 2010-2011 Biennium		Actual		Total	Variance with Final Budget
	Original	Final	1st Year FY 2009-10	2nd Year FY 2010-11		
<b>REVENUES:</b>						
Investment earnings	\$ 10,000	\$ 10,000	\$ 1,950	\$ 1,869	\$ 3,819	\$ (6,181)
<b>EXPENDITURES:</b>						
Materials and services	40,000	40,000	260	2,243	2,503	37,497
Capital outlay	<u>1,016,000</u>	<u>1,016,000</u>	<u>94,985</u>	<u>739,217</u>	<u>834,202</u>	<u>181,798</u>
<b>TOTAL EXPENDITURES</b>	<u>1,056,000</u>	<u>1,056,000</u>	<u>95,245</u>	<u>741,460</u>	<u>836,705</u>	<u>219,295</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES AND NET CHANGE IN FUND BALANCE</b>	(1,046,000)	(1,046,000)	(93,295)	(739,591)	(832,886)	213,114
<b>FUND BALANCES - beginning</b>	<u>1,046,000</u>	<u>1,046,000</u>	<u>968,128</u>	<u>874,833</u>	<u>968,128</u>	<u>(77,872)</u>
<b>FUND BALANCES - ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 874,833</u>	<u>\$ 135,242</u>	<u>\$ 135,242</u>	<u>\$ 135,242</u>

**INDIVIDUAL FUND FINANCIAL  
 SCHEDULES**  
 Proprietary Funds

**Proprietary Funds**

These funds account for operations of the City's enterprise activities. All proprietary funds are major funds of the City.

Water Fund - accounts for the City's water utility operations including maintenance and operations. All water related revenues and expenditures, including capital replacement, are included in this fund.

Environmental Services Fund - accounts for the City's sewer and surface water operations. It includes the maintenance and operations of sewer and surface water infrastructure.

CITY OF WEST LINN, OREGON

WATER FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budget for the 2010-2011 Biennium		Actual			Variance with Final Budget
	Original	Final	1st Year FY 2009-10	2nd Year FY 2010-11	Total	
<b>REVENUES:</b>						
Water charges	\$ 6,579,000	\$ 6,579,000	\$ 2,908,269	\$ 2,902,041	\$ 5,810,310	\$ (768,690)
Systems development charges	13,000	13,000	13,367	35,699	49,066	36,066
Investment earnings	83,000	83,000	775	7	782	(82,218)
Miscellaneous	80,000	80,000	47,671	58,818	106,489	26,489
<b>TOTAL REVENUES</b>	<b>6,755,000</b>	<b>6,755,000</b>	<b>2,970,082</b>	<b>2,996,565</b>	<b>5,966,647</b>	<b>(788,353)</b>
<b>EXPENDITURES:</b>						
Personal services	1,236,000	1,236,000	580,497	522,158	1,102,655	133,345
Materials and services	2,882,000	2,882,000	1,312,707	1,298,377	2,611,084	270,916
Debt service	304,000	304,000	152,866	148,608	301,474	2,526
Capital outlay	680,000	680,000	390,385	62,205	452,590	227,410
Contingency	360,000	360,000	-	-	-	360,000
<b>TOTAL EXPENDITURES</b>	<b>5,462,000</b>	<b>5,462,000</b>	<b>2,436,455</b>	<b>2,031,348</b>	<b>4,467,803</b>	<b>994,197</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>1,293,000</b>	<b>1,293,000</b>	<b>533,627</b>	<b>965,217</b>	<b>1,498,844</b>	<b>205,844</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Proceeds from sale of capital assets	-	-	-	4,287	4,287	4,287
Transfers to other funds	(2,229,000)	(2,229,000)	(686,000)	(743,000)	(1,429,000)	800,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(2,229,000)</b>	<b>(2,229,000)</b>	<b>(686,000)</b>	<b>(738,713)</b>	<b>(1,424,713)</b>	<b>804,287</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(936,000)</b>	<b>(936,000)</b>	<b>(152,373)</b>	<b>226,504</b>	<b>74,131</b>	<b>1,010,131</b>
<b>FUND BALANCES - beginning</b>	<b>1,087,000</b>	<b>1,087,000</b>	<b>620,669</b>	<b>468,296</b>	<b>620,669</b>	<b>(466,331)</b>
<b>FUND BALANCES - ending</b>	<b>\$ 151,000</b>	<b>\$ 151,000</b>	<b>468,296</b>	<b>694,800</b>	<b>\$ 694,800</b>	<b>\$ 543,800</b>
<b>RECONCILIATION TO GAAP BASIS:</b>						
Adjustment for capital assets not being depreciated			460,403	307,854		
Adjustment for capital assets, net of accumulated depreciation			9,894,768	9,703,552		
Adjustment for investment in joint venture			7,275,298	7,349,803		
Adjustment for bonds payable - due within one year			(80,000)	(85,000)		
Adjustment for bonds payable			(1,145,000)	(1,060,000)		
<b>FUND BALANCES - GAAP BASIS, ending</b>			<b>\$ 16,873,765</b>	<b>\$ 16,911,009</b>		

CITY OF WEST LINN, OREGON

ENVIRONMENTAL SERVICES FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budget for the 2010-2011 Biennium		Actual			Variance with Final Budget
	Original	Final	1st Year FY 2009-10	2nd Year FY 2010-11	Total	
<b>REVENUES:</b>						
Sewer charges	\$ 3,233,000	\$ 3,233,000	\$ 1,632,385	\$ 1,714,474	\$ 3,346,859	\$ 113,859
Surface water charges	1,187,000	1,187,000	592,883	627,169	1,220,052	33,052
Intergovernmental	63,000	63,000	56,381	53,006	109,387	46,387
Systems development charges	58,000	58,000	75,209	105,261	180,470	122,470
Investment earnings	126,000	126,000	6,153	2,839	8,992	(117,008)
Miscellaneous	57,000	57,000	5,000	56	5,056	(51,944)
<b>TOTAL REVENUES</b>	<b>4,724,000</b>	<b>4,724,000</b>	<b>2,368,011</b>	<b>2,502,805</b>	<b>4,870,816</b>	<b>146,816</b>
<b>EXPENDITURES:</b>						
Personal services	1,024,000	1,024,000	462,996	475,767	938,763	85,237
Materials and services	635,000	635,000	247,249	229,645	476,894	158,106
Capital outlay	3,000,000	3,000,000	217,298	389,856	607,154	2,392,846
Contingency	241,000	241,000	-	-	-	241,000
<b>TOTAL EXPENDITURES</b>	<b>4,900,000</b>	<b>4,900,000</b>	<b>927,543</b>	<b>1,095,268</b>	<b>2,022,811</b>	<b>2,877,189</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(176,000)</b>	<b>(176,000)</b>	<b>1,440,468</b>	<b>1,407,537</b>	<b>2,848,005</b>	<b>3,024,005</b>
<b>OTHER FINANCING USES:</b>						
Transfers to other funds	(2,170,000)	(2,170,000)	(1,051,000)	(1,119,000)	(2,170,000)	-
<b>NET CHANGE IN FUND BALANCES</b>	<b>(2,346,000)</b>	<b>(2,346,000)</b>	<b>389,468</b>	<b>288,537</b>	<b>678,005</b>	<b>3,024,005</b>
<b>FUND BALANCES - beginning</b>	<b>2,388,000</b>	<b>2,388,000</b>	<b>2,375,613</b>	<b>2,765,081</b>	<b>2,375,613</b>	<b>(12,387)</b>
<b>FUND BALANCES - ending</b>	<b>\$ 42,000</b>	<b>\$ 42,000</b>	<b>2,765,081</b>	<b>3,053,618</b>	<b>\$ 3,053,618</b>	<b>\$ 3,011,618</b>
<b>RECONCILIATION TO GAAP BASIS:</b>						
Adjustment for capital assets not being depreciated			163,019	283,361		
Adjustment for capital assets, net of accumulated depreciation			17,796,139	17,795,040		
<b>FUND BALANCES - GAAP BASIS, ending</b>			<b>\$20,724,239</b>	<b>\$21,132,019</b>		

**OTHER FINANCIAL SCHEDULES**

Schedule of Future Debt Service Requirements

Schedule of Property Tax Transactions and Outstanding Balance

Schedule of Accountability of Independently Elected Officials

**CITY OF WEST LINN, OREGON**  
**SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Fiscal year	FUTURE BOND PRINCIPAL					
	General Obligation Bonds		Full Faith and Credit Obligations Bonds		Revenue Bonds	Total
	Series 2009-A Refunded Parks	Series 2010-A Refunded Library	Series 2009-B Str/Police/Parks	Series 2010-B Refunded City Hall	Water Series 2000	
	Jan. 21, 2009	Sep. 2, 2010	Jan. 21, 2009	Sep. 2, 2010	Oct. 1, 2000	
2012	\$ 490,000	\$ 200,000	\$ 155,000	\$ 220,000	\$ 85,000	
2013	505,000	220,000	160,000	225,000	90,000	1,200,000
2014	515,000	240,000	165,000	230,000	95,000	1,245,000
2015	535,000	250,000	170,000	240,000	105,000	1,300,000
2016	555,000	275,000	175,000	245,000	110,000	1,360,000
2017	570,000	290,000	180,000	255,000	115,000	1,410,000
2018	590,000	310,000	185,000	265,000	125,000	1,475,000
2019	280,000	330,000	190,000	275,000	130,000	1,205,000
2020	-	355,000	200,000	285,000	140,000	980,000
2021	-	385,000	210,000	295,000	150,000	1,040,000
2022	-	-	215,000	-	-	215,000
2023	-	-	225,000	-	-	225,000
2024	-	-	235,000	-	-	235,000
2025	-	-	245,000	-	-	245,000
2026	-	-	255,000	-	-	255,000
2027	-	-	265,000	-	-	265,000
2028	-	-	275,000	-	-	275,000
2029	-	-	290,000	-	-	290,000
	<u>\$ 4,040,000</u>	<u>\$ 2,855,000</u>	<u>\$ 3,795,000</u>	<u>\$ 2,535,000</u>	<u>\$ 1,145,000</u>	<u>\$ 14,370,000</u>

Fiscal year	FUTURE BOND INTEREST					
	General Obligation Bonds		Full Faith and Credit Obligations Bonds		Revenue Bonds	Total
	Series 2009-A Refunded Parks	Series 2010-A Refunded Library	Series 2009-B Str/Police/Parks	Series 2010-B Refunded City Hall	Water Series 2000	
	Jan. 21, 2009	Sep. 2, 2010	Jan. 21, 2009	Sep. 2, 2010	Oct. 1, 2000	
2012	\$ 131,188	\$ 69,538	\$ 147,223	\$ 79,425	\$ 65,044	
2013	116,488	63,538	142,573	72,750	60,013	455,362
2014	101,338	59,138	137,773	65,925	54,694	418,868
2015	85,888	54,338	132,823	58,875	48,944	380,868
2016	69,838	49,338	127,723	51,600	42,763	341,262
2017	51,800	43,838	122,035	42,825	36,150	296,648
2018	31,850	37,313	115,735	32,425	28,950	246,273
2019	5,600	29,563	108,335	23,000	21,300	187,798
2020	-	21,313	100,735	14,600	13,200	149,848
2021	-	11,550	92,735	5,163	4,500	113,948
2022	-	-	84,335	-	-	84,335
2023	-	-	75,735	-	-	75,735
2024	-	-	66,623	-	-	66,623
2025	-	-	57,105	-	-	57,105
2026	-	-	46,815	-	-	46,815
2027	-	-	36,105	-	-	36,105
2028	-	-	24,578	-	-	24,578
2029	-	-	12,615	-	-	12,615
	<u>\$ 593,990</u>	<u>\$ 439,467</u>	<u>\$ 1,631,601</u>	<u>\$ 446,588</u>	<u>\$ 375,558</u>	<u>\$ 3,487,204</u>

**CITY OF WEST LINN, OREGON**  
**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Tax Year	Uncollected Property Taxes as of June 30, 2010	Add Tax Levy Extended by Assessor	Add (deduct) Adjustments and Discounts	Deduct Cash Collections	Uncollected Property Taxes as of June 30, 2011
Current fiscal year 2010-11	\$ -	\$ 7,032,330	\$ (209,788)	(6,567,529)	\$ 255,013
Prior fiscal years 2009-10	286,542	-	(15,948)	(168,390)	102,204
2008-09	119,808	-	(4,892)	(58,437)	56,479
2007-08	44,198	-	(1,721)	(24,106)	18,371
2006-07	21,912	-	(1,143)	(15,221)	5,548
2005-06 & prior	17,630	-	(5,553)	(1,836)	10,241
Sub-total prior	<u>490,090</u>	<u>-</u>	<u>(29,258)</u>	<u>(267,989)</u>	<u>192,843</u>
Total	<u>\$ 490,090</u>	<u>\$ 7,032,330</u>	<u>\$ (239,046)</u>	<u>\$ (6,835,518)</u>	<u>\$ 447,856</u>

Parks and Recreation Fund	\$ 88,823
Library Fund	39,970
Public Safety Fund	257,585
Debt Service Fund	<u>61,478</u>
	<u>\$ 447,856</u>

**CITY OF WEST LINN, OREGON**  
**SCHEDULE OF ACCOUNTABILITY OF INDEPENDENTLY ELECTED OFFICIALS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Oregon Revised Statutes (ORS) Section 297 requires a statement of accountability for each independently elected official collecting or receiving money in the municipal corporation. In compliance with ORS 297, there are no independently elected officials that collect or receive money on behalf of the City of West Linn.

CITY OF WEST LINN, OREGON  
COMPREHENSIVE ANNUAL FINANCIAL REPORT

SECTION III

STATISTICAL SECTION

STATISTICAL SECTION

This section provides further details as a context for a better understanding of the financial statements.

<b>Contents</b>	<b>Page</b>
Financial Trends These schedules contain trend information to help the reader understand how financial performance has changed over time.	85
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.	91
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	95
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	100
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	102

Sources: The information in these schedules is derived from the comprehensive annual financial reports for the relevant year, unless otherwise noted. The City implemented GASB Statement 34 in fiscal year 2002-03, except for the infrastructure provisions which were implemented in fiscal year 2007-08, GASB Statement 44 in fiscal year 2007-08, and GASB Statement 54 in fiscal year 2010-11.

CITY OF WEST LINN, OREGON

**Net Assets by Component  
for the last nine fiscal years <sup>1</sup>  
(accrual basis of accounting)  
(in thousands)**

	Fiscal Year Ended								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Governmental activities</b>									
Invested in capital assets, net of related debt	\$ 24,716	\$ 14,704	\$ 17,453	\$ 17,951	\$ 241,987	\$ 218,998	\$ 219,277	\$ 217,988	\$ 218,578
Restricted	-	3,867	4,080	2,854	3,526	4,479	6,565	6,450	4,930
Unrestricted (deficit)	(2,069)	5,893	3,921	2,996	3,995	2,514	(248)	1,279	3,483
<b>Total governmental activities net assets</b>	<b>22,647</b>	<b>24,464</b>	<b>25,454</b>	<b>23,801</b>	<b>249,508</b>	<b>225,991</b>	<b>225,594</b>	<b>225,717</b>	<b>226,991</b>
<b>Business-type activities</b>									
Invested in capital assets, net of related debt	18,056	19,011	20,447	21,059	20,723	26,201	27,454	27,089	26,945
Restricted	-	-	-	-	-	-	155	155	155
Unrestricted	8,944	8,458	7,085	8,442	9,939	10,090	10,082	10,354	10,943
<b>Total business-type activities net assets</b>	<b>27,000</b>	<b>27,469</b>	<b>27,532</b>	<b>29,501</b>	<b>30,662</b>	<b>36,291</b>	<b>37,691</b>	<b>37,598</b>	<b>38,043</b>
<b>Primary government</b>									
Invested in capital assets, net of related debt	42,772	33,715	37,900	39,010	262,710	245,199	246,731	245,077	245,523
Restricted	-	3,867	4,080	2,854	3,526	4,479	6,720	6,605	5,085
Unrestricted	6,875	14,351	11,006	11,438	13,934	12,604	9,834	11,633	14,426
<b>Total primary government net assets</b>	<b>\$ 49,647</b>	<b>\$ 51,933</b>	<b>\$ 52,986</b>	<b>\$ 53,302</b>	<b>\$ 280,170</b>	<b>\$ 262,282</b>	<b>\$ 263,285</b>	<b>\$ 263,315</b>	<b>\$ 265,034</b>

<sup>1</sup> Fiscal year 2002-03 was the first year that the new reporting requirements of GASB 34 were implemented, except for the infrastructure provisions which were implemented in fiscal year 2007-08.

CITY OF WEST LINN, OREGON

**Changes in Net Assets  
for the last nine fiscal years <sup>1</sup>  
(accrual basis of accounting)  
(in thousands)**

	Fiscal Year Ended								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Expenses</b>									
<b>Governmental activities:</b>									
General government	\$ 6,520	\$ 3,637	\$ 3,838	\$ 4,040	\$ 4,695	\$ 6,007	\$ 5,970	\$ 6,305	\$ 6,676
Culture and recreation	2,849	2,725	2,776	2,846	2,973	4,279	5,433	5,492	5,788
Public safety	6,088	5,767	4,315	4,414	4,490	5,658	6,318	6,472	6,368
Highways and streets	1,235	1,200	609	1,442	994	1,235	3,528	3,492	3,492
Interest on long-term debt	513	724	773	591	640	631	599	626	404
Unallocated depreciation	1,242	550	626	1,486	644	2,395	-	-	-
<b>Total governmental activities expenses</b>	<b>18,447</b>	<b>14,603</b>	<b>12,937</b>	<b>14,819</b>	<b>14,436</b>	<b>20,205</b>	<b>21,848</b>	<b>22,387</b>	<b>22,728</b>
<b>Business-type activities:</b>									
Water	2,474	2,362	2,450	2,732	2,270	2,914	3,269	3,071	3,061
Environmental services	1,851	1,880	1,950	2,094	1,409	2,814	2,704	2,560	2,640
<b>Total business-type activities expenses</b>	<b>4,325</b>	<b>4,242</b>	<b>4,400</b>	<b>4,826</b>	<b>3,679</b>	<b>5,728</b>	<b>5,973</b>	<b>5,631</b>	<b>5,701</b>
<b>Total primary government expenses</b>	<b>\$ 22,772</b>	<b>\$ 18,845</b>	<b>\$ 17,337</b>	<b>\$ 19,645</b>	<b>\$ 18,115</b>	<b>\$ 25,933</b>	<b>\$ 27,821</b>	<b>\$ 28,018</b>	<b>\$ 28,429</b>
<b>Program Revenues</b>									
<b>Governmental activities:</b>									
<b>Charges for services:</b>									
General government	\$ 3,336	\$ 2,564	\$ 3,134	\$ 3,955	\$ 3,527	\$ 6,473	\$ 6,364	\$ 6,844	\$ 7,232
Culture and recreation	1,201	-	-	-	-	1,321	1,543	1,590	1,764
Public safety	334	-	-	-	-	753	664	663	693
Highways and streets	24	-	-	-	-	243	833	778	792
Operating grants and contributions	5,550	2,102	2,716	2,411	2,374	2,372	2,486	3,045	4,015
Capital grants and contributions	-	-	-	-	-	1,755	727	770	493
<b>Total governmental activities program revenues</b>	<b>10,445</b>	<b>4,666</b>	<b>5,850</b>	<b>6,366</b>	<b>5,901</b>	<b>12,917</b>	<b>12,617</b>	<b>13,690</b>	<b>14,989</b>
<b>Business-type activities:</b>									
<b>Charges for services:</b>									
Water	3,098	2,876	2,573	2,986	3,579	2,903	3,069	2,926	3,071
Environmental services	1,812	1,811	1,870	1,899	2,244	2,020	2,452	2,362	2,500
Capital grants and contributions	-	-	-	-	-	865	1,635	100	206
<b>Total business-type activities program revenues</b>	<b>4,910</b>	<b>4,687</b>	<b>4,443</b>	<b>4,885</b>	<b>5,823</b>	<b>5,788</b>	<b>7,156</b>	<b>5,388</b>	<b>5,777</b>
<b>Total primary government program revenues</b>	<b>\$ 15,355</b>	<b>\$ 9,353</b>	<b>\$ 10,293</b>	<b>\$ 11,251</b>	<b>\$ 11,724</b>	<b>\$ 18,705</b>	<b>\$ 19,773</b>	<b>\$ 19,078</b>	<b>\$ 20,766</b>

Continued on next page

<sup>1</sup> Fiscal year 2002-03 was the first year that the new reporting requirements of GASB 34 were implemented, except for the infrastructure provisions which were implemented in fiscal year 2007-08.

	Fiscal Year Ended								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Net (Expense) Revenue</b>									
Governmental activities	\$ (8,002)	\$ (9,937)	\$ (7,087)	\$ (8,453)	\$ (8,535)	\$ (7,288)	\$ (9,231)	\$ (8,697)	\$ (7,739)
Business-type activities	585	445	43	59	2,144	60	1,183	(243)	76
Total primary government expenses	<u>\$ (7,417)</u>	<u>\$ (9,492)</u>	<u>\$ (7,044)</u>	<u>\$ (8,394)</u>	<u>\$ (6,391)</u>	<u>\$ (7,228)</u>	<u>\$ (8,048)</u>	<u>\$ (8,940)</u>	<u>\$ (7,663)</u>
<b>General Revenues and Other Changes in Net Assets</b>									
Governmental activities:									
Property taxes, levied for general purposes	\$ 4,123	\$ 7,728	\$ 5,520	\$ 5,760	\$ 6,675	\$ 5,264	\$ 5,536	\$ 5,785	\$ 5,918
Property taxes, levied for debt service	1,132	911	811	854	931	769	942	828	884
Franchise taxes	1,706	1,829	1,711	1,460	2,098	1,686	1,728	1,952	1,662
Unrestricted grants and contributions	253	-	-	382	279	263	604	361	675
Interest and investment earnings	254	144	171	210	468	420	51	23	18
Gain on disposition of capital assets	-	-	-	-	-	-	-	-	222
Transfers	112	180	165	(1,866)	1,092	(132)	(27)	(129)	(365)
Total governmental activities	<u>7,580</u>	<u>10,792</u>	<u>8,378</u>	<u>6,800</u>	<u>11,543</u>	<u>8,270</u>	<u>8,834</u>	<u>8,820</u>	<u>9,014</u>
Business-type activities:									
Investment earnings	81	47	20	44	110	109	190	7	3
Gain on disposition of capital assets	-	-	-	-	-	-	-	14	1
Transfers	-	-	-	1,866	(1,092)	132	27	129	365
Total business-type activities	<u>81</u>	<u>47</u>	<u>20</u>	<u>1,910</u>	<u>(982)</u>	<u>241</u>	<u>217</u>	<u>150</u>	<u>369</u>
Total primary government	<u>\$ 7,661</u>	<u>\$ 10,839</u>	<u>\$ 8,398</u>	<u>\$ 8,710</u>	<u>\$ 10,561</u>	<u>\$ 8,511</u>	<u>\$ 9,051</u>	<u>\$ 8,970</u>	<u>\$ 9,383</u>
<b>Change in Net Assets</b>									
Governmental activities	\$ (422)	\$ 855	\$ 1,291	\$ (1,653)	\$ 3,008	\$ 982	\$ (397)	\$ 123	\$ 1,275
Business-type activities	666	492	63	1,969	1,162	301	1,400	(93)	445
Total primary government	<u>\$ 244</u>	<u>\$ 1,347</u>	<u>\$ 1,354</u>	<u>\$ 316</u>	<u>\$ 4,170</u>	<u>\$ 1,283</u>	<u>\$ 1,003</u>	<u>\$ 30</u>	<u>\$ 1,720</u>

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**CITY OF WEST LINN, OREGON**  
**Governmental Funds Tax Revenues by Source**  
*for the last ten fiscal years*  
(modified accrual basis of accounting)

Fiscal year	Property tax	Franchise tax	Motor fuel tax <sup>1</sup>	Alcoholic beverage tax <sup>1</sup>	Total
2002	\$ 6,916,387	\$ 1,503,792	\$ 934,479	\$ 192,801	\$ 9,547,459
2003	8,471,069	1,706,007	943,841	202,288	11,323,205
2004	8,712,331	1,828,703	967,752	214,322	11,723,108
2005	6,440,143	1,711,039	1,156,516	203,690	9,511,388
2006	6,650,854	1,459,842	1,166,254	266,193	9,543,143
2007	7,531,540	2,098,041	1,129,618	252,951	11,012,150
2008	5,965,524	1,685,632	1,057,792	275,206	8,984,154
2009	6,392,688	1,727,918	1,018,039	319,257	9,457,902
2010	6,603,432	1,952,259	1,012,955	252,198	9,820,844
2011	6,834,048	1,662,509	1,204,209	289,005	9,989,771

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

Trend Lines of Tax Revenues by Source





**CITY OF WEST LINN, OREGON**  
**Fund Balances of Governmental Funds**  
*for the last nine fiscal years <sup>1</sup>*  
**(modified accrual basis of accounting)**

	Fiscal Year Ended								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
General fund									
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 104,342	\$ 142,264	\$ -	\$ 36,838	\$ 150,378
Restricted	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	620,683	644,507	439,342	1,232,657	742,999	695,299	985,405	1,144,698	1,052,484
<b>Total general fund</b>	<b>\$ 620,683</b>	<b>\$ 644,507</b>	<b>\$ 439,342</b>	<b>\$ 1,232,657</b>	<b>\$ 847,341</b>	<b>\$ 837,563</b>	<b>\$ 985,405</b>	<b>\$ 1,181,536</b>	<b>\$ 1,202,862</b>
All other governmental funds									
Nonspendable	\$ -	\$ -	\$ -	\$ 250,000	\$ 250,000	\$ 157,298	\$ 157,300	\$ 157,300	\$ 157,300
Restricted	5,413,602	5,669,648	5,773,038	3,798,139	3,558,887	4,322,104	6,408,089	6,292,160	4,773,436
Committed	2,865,310	2,965,904	1,973,454	514,764	2,481,294	1,683,251	2,138,630	2,331,737	3,000,053
Assigned	-	-	-	317,384	425,586	240,620	156,522	101,602	-
Unassigned	-	-	-	-	-	-	-	-	-
<b>Total all other governmental funds</b>	<b>\$ 8,278,912</b>	<b>\$ 8,635,552</b>	<b>\$ 7,746,492</b>	<b>\$ 4,880,287</b>	<b>\$ 6,715,767</b>	<b>\$ 6,403,273</b>	<b>\$ 8,860,541</b>	<b>\$ 8,882,799</b>	<b>\$ 7,930,789</b>

<sup>1</sup> Fiscal year 2002-03 was the first year that the new reporting requirements of GASB 34 were implemented, except for the infrastructure provisions which were implemented in fiscal year 2007-08, and GASB 54 was implemented in fiscal year 2010-11.

**CITY OF WEST LINN, OREGON**  
**Changes in Fund Balances of Governmental Funds**  
*for the last nine fiscal years <sup>1</sup>*  
**(modified accrual basis of accounting)**

	Fiscal Year Ended								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Revenues:</b>									
Property taxes	\$ 8,471,069	\$ 8,712,331	\$ 6,440,143	\$ 6,650,854	\$ 7,531,540	\$ 5,965,524	\$ 6,392,688	\$ 6,603,432	\$ 6,834,048
Intergovernmental	2,353,038	2,102,137	2,716,878	2,410,889	2,374,184	2,371,677	2,486,047	3,678,872	4,015,212
Franchise taxes	1,706,007	1,828,703	1,711,039	1,459,842	2,098,041	1,685,632	1,727,918	1,952,259	1,662,509
Fines and forfeitures	378,226	314,451	463,254	513,503	567,159	517,662	586,145	565,151	520,087
Licenses and fees	628,525	548,215	703,169	672,024	1,155,020	1,108,494	1,006,790	1,037,008	1,012,185
Charges for services	1,216,947	1,803,957	2,160,498	2,373,428	452,744	5,770,614	7,192,160	7,664,216	7,920,641
Systems development charges	1,165,220	774,017	622,099	1,155,017	1,209,582	963,567	618,819	608,727	1,027,067
Investment earnings	256,499	142,692	173,518	202,996	467,203	419,705	50,420	22,990	17,718
Miscellaneous	1,000,893	150,248	164,664	382,899	279,634	263,531	604,187	360,470	674,790
Total revenues	<u>17,176,424</u>	<u>16,376,751</u>	<u>15,155,262</u>	<u>15,821,452</u>	<u>16,135,107</u>	<u>19,066,406</u>	<u>20,665,174</u>	<u>22,493,125</u>	<u>23,684,257</u>
<b>Expenditures:</b>									
Current:									
General government	5,597,314	4,419,135	4,615,175	4,810,789	4,464,283	5,334,764	5,944,189	6,194,465	6,520,299
Culture and recreation	2,787,800	2,810,471	3,591,126	2,908,948	2,973,587	4,274,399	4,548,376	4,647,411	4,934,363
Public safety	6,141,779	5,971,735	4,323,057	4,578,620	4,545,133	5,642,339	5,940,429	6,262,603	6,261,541
Highways and streets	1,315,363	1,199,738	1,614,965	1,534,138	1,043,943	1,236,200	1,634,945	1,569,050	1,545,578
Debt service:									
Principal	425,000	616,092	654,887	590,000	625,000	670,000	705,000	825,000	1,070,000
Interest	536,800	729,153	694,268	669,356	639,505	626,604	472,048	741,544	418,655
Current refunding	-	-	-	-	-	-	4,992,519	-	5,933,478
Capital outlay	1,242,161	764,912	756,008	2,188,791	1,363,980	1,611,978	2,944,474	2,034,663	4,353,775
Total expenditures	<u>18,046,217</u>	<u>16,511,236</u>	<u>16,249,486</u>	<u>17,280,642</u>	<u>15,655,431</u>	<u>19,396,284</u>	<u>27,181,980</u>	<u>22,274,736</u>	<u>31,037,689</u>
Excess (deficiency) of revenues over (under) expenditures	(869,793)	(134,485)	(1,094,224)	(1,459,190)	479,676	(329,878)	(6,516,806)	218,389	(7,353,432)
<b>Other financing sources (uses):</b>									
Transfers from other funds	2,279,927	1,909,921	1,655,936	3,731,852	3,908,392	713,200	322,500	-	-
Transfers to other funds	(2,279,927)	(1,909,921)	(1,655,936)	(4,345,554)	(2,937,904)	(705,594)	(322,500)	-	-
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-	487,887
Full faith and credit obligation bonds issued	-	-	-	-	-	-	4,035,000	-	-
Refunding bonds issued	-	-	-	-	-	-	4,915,000	-	5,640,000
Bond premium on issuance of debt	-	-	-	-	-	-	171,916	-	294,861
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(613,702)</u>	<u>970,488</u>	<u>7,606</u>	<u>9,121,916</u>	<u>-</u>	<u>6,422,748</u>
<b>Net change in fund balances</b>	<b>\$ (869,793)</b>	<b>\$ (134,485)</b>	<b>\$ (1,094,224)</b>	<b>\$ (2,072,892)</b>	<b>\$ 1,450,164</b>	<b>\$ (322,272)</b>	<b>\$ 2,605,110</b>	<b>\$ 218,389</b>	<b>\$ (930,684)</b>
Debt service as a percentage of noncapital expenditures	5.7%	8.5%	8.7%	8.3%	8.8%	7.3%	4.9%	7.7%	5.6%

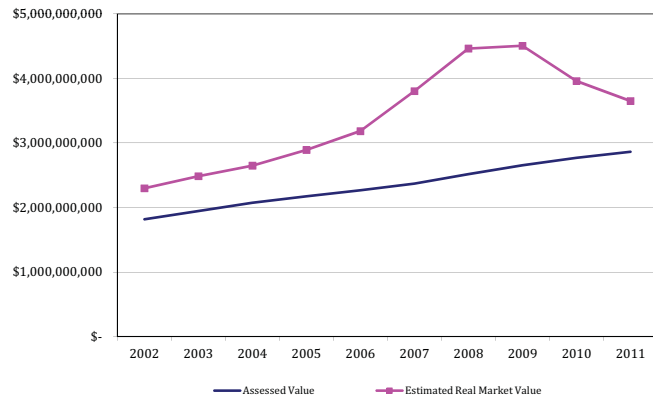
<sup>1</sup> Fiscal year 2002-03 was the first year that the new reporting requirements of GASB 34 were implemented, except for the infrastructure provisions which were implemented in fiscal year 2007-08.

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

Fiscal year	Assessed Value					Total direct tax rate	RMV	
	Real property	Personal property	Manuf'd structure	Public utility	Total assessed value		Estimated real market value (RMV)	Assessed value as a percentage of RMV
2002	\$ 1,756,061,644	\$ 19,608,575	\$ 3,889,686	\$ 39,342,078	\$ 1,818,901,983	3.9159	\$ 2,298,004,436	79 %
2003	1,883,294,435	19,826,228	2,979,343	40,872,922	1,946,972,928	4.4625	2,485,047,559	78
2004	2,008,413,161	20,002,100	2,720,712	43,154,797	2,074,290,770	4.2794	2,649,685,014	78
2005	2,101,719,925	19,893,788	2,842,100	49,379,559	2,173,835,372	3.0127	2,893,044,240	75
2006	2,195,743,606	19,493,768	2,639,830	49,034,500	2,266,911,704	3.0265	3,184,053,186	71
2007	2,297,035,876	19,771,894	1,529,407	51,125,300	2,369,462,477	3.2626	3,804,091,192	62
2008	2,429,084,775	23,088,571	97,310	64,467,300	2,516,737,956	2.4317	4,464,348,037	56
2009	2,551,018,947	24,133,819	13,260	80,383,350	2,655,549,376	2.4984	4,507,161,484	59
2010	2,651,268,406	21,528,027	12,220	95,893,520	2,768,702,173	2.4493	3,960,668,206	70
2011	2,746,237,479	20,571,834	5,760	98,229,395	2,865,044,468	2.4522	3,650,547,820	78

Source: Clackamas County Assessor's Office

The gap between Assessed Value and Estimated Real Market Value

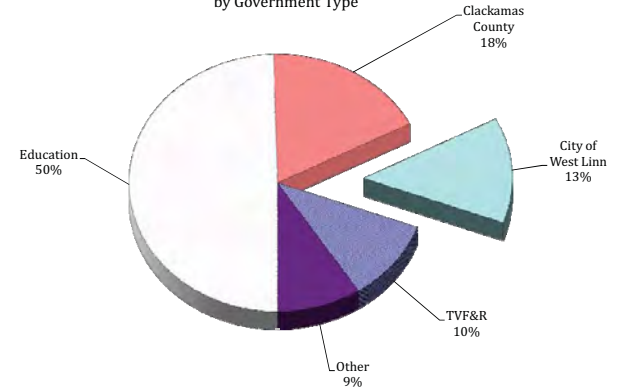


**CITY OF WEST LINN, OREGON**  
**Property Tax Rates - Direct and Overlapping Governments**  
*for the last ten fiscal years*  
*(rate per \$1,000 of assessed value)*

Fiscal year	City direct rates				Overlapping rates						Total direct and overlapping
	Permanent tax rate	Local option levy rate	Bonded debt tax rate	Total direct	West Linn Wilsonville School District	Clackamas County	Clackamas Community College	Education Service District	Tualain Valley Fire and Rescue	Other	
2002	\$ 2.1200	\$ 1.1666	\$ 0.6293	\$ 3.9159	\$ 8.97	\$ 2.57	\$ 0.86	\$ 0.37	\$ -	\$ 0.93	\$ 17.62
2003	2.1200	1.7200	0.6225	4.4625	9.15	2.59	0.74	0.36	-	0.47	17.77
2004	2.1200	1.7200	0.4394	4.2794	9.28	2.58	0.74	0.36	-	0.46	17.69
2005	2.1200	0.5050	0.3877	3.0127	9.18	2.58	0.78	0.36	1.83	0.46	18.19
2006	2.1200	0.4844	0.4221	3.0265	9.23	2.59	0.77	0.36	1.82	0.49	18.28
2007	2.1200	-	0.3876	3.2626	9.31	2.53	0.73	0.36	1.82	0.47	18.48
2008	2.1200	-	0.3117	2.4317	9.24	2.80	0.74	0.36	1.87	0.61	18.05
2009	2.1200	-	0.3784	2.4984	9.05	2.81	0.74	0.36	1.84	0.57	17.88
2010	2.1200	-	0.3293	2.4493	9.18	3.30	0.72	0.36	1.89	0.62	18.52
2011	2.1200	-	0.3322	2.4522	9.34	3.29	0.70	0.36	1.78	0.70	18.62

Source: Clackamas County Assessor's Office

Property tax percentage split by Government Type



**CITY OF WEST LINN, OREGON**  
**Principal Property Taxpayers**  
*current year and nine years ago*

Name	2011			2002		
	Assessed value	Rank	% of total value	Assessed value	Rank	% of total value
Portland General Electric	\$ 63,383,000	1	2.2%	\$ 16,849,200	2	0.9%
Simpson Realty Group	24,989,998	2	0.9%	16,924,440	1	0.9%
West Linn Paper Prop. Co.	22,090,838	3	0.8%	-	-	-
West Linn Shopping Ctr. Assoc. LLC A	18,539,571	4	0.6%	-	-	-
Retail Opportunity Investments Corp.	16,754,259	5	0.6%	-	-	-
Comcast Corporation	16,082,400	6	0.6%	-	-	-
Blackhawk Nevada LLC	16,079,312	7	0.6%	-	-	-
Northwest Natural Gas Company	13,960,500	8	0.5%	6,531,720	5	0.4%
Elliott Associates Inc	10,796,947	9	0.4%	-	-	-
Blackhawk LLC	9,659,168	10	0.3%	-	-	-
West Linn Paper Co.	-	-	-	16,638,340	3	0.9%
Deerpoint LLC	-	-	-	7,365,730	4	0.4%
Tanner Spring LLC	-	-	-	5,553,050	6	0.3%
EA West Family LLC	-	-	-	4,495,030	7	0.2%
West Linn Associates	-	-	-	4,464,580	8	0.2%
Bean Terrence	-	-	-	4,333,380	9	0.2%
US West Communications	-	-	-	3,522,570	10	0.2%
Sub-total, top ten	212,335,993		7.4%	86,678,040		4.8%
All other City taxpayers	2,652,708,475		92.6%	1,732,223,943		95.2%
<b>Total City taxpayers</b>	<b>\$ 2,865,044,468</b>		<b>100.0%</b>	<b>\$ 1,818,901,983</b>		<b>100.0%</b>

Source: Clackamas County Assessor's Office

**CITY OF WEST LINN, OREGON**  
**Property Tax Levies and Collections**  
*for the last ten fiscal years*

Fiscal year	Taxes levied for the fiscal year	Collected within the fiscal year of the levy		Collections in subsequent years	Total collections to date	
		Amount	Percentage of levy		Amount	Percentage of levy
2002	\$ 7,130,296	\$ 6,661,853	93 %	\$ 270,393	\$ 6,932,246	97 %
2003	8,704,528	8,169,273	94	289,309	8,458,582	97
2004	8,879,234	8,368,846	94	258,565	8,627,411	97
2005	6,553,401	6,197,891	95	174,247	6,372,138	97
2006	6,864,067	6,523,682	95	165,180	6,688,862	97
2007	7,759,907	7,310,877	94	244,951	7,555,828	97
2008	6,123,920	5,725,655	93	216,895	5,942,550	97
2009	6,639,388	6,163,584	93	256,182	6,419,766	97
2010	6,783,509	6,337,912	93	168,390	6,506,302	96
2011	7,032,330	6,567,529	93	-	6,567,529	93

Source: Annual financial statements of the City of West Linn



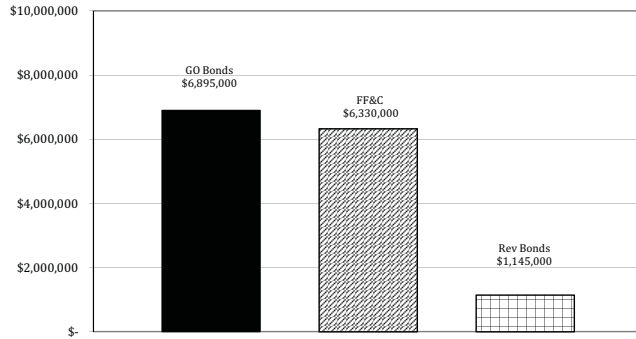
**CITY OF WEST LINN, OREGON**  
**Ratios of Outstanding Debt by Type**  
*for the last ten fiscal years*

Fiscal year	Governmental Activities		Business-type Activities		Total primary government	Percentage of income	Per capita
	General Obligation bonds	Faith and Credit obligations	Water Revenue bonds	Full			
2002	\$ 11,230,000	\$ 4,170,000	\$ 1,750,000	\$ 17,150,000	2.07 %	\$ 732	
2003	10,805,000	4,030,000	1,695,000	16,530,000	1.93	694	
2004	10,425,000	3,885,000	1,640,000	15,950,000	1.77	665	
2005	10,020,000	3,735,000	1,580,000	15,335,000	1.63	637	
2006	9,590,000	3,575,000	1,515,000	14,680,000	1.47	607	
2007	9,130,000	3,410,000	1,450,000	13,990,000	1.50	579	
2008	8,635,000	3,235,000	1,380,000	13,250,000	1.36	543	
2009	8,105,000	7,090,000	1,305,000	16,500,000	*	676	
2010	7,560,000	6,810,000	1,225,000	15,595,000	*	621	
2011	6,895,000	6,330,000	1,145,000	14,370,000	*	571	

\* Information unavailable at this time.

Source: Annual financial statements of the City of West Linn

Outstanding Debt by Type



**CITY OF WEST LINN, OREGON**  
**Ratios of General Bonded Debt Outstanding**  
*for the last ten fiscal years*

Fiscal year	General Obligation bonds	Less: amounts available in debt service fund	Net	Percentage of net over assessed value of property <sup>1</sup>	Per capita <sup>2</sup>
2003	10,805,000	(345,802)	10,459,198	0.54	439
2004	10,425,000	(364,826)	10,060,174	0.48	420
2005	10,020,000	(285,478)	9,734,522	0.45	404
2006	9,590,000	(251,455)	9,338,545	0.41	386
2007	9,130,000	(272,710)	8,857,290	0.37	366
2008	8,635,000	(116,773)	8,518,227	0.34	349
2009	8,105,000	(214,386)	7,890,614	0.30	323
2010	7,560,000	(117,054)	7,442,946	0.27	296
2011	6,895,000	(125,395)	6,769,605	0.24	269

<sup>1</sup> Assessed value data of property can be found on page 91.

<sup>2</sup> Population data can be found on page 100.

**CITY OF WEST LINN, OREGON**  
**Direct and Overlapping Governmental Activities Debt**  
*as of June 30, 2011*

Governmental unit	Real Market Values of Overlapping Districts	Tax-Supported Debt Outstanding	Percentage Overlapping <sup>1</sup>	Overlapping Debt Applicable to the City of West Linn
Debt repaid with property taxes:				
West Linn Wilsonville School District	\$ 7,591,047,720	\$ 223,127,238	47.60%	\$ 106,212,135
Clackamas Community College	35,664,395,610	32,605,000	10.13%	3,303,473
Clackamas County	49,233,660,124	76,195,000	7.41%	5,649,631
Clackamas County ESD	46,889,463,367	-	0.00%	-
Metro	204,123,947,819	158,020,000	1.79%	2,826,030
Tualatin Valley Fire and Rescue	60,517,135,639	49,865,000	6.03%	3,008,006
Tri-Met	203,265,967,775	9,800,000	1.80%	175,998
Lake Oswego School District No. 7]	8,841,054,110	111,094,222	0.42%	466,040
Port of Portland	223,151,821,692	-	0.00%	-
Portland Community College	<u>164,112,266,666</u>	<u>199,390,000</u>	0.02%	<u>45,062</u>
Subtotal, overlapping debt	1,003,390,760,522	860,096,460		121,686,375
Direct debt outstanding:				
City of West Linn	<u>3,650,547,820</u>	<u>13,225,000</u>	100.00%	<u>13,225,000</u>
Total direct and overlapping debt outstanding	<u>\$ 1,007,041,308,342</u>	<u>\$ 873,321,460</u>		<u>\$ 134,911,375</u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

<sup>1</sup> The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the City's taxable assessed value that is within the government's boundaries and dividing it by the City's total taxable assessed value.

Source: Oregon State Treasury Department, Debt Management Division

**CITY OF WEST LINN, OREGON**  
**Legal Debt Margin Information**  
*for the last ten fiscal years*

	2002	2003	2004	2005	2006
Debt maximum limitation	\$ 68,940,133	\$ 74,551,427	\$ 79,490,550	\$ 86,791,327	\$ 95,521,596
Debt applicable to maximum limit	<u>11,110,289</u>	<u>10,459,198</u>	<u>10,060,174</u>	<u>9,734,522</u>	<u>9,338,545</u>
Legal debt margin available	<u>\$ 57,829,844</u>	<u>\$ 64,092,229</u>	<u>\$ 69,430,376</u>	<u>\$ 77,056,805</u>	<u>\$ 86,183,051</u>
Debt applicable to the maximum limit as a percentage of debt limitation	16.12%	14.03%	12.66%	11.22%	9.78%
	2007	2008	2009	2010	2011
Debt maximum limitation	\$ 114,122,736	\$ 133,930,441	\$ 135,214,845	\$ 118,820,046	\$ 109,516,435
Debt applicable to maximum limit	<u>8,857,290</u>	<u>8,518,227</u>	<u>7,890,614</u>	<u>7,442,946</u>	<u>6,769,605</u>
Legal debt margin available	<u>\$ 105,265,446</u>	<u>\$ 125,412,214</u>	<u>\$ 127,324,231</u>	<u>\$ 111,377,100</u>	<u>\$ 102,746,830</u>
Debt applicable to the maximum limit as a percentage of debt limitation	7.76%	6.36%	5.84%	6.26%	6.18%

**Legal debt margin calculation for fiscal year ended June 30, 2011**

Total property real market value	\$ 3,650,547,820
	<u>3%</u>
Debt maximum limitation (3% of total property real market value) <sup>1</sup>	<u>109,516,435</u>
Amount of debt applicable to debt limit:	
Total bonded debt	14,370,000
Less debt excluded from debt limit:	
Full Faith and Credit obligations	(6,330,000)
Water Revenue bonds	(1,145,000)
Less funds applicable to the payment of principal in the debt service fund per ORS 287.004	<u>(125,395)</u>
Net amount of debt applicable to limit	<u>6,769,605</u>
Legal debt margin - amount available for future indebtedness	<u>\$ 102,746,830</u>
Percentage of City's indebtedness to total allowed	6.18%

<sup>1</sup> Pursuant to Oregon Revised Statutes 287.004, outstanding general obligation debt is limited to three percent of real market value.

Source: Clackamas County Department of Assessment and Taxation

**CITY OF WEST LINN, OREGON**  
**Pledged-Revenue Coverage**  
*for the last ten fiscal years*

Fiscal year	Water Revenue Bonds					
	Utility service charges <sup>1</sup>	Less: operating expenses <sup>2</sup>	Net available revenue	Debt service requirements		Coverage
				Principal	Interest	
2002	\$ 2,288,510	\$ 1,921,713	\$ 366,797	\$ 50,000	\$ 101,070	2.43
2003	2,766,922	1,984,630	782,292	55,000	98,548	5.09
2004	2,610,461	2,007,494	602,967	55,000	95,811	4.00
2005	2,301,095	2,003,300	297,795	60,000	92,863	1.95
2006	2,512,238	2,266,952	245,286	65,000	89,580	1.59
2007	2,977,884	2,347,364	630,520	65,000	86,103	4.17
2008	2,640,413	2,396,602	243,811	70,000	82,440	1.60
2009	3,096,470	2,786,354	310,116	75,000	78,470	2.02
2010	2,970,082	2,579,204	390,878	80,000	72,866	2.56
2011	2,996,558	2,563,533	433,025	80,000	68,608	2.91

<sup>1</sup> Charges include operating revenue plus interest income on operating earnings.

<sup>2</sup> Expenses include operating expenses except for depreciation, net income from joint venture, and transfers pursuant to bond covenants coverage requirements.

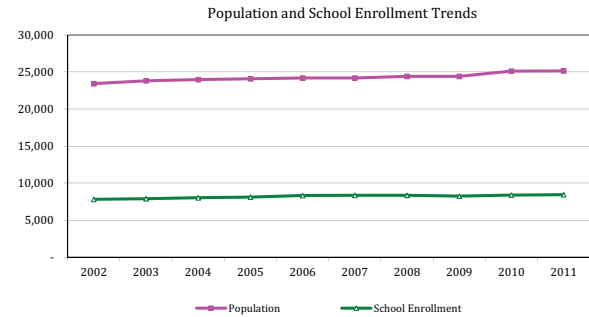
Source: Annual financial statements of the City of West Linn

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

Fiscal year	Population	Personal income (in thousands)	Per capita personal income	School enrollment	Unemployment rate
2002	23,430	\$ 827,454	\$ 35,316	7,793	5.5 %
2003	23,820	856,877	35,973	7,895	6.7
2004	23,970	902,015	37,631	8,016	7.5
2005	24,075	941,718	39,116	8,104	6.9
2006	24,180	1,000,520	41,378	8,315	5.3
2007	24,180	931,196	38,511	8,340	4.1
2008	24,400	974,585	39,942	8,350	5.3
2009	24,400	*	*	8,237	10.7
2010	25,109	*	*	8,378	10.1
2011	25,150	*	*	8,422	-

\* Information unavailable at this time.

Sources: Center for Population Research and Census, Portland State University  
 Bureau of Economic Analysis  
 State of Oregon Employment Department  
 Oregon Department of Education



**CITY OF WEST LINN, OREGON**  
**Principal Employers**  
*current year and nine years ago*

Employer	2011			2002		
	Employees	Rank	Percentage of total City employment	Employees	Rank	Percentage of total City employment
West Linn - Wilsonville SD	372	1	4.28%	608	1	4.08%
West Linn Paper Company	250	2	2.87%	*		
Safeway Inc.	170	3	1.95%	*		
City of West Linn	130	4	1.49%	149	7	1.00
New Albertsons Inc.	87	5	1.00%	*		
American Golf Corporation	80	6	0.92%	*		
Rose Linn Vintage Place	80	7	0.92%	*		
Pond Maintenance Services	75	8	0.86%	*		
Elton Enterprises IV Inc	70	9	0.80%	*		
First Student Inc.	70	10	0.80%	*		
Zupans	70	11	0.80%	*		
Coffee Rush Inc	55	12	0.63%	*		
Ho Lock Security	40	13	0.46%	*		
Fisher Corporation	40	14	0.46%	*		
Thriftway Stores	40	15	0.46%	*		
<b>Total</b>	<b>1,629</b>		<b>6.52%</b>			

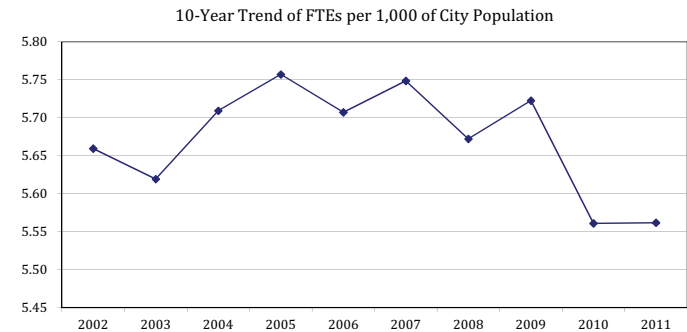
\* Historical number of employees information unavailable for this fiscal year nine years ago.

Sources: Chamber of Commerce and Clackamas County

**CITY OF WEST LINN, OREGON**  
**Full-time Equivalent City Government Employees by Function**  
*for the last ten fiscal years*

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government	15.50	15.75	16.75	17.50	18.00	19.00	17.00	16.60	19.60	19.60
Public safety	37.50	37.50	39.00	40.00	44.60	44.60	44.60	45.50	43.25	43.00
Culture and recreation	33.80	34.80	34.80	34.80	38.80	38.80	39.20	40.43	40.43	40.43
Community development	11.00	11.00	11.50	11.50	5.00	5.00	5.50	5.50	6.50	6.50
Highways and streets	5.25	5.25	4.95	5.30	7.00	7.00	7.00	7.00	7.00	7.00
Water	7.81	7.81	7.91	7.56	7.00	7.00	6.00	6.00	6.00	6.00
Sewer and surface water	9.44	10.04	10.24	10.24	7.00	7.00	7.00	6.00	5.00	5.00
Public works	12.30	11.70	11.70	11.70	10.60	10.60	12.10	12.60	12.10	11.60
<b>Total FTEs</b>	<b>132.60</b>	<b>133.85</b>	<b>136.85</b>	<b>138.60</b>	<b>138.00</b>	<b>139.00</b>	<b>138.40</b>	<b>139.63</b>	<b>139.88</b>	<b>139.13</b>
City Population	23,430	23,820	23,970	24,075	24,180	24,180	24,400	24,400	25,109	25,150
FTEs per 1,000 of population	5.66	5.62	5.71	5.76	5.71	5.75	5.67	5.72	5.56	5.56

Source: City of West Linn's Finance department



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

Function/Program	Fiscal Year Ended							
	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities:								
Public safety								
Citations:								
Traffic	2,274	2,141	2,435	2,109	2,153	2,556	2,772	2,584
Criminal	87	98	90	103	74	157	248	159
Parking	801	1,068	845	1,029	922	1,094	532	541
City Ordinance	57	68	48	59	69	23	38	23
Non-Traffic Violation	49	54	71	86	120	77	30	30
Impound Hearing	-	-	-	-	1	1	1	1
Culture and recreation								
Library volunteer hours	4231	4409	4454	4634	5803	5896	6353	6254
Library - average items circulated per capita	21.96	23.87	24.43	25.01	25.75	28.65	28.58	30.87
Community development								
Residential building permits issued	47	67	58	81	67	54	52	38
Land use applications processed	36	48	-	-	-	-	131	101
Business-type activities: <sup>1</sup>								
Water								
Service connections	7,308	7,613	7,848	8,175	8,322	8,428	8,514	8,521
Average daily consumption (in thousands of gallons)	5,087	5,299	5,463	5,691	5,733	5,867	5,474	5,413
Sanitary sewer								
Service connections	7,234	7,457	7,768	8,008	8,198	8,342	5,404	5,502
Average daily sewage treatment (in thousands of gallons)	4,608	4,750	4,948	5,101	5,200	5,314	4,957	5,012

<sup>1</sup> These are estimated statistics based upon best historic information available.

Source: City of West Linn's Finance department

**CITY OF WEST LINN, OREGON**  
**Capital Assets Statistics by Function**  
*current year and nine years ago*

Function/Program	2011	2002
Governmental activities:		
General government		
City-owned building facilities	5	4
Public safety		
Police stations	1	1
Patrol units	13	8
Culture and recreation		
Park and open space acreage	632	620
Baseball/softball fields	7	5
Community development		
Value of new building construction (in thousands)	17,137	40,504 *
Highways and streets		
Miles of streets	107	104
Miles of bikeways	70 *	43
Surface water catch basins	2,815	2,075 *
Miles of Sidewalk	122 *	70 *
Business-type activities:		
Water		
Water mains (miles)	118	115 *
Maximum daily capacity (in thousands of gallons)	6,480	6,400 *
Sanitary sewer		
Sanitary sewer (miles)	193	174 *
Maximum daily treatment capacity (in thousands of gallons)	8,500	6,000 *

\* These are estimated statistics based upon best historic information available.

Source: City of West Linn's Finance department



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

**SECTION IV**

**COMPLIANCE SECTION**

**COMPLIANCE SECTION**

Oregon Administrative Rules 162-10-050 through 162-10-320 incorporated in the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required statements and schedules are set forth in the preceding sections of this report.

The following reports from Talbot, Korvola & Warwick LLP are contained in this section:

- Independent Auditor's Report Required by Oregon State Regulations.



Talbot, Korvola  
& Warwick, LLP

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**INDEPENDENT AUDITOR'S REPORT  
REQUIRED BY OREGON STATE REGULATIONS**

December 16, 2011

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of West Linn, Oregon, (the City), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 16, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Minimum Standards for Audits of Oregon Municipal Corporations*.

**COMPLIANCE**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed the procedures to the extent we considered necessary to address the required comments and disclosures, which included, but were not limited to the following:

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Highway revenues used for public highways, roads, and streets.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).



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**INDEPENDENT AUDITOR'S REPORT  
REQUIRED BY OREGON STATE REGULATIONS**

**COMPLIANCE (Continued)**

In connection with our testing, nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, except for over expenditures of appropriations as noted below:

<b>Public Safety Fund:</b>		
Materials and services	\$	84,617
<b>Building Inspections Fund:</b>		
Personal services	\$	142,058

**OAR 162-10-230 INTERNAL CONTROL**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

\* \* \* \* \*

This report is intended solely for the information and use of the City Council, Oregon Secretary of State Audits Division, and management and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountants



<http://westlinnoregon.gov/finance>

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Chief Financial Officer  
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**Casey Camors, CPA**  
Deputy Chief Financial Officer  
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This is the **second** publication in a biennial series of financial communications tools:

Biennial Budget 2Q 2011

**2011 Comprehensive Annual Financial Report 4Q 2011**

2011 Popular Annual Financial Report 4Q 2011

Five Year Financial Forecast 1Q 2012

Budget Overview 2Q 2012

2012 Comprehensive Annual Financial Report 4Q 2012

2012 Popular Annual Financial Report 4Q 2012

Six Year Capital Improvement Plan 1Q 2012

Five Year Financial Forecast 1Q 2013

## **APPENDIX E**

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**BOOK-ENTRY ONLY SYSTEM**

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THE DEPOSITORY TRUST COMPANY

**SAMPLE OFFERING DOCUMENT LANGUAGE**  
**DESCRIBING BOOK-ENTRY-ONLY ISSUANCE**

(Prepared by DTC--bracketed material may apply only to certain issues)

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

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

**3.** Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates 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 Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

**5.** Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

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

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

**8.** Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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