

NEW ISSUE

BANK QUALIFIED

## BOOK-ENTRY

*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, that portion of the payments under the Obligations (the "Financing Obligations") created under the Financing Agreement (as defined herein) designated as and constituting interest on the Financing Obligations ("Interest") is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2010 G.O 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 Financing Obligations and the 2010 G.O 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 Obligations and interest on the 2010 G.O 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 Financing Obligations and interest on the 2010 G.O 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 Obligations or the 2010 G.O Bonds. The City has designated the Obligations and the 2010 G.O Bonds as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code. See "TAX MATTERS" herein.*

**CITY OF WEST LINN  
CLACKAMAS COUNTY, OREGON**

**\$3,065,000**

**GENERAL OBLIGATION REFUNDING  
BONDS, SERIES 2010**

**Due: June 1, as shown on the inside cover**

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

**Moody's Rating: Aa2 (See "Ratings" herein.)**

**\$2,575,000**

**FULL FAITH AND CREDIT**

**REFUNDING OBLIGATIONS, SERIES 2010**

**Due: December 1, as shown on the inside cover**

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

**Moody's Rating: Aa3 (See "Ratings" herein.)**

**DATED: Date of Delivery**

**2010 G.O. Bonds** – The \$3,065,000 General Obligation Refunding Bonds, Series 2010 (the "2010 G.O. Bonds") are general obligations of the City of West Linn in Clackamas County, Oregon (the "City").

**2010 Obligations** – The \$2,575,000 Full Faith and Credit Refunding Obligations, Series 2010 (the "2010 Obligations") evidence and represent undivided proportionate interests of the Owners thereof in Financing Payments (defined herein) to be made by the City pursuant to the Financing Agreement between the City and U.S. Bank National Association (the "Financing Agreement").

The 2010 G.O. Bonds and the 2010 Obligations (collectively with the Financing Agreement, the "Securities") will be issued, executed and delivered in fully registered form 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 Securities. Individual purchases of Securities 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 Securities, as long as the Securities are in book-entry form. The City has designated the Securities as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code.

Interest on the Securities will be paid on December 1, 2010 and semiannually thereafter on June 1 and December 1 of each year until the maturity of the Securities. The 2010 G.O. Bonds mature on June 1 in each of the years and amounts set forth on the inside cover and will bear interest from the Date of Delivery to the dates of maturity at the rates per annum as shown on the inside cover. The 2010 Obligations mature on December 1 in each of the years and amounts set forth on the inside cover and will bear interest from the Date of Delivery to the dates of maturity at the rates per annum as shown on the inside cover. Principal of and interest on the Securities will be payable through the City's Paying Agent and Escrow Agent (the "Paying Agent") currently U.S. Bank National Association, to DTC which, in turn is required to remit such principal and interest components to DTC Participants for subsequent disbursement to the Beneficial Owners of the Securities. For so long as the Securities are held by DTC in book-entry format, principal and interest payments will be made as described herein. (See "Description of Common Features of the Securities - Book-Entry Bonds" and Appendix F hereto). The Securities are not subject to optional redemption prior to their stated maturities.

**2010 G.O. Bonds.** The 2010 G.O. Bonds are being issued to refinance all of the City's General Obligation Bonds, Series 2000. The 2010 G.O. Bonds are general obligations of the City. The City has covenanted and is obligated by law to levy annually *ad valorem* taxes without limitation as to rate or amount on all taxable property in the City in an amount sufficient to pay the principal of and interest on the 2010 G.O. Bonds. *Ad valorem* taxes assessed and collected for the 2010 G.O. Bonds are not subject to the limitations of Article XI, Sections 11 and 11b of the Oregon Constitution.

**2010 Obligations.** The 2010 Obligations are being issued to refinance all or a portion of the City's Full Faith and Credit Obligations, Series 2000. In the Financing Agreement, the City has covenanted to pay the Financing Payments from any and all of its legally available taxes, revenues and other funds. The City pledged its full faith and credit and taxing power within the limitations of sections 11 and 11b of Article XI of the Oregon Constitution to pay the Financing Payments and other amounts due under the Financing Agreement. The obligation of the City to make payments is not subject to appropriation.

The Securities do not constitute a debt or indebtedness of Clackamas County, the State of Oregon, or any political subdivision thereof other than the City. The registered Beneficial Owners (as defined herein) of the Securities do not have a lien or security interest on the property financed with the proceeds of the Securities.

The Securities are offered by the Underwriter when, as and if issued by the City, subject to the opinion as to legality of the securities, and tax-exemption of the Securities by Orrick, Herrington & Sutcliffe LLP, Portland, Oregon, Bond Counsel, which opinion will be delivered with the Securities. The Securities, 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 September 2, 2010.

*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.*

**CITY OF WEST LINN  
CLACKAMAS COUNTY, OREGON**

DATED: Date of Delivery (Expected to be September 2, 2010)

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**\$3,065,000  
GENERAL OBLIGATION REFUNDING  
BONDS, SERIES 2010**

**MATURITY SCHEDULE**

DUE: June 1, except for the amount maturing on December 1, 2010, as shown below

Due June 1	Amounts	Interest Rates	Yields	CUSIP <sup>(1)</sup> 954039	Due June 1	Amounts	Interest Rates	Yields	CUSIP <sup>(1)</sup> 954039
2011	\$ 105,000	3.00%	0.35%	KS1	2017	\$ 290,000	2.25%	1.85%	KY8
2012	200,000	3.00	0.43	KT9	2018	310,000	2.50	2.05	KZ5
2013	220,000	2.00	0.64	KU6	2019	330,000	2.50	2.25	LA9
2014	240,000	2.00	0.83	KV4	2020	355,000	2.75	2.45	LB7
2015	250,000	2.00	1.26	KW2	2021	385,000	3.00	2.64	LC5
2016	275,000	2.00	1.58	KX0					

\$105,000 2.00% Bonds due December 1, 2010 @ 0.30%; CUSIP No. 954039LQ4

**\$2,575,000  
FULL FAITH AND CREDIT  
REFUNDING OBLIGATIONS, SERIES 2010**

**MATURITY SCHEDULE**

DUE: December 1, as shown below

Due December 1	Amounts	Interest Rates	Yields	CUSIP <sup>(1)</sup> 954039	Due December 1	Amounts	Interest Rates	Yields	CUSIP <sup>(1)</sup> 954039
2010	\$ 40,000	2.00%	0.35%	LD3	2016	\$ 255,000	4.00%	1.71%	LK7
2011	220,000	3.00	0.42	LE1	2017	265,000	4.00	1.96	LL5
2012	225,000	3.00	0.55	LF8	2018	275,000	3.00	2.17	LM3
2013	230,000	3.00	0.77	LG6	2019	285,000	3.00	2.37	LN1
2014	240,000	3.00	0.95	LH4	2020	295,000	3.50	2.53	LP6
2015	245,000	3.00	1.42	LJ0					

<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 Securities. No assurance can be given that the CUSIP numbers for the Securities will remain the same after the date of issuance and delivery of the Securities.

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

**Mayor and City Council:**

Interim Mayor..... John Kovash

City Council ..... Scott Burgess, President  
Jody Carson  
Teri Cummings  
(Interim) Jim Mattis

**Certain Appointed City Officials:**

City Manager .....Chris Jordan  
Finance Director ..... Richard Seals  
Assistant Finance Director..... Casey Camors

**Underwriter**

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

**Bond Counsel**

ORRICK, HERRINGTON & SUTCLIFFE LLP  
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Portland, Oregon 97209

**Paying Agent**

U.S. Bank National Association  
555 SW Oak Street PL-6  
Portland, Oregon 97204

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 Securities, the Resolutions and the 2010 G.O. 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 SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED. IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

In connection with the offering and issuance of the Securities, the Underwriter may over-allot or effect transactions that stabilize or maintain the market price of the Securities 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.

## TABLE OF CONTENTS

SUMMARY STATEMENT .....	1
INTRODUCTION .....	3
DESCRIPTION OF COMMON FEATURES OF THE SECURITIES .....	3
Authorization for Issuance .....	3
Principal and Interest .....	3
Paying Agent and Registration Features .....	3
Book-Entry Bonds .....	4
Estimated Sources and Uses of Funds .....	4
DESCRIPTION OF THE 2010 G.O. BONDS .....	4
Purpose .....	4
Redemption Provisions .....	4
Use of Proceeds .....	4
Security .....	5
DESCRIPTION OF THE 2010 OBLIGATIONS .....	5
Purpose .....	5
Redemption Provisions .....	5
Use of Proceeds .....	5
Security .....	6
THE CITY .....	7
Administration .....	7
Staff .....	8
BONDED INDEBTEDNESS .....	8
Statutory Debt Limitations .....	8
Debt Service Requirements .....	10
Debt Ratios .....	11
Debt Payment Record .....	11
Future Financing .....	12
REVENUE SOURCES .....	12
Property Taxes .....	12
Strategic Investments Program .....	16
FINANCIAL INFORMATION .....	17
Financial Reporting and Accounting Policies .....	17
Description of Select Funds .....	17
Auditing .....	17
General Fund - Statement of Revenues, Expenditures and Changes in Fund Balance .....	22
Budgetary Process .....	22
Investments .....	23
Pension System .....	24
Other Post-Employment Benefits .....	26
Risk Management .....	26

THE INITIATIVE AND REFERENDUM PROCESS .....	27
Referendum .....	27
Initiatives .....	28
City Charter .....	29
LEGAL MATTERS AND LITIGATION .....	29
Litigation.....	29
TAX MATTERS.....	30
CONTINUING DISCLOSURE .....	32
RATING .....	32
UNDERWRITING .....	32
CONCLUDING STATEMENT.....	33
APPROVAL OF OFFICIAL STATEMENT.....	33
APPENDIX A – ECONOMIC AND DEMOGRAPHIC INFORMATION	
APPENDIX B – CONTINUING DISCLOSURE CERTIFICATES FOR EACH SERIES OF SECURITIES	
APPENDIX C – 2010 G.O. BONDS FORM OF LEGAL OPINION	
APPENDIX D – 2010 OBLIGATIONS FORM OF LEGAL OPINION	
APPENDIX E – AUDITED FINANCIAL STATEMENTS 2009	
APPENDIX F – BOOK-ENTRY ONLY SYSTEM	
APPENDIX G – FORM OF FINANCING AGREEMENT AND FORM OF ESCROW AGREEMENT	

**CITY OF WEST LINN  
CLACKAMAS COUNTY, OREGON**

**\$3,065,000**  
GENERAL OBLIGATION REFUNDING  
BONDS, SERIES 2010

**\$2,575,000**  
FULL FAITH AND CREDIT  
REFUNDING OBLIGATIONS, SERIES 2010

**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 Financing Agreement (defined herein), which definitions are included in Appendix G.

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 2009 population of 24,400. (See “The City” and “Appendix A – Economic and Demographic Information.”)

**\$3,065,000**  
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2010

**AUTHORITY**

FOR ISSUANCE.....Under and in accordance with State laws and provisions, specifically Oregon Revised Statutes (“ORS”) Sections 287A.360, the 2010 G.O. Bonds are being issued pursuant to Resolution No. 2010-33 (the “G.O. Resolution”) adopted by the City Council (the “Council”) on August 9, 2010. The 2010 G.O. Bonds will be issued under a Bond Declaration (the “2010 GO 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, 2010, as shown on the inside cover. (See the “The 2010 G.O. Bonds - Description of the 2010 G.O. Bonds” herein.) The 2010 G.O. Bonds are not subject to optional redemption prior to their stated maturities. (See “The 2010 G.O. Bonds – Redemption and Purchase” herein.)

**SOURCE OF**

REPAYMENT.....The 2010 G.O. Bonds shall be general obligations of the City. The City has pledged its full faith and credit to pay the principal of and interest due on the 2010 G.O. Bonds, and the City covenants for the benefit of the owners of the 2010 G.O. 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 2010 G.O. Bonds when due. The 2010 G.O. 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 “Description of the 2010 G.O. Bonds - Security” herein.)

**USE OF**

PROCEEDS.....The 2010 G.O. Bonds are being issued to refund all of the City’s outstanding General Obligation Bonds, Series 2000 and to pay costs of issuance for the 2010 G.O. Bonds. (See “The 2010 G.O. Bonds - Purpose and Use of Proceeds” herein.)

**\$2,575,000**

**FULL FAITH AND CREDIT REFUNDING OBLIGATIONS, SERIES 2010**

**AUTHORITY**

FOR ISSUANCE .....Under and in accordance with State laws and provisions, specifically Oregon Revised Statutes (“ORS”) Section 287A.360, the 2010 Obligations are being issued pursuant to Resolution No. 2010-34 (the “Obligation Resolution”) adopted by the City Council (the “Council”) on August 9, 2010.

**INTEREST AND**

PRIOR REDEMPTION ..... Interest is payable semi-annually each June 1 and December 1, commencing December 1, 2010, as shown on the inside cover. (See the “The 2010 Obligations - Description of the 2010 Obligations” herein.) The 2010 Obligations are not subject to optional redemption prior to their stated maturities. (See “The 2010 Obligations – Redemption and Purchase” herein.)

**SOURCE OF**

REPAYMENT ..... The 2010 Obligations evidence and represent undivided proportionate ownership interests in the installment payments of principal and interest due (the Financing Payments") from the City under the Financing Agreement. Under the Financing Agreement, the Financing Payments are secured by and payable from the City’s general non-restricted revenues and other funds that may be available for that purpose. The obligation to pay the Financing Payments is a full faith and credit obligation of the City and it is not subject to annual appropriation.

**USE OF**

PROCEEDS.....The 2010 Obligations are being issued to refund all of the City’s outstanding Full Faith and Credit Obligations, Series 2000 and to pay costs of issuance for the 2010 Obligations. (See “The 2010 Obligations – Purpose and Use of Proceeds” herein.)



**CITY OF WEST LINN  
CLACKAMAS COUNTY, OREGON**

**\$3,065,000  
GENERAL OBLIGATION REFUNDING  
BONDS, SERIES 2010**

**\$2,575,000  
FULL FAITH AND CREDIT  
REFUNDING OBLIGATIONS, SERIES 2010**

**INTRODUCTION**

The City of West Linn, Oregon (the "City") furnishes this Official Statement in connection with the offering of the General Obligation Refunding Bonds, Series 2010 (the "2010 G.O. Bonds") and the Full Faith and Credit Refunding Obligations, Series 2010 (the "2010 Obligations", collectively with the Financing Agreement, the "Securities"). This Official Statement, which includes the cover page, inside cover pages and appendices, provides information concerning the City and the Securities.

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 Securities. Additional information may be obtained from the City. The statements relating to the Resolutions, the Financing Agreement and the Escrow Agreement (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 documents. Copies of the Financing Agreement and Escrow Agreement are attached hereto as Appendix G. The summaries of those agreements in this Official Statement are not to be construed as contracts with Owners of the Securities.

**DESCRIPTION OF COMMON FEATURES OF THE SECURITIES**

**Authorization for Issuance**

The Securities are being issued pursuant to Resolution No. 2010-33 adopted by the City Council on August 9, 2010 (the "G.O. Resolution") and Resolution No. 2010-34 adopted by the City Council on August 9, 2010 (the "Obligation Resolution" and collectively with the G.O. Resolution, the "Resolutions"). The 2010 G.O. Bonds will be issued under a Bond Declaration (the "2010 G.O. Bond Declaration") to be executed on the Date of Delivery.

**Principal and Interest**

The Securities will be issued in the aggregate principal amounts 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 Securities as set forth on the inside cover of this Official Statement.

Interest on the Securities 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 Securities 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 Securities. Individual purchases and sales of the Securities 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 Securities.

The principal of and interest on the Securities will be payable by U.S. Bank National Association (the "Paying Agent"), 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 Securities, as further described in Appendix F attached hereto. Interest on the Securities shall be credited to the Beneficial Owners by the DTC Participants.

### Book-Entry Bonds

DTC will act as securities depository for the Securities. The ownership of one fully registered bond for each maturity of the Securities, as set forth on the inside cover of this Official Statement, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC. See Appendix F 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 2010 G.O. Bond Declaration to provide for an alternative system of providing notice and such other matters as need to be updated for the Securities that is of general acceptance in the municipal bond markets.

### Estimated Sources and Uses of Funds

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

Sources of Funds	2010 G.O. Bonds	2010 Obligations
Principal Amount	\$ 3,065,000	\$ 2,575,000
Original Issue Premium	90,563	204,298
Total Available Proceeds	<b>\$ 3,155,563</b>	<b>\$ 2,779,298</b>
Uses of Funds		
Refunding Requirements	\$ 3,103,026	\$ 2,732,481
Issuance Costs, Underwriter's Discount and Contingency	52,537	46,817
Total Uses of Funds	<b>\$ 3,155,563</b>	<b>\$ 2,779,298</b>

## DESCRIPTION OF THE 2010 G.O. BONDS

### Purpose

The City previously issued \$3,900,000 General Obligation Bonds, Series 2000 (collectively the "Refundable General Obligation Bonds"). Proceeds of the 2010 G.O. Bonds will be used to refund all or a portion of the City's outstanding Refundable General Obligation Bonds, and to pay the costs of issuance of the 2010 G.O. Bonds. The 2010 G.O. Bonds are being issued so that the City can obtain a benefit of savings in total debt service requirements.

### Redemption Provisions

The 2010 G.O. Bonds are not subject to redemption prior to their stated maturities.

### Use of Proceeds

*Refunding Procedure.* The proceeds of the 2010 G.O. Bonds will be used to provide funds to currently refund all of the City's Refundable General Obligation Bonds on October 2, 2010 (the "G.O. Redemption Date") at a price of par plus accrued interest to the G.O. Redemption Date.

From the proceeds of the 2010 G.O. Bonds, and with other monies available, the City will purchase Government Obligations. These Government Obligations will be deposited in the custody of U.S. Bank National Association (the "Escrow Agent"). The maturing principal of the Government Obligations, interest earned thereon, and necessary cash balance, if any, will provide funds sufficient to refund all of the City's Refundable General Obligation Bonds plus accrued interest to the G.O. Redemption Date.

The Government Obligations, interest earned thereon, and necessary cash balance, if any, will irrevocably be pledged to and held in trust for the benefit of the owners of the Refundable General Obligation Bonds by the Escrow Agent, pursuant to an escrow deposit agreement to be executed by the City and the Escrow Agent.

Information on the Refundable General Obligation Bonds is as follows:

Refunded Bonds	Refunded Maturities	Amount Outstanding	Amount Refunded	Redemption Date	Redemption Price
G.O. Series 2000	2011-2021	\$3,050,000	\$3,050,000	10/2/2010	100%
Refunded Maturities					
CUSIP	Maturity	Amount	CUSIP	Maturity	Amount
954039GJ6	6/1/2011	\$155,000	954039GQ0	6/1/2017	\$295,000
954039GK3	6/1/2012	175,000	954039GR8	6/1/2018	325,000
954039GL1	6/1/2013	195,000	954039GS6	6/1/2019	355,000
954039GM9	6/1/2014	220,000	954039GT4	6/1/2020	390,000
954039GN7	6/1/2015	240,000	954039GU1	6/1/2021	430,000
954039GP2	6/1/2016	270,000			

### Security

The 2010 G.O. 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 2010 G.O. Bonds for the punctual payment of the principal of and the interest on the 2010 G.O. Bonds. The 2010 G.O. 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 an interest on the 2010 G.O. 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 2010 G.O. Bonds. The taxes, when collected, are required to be applied solely for the purpose of payment of principal and interest on the 2010 G.O. Bonds and for no other purpose until the 2010 G.O. Bonds have been fully paid, satisfied and discharged.

The 2010 G.O. 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.

## DESCRIPTION OF THE 2010 OBLIGATIONS

### Purpose

The City previously issued \$4,300,000 Full Faith and Credit Obligations, Series 2000 (the “Refundable Obligations”) to finance costs of the acquisition and renovation of a building, real property and related common areas located at 22500 Salamo Road, West Linn, Oregon 97068 to be used as City Hall (the “Project”). Proceeds of the 2010 Obligations will be used to refund all or a portion of the City’s outstanding Refundable Obligations and to pay the costs of issuance of the 2010 Obligations. The 2010 Obligations are being issued so that the City can obtain a benefit of savings in total debt service requirements.

### Redemption Provisions

The 2010 Obligations are not subject to redemption prior to their stated maturities.

### Use of Proceeds

*Refunding Procedure.* The proceeds of the 2010 Obligations will be used to currently refund the callable portion of the City’s Refundable Obligations on December 1, 2010 (the “Obligation Redemption Date”) at a price of par plus accrued interest to the Obligation Redemption Date.

From the proceeds of the 2010 Obligations the City will purchase Government Obligations. These Government Obligations will be deposited in the custody of the Escrow Agent. The maturing principal of the Government Obligations, interest earned thereon, and necessary cash balance, if any, will provide funds sufficient to refund the callable portion of the City's Refundable Obligations as shown in the table below.

The Government Obligations, interest earned thereon, and necessary cash balance, if any, will irrevocably be pledged to and held in trust for the benefit of the owners of the Refundable Obligations by the Escrow Agent, pursuant to an escrow deposit agreement to be executed by the City and the Escrow Agent.

Information on the Refundable Obligations is as follows:

Refunded Obligations	Refunded Maturities	Amount Outstanding	Amount Refunded	Redemption Date	Redemption Price
FFCO, Series 2000	2011-2021	\$2,865,000	\$2,665,000	12/1/2010	100%
Refunded Maturities					
CUSIP	Maturity	Amount	CUSIP	Maturity	Amount
954039HF3	12/1/2011	\$210,000	954039HJ5	12/1/2014	\$245,000
954039HG1	12/1/2012	220,000	954039HK2	12/1/2015	255,000
954039HH9	12/1/2013	230,000	954039HQ9 <sup>(1)</sup>	12/1/2020	1,505,000

(1) Represents the term bond maturing on December 1, 2020.

### Security

The 2010 Obligations evidence and represent undivided proportionate ownership interests in the installment payments of principal and interest due (the "Financing Payments") from the City under the Financing Agreement. Under the Financing Agreement, the Financing Payments are secured by and payable from the City's general non-restricted revenues and other funds that may be available for that purpose. The obligation to pay the Financing Payments is a full faith and credit obligation of the City. The City has also entered into an Escrow Agreement with the Escrow Agent, in which the Escrow Agent agrees to issue the 2010 Obligations and to distribute the Financing Payments among the Owners of the 2010 Obligations. The forms of the Financing Agreement and Escrow Agreement are attached to this Official Statement as Appendix G.

In the Financing Agreement, the City has covenanted to pay the Financing Payments from any and all of its legally available taxes, revenues and other funds. The City pledged its full faith and credit and taxing power within the limitations of Sections 11 and 11b of Article XI of the Oregon Constitution to pay the Financing Payments and other amounts due under the Financing Agreement.

The 2010 Obligations are not general obligations of the City, the County, the State of Oregon or any other political subdivision or municipal corporation. The 2010 Obligations are secured solely by the Financing Payments and any sums realized in connection with the remedies available upon the occurrence of an event of default all as provided in the Financing Agreement.

THE OBLIGATION OF THE CITY TO MAKE THE FINANCING PAYMENTS IS ABSOLUTE AND UNCONDITIONAL, AND SHALL NOT BE SUBJECT TO ANNUAL APPROPRIATION. THE REGISTERED OWNERS OF THE 2010 OBLIGATIONS DO NOT HAVE A LIEN OR SECURITY INTEREST IN THE PROJECT FINANCED WITH THE PROCEEDS OF THE 2010 OBLIGATIONS.

The City's obligation to make Financing Payments is not subject to any of the following:

- (1) Any setoff, counterclaim, recoupment, defense or other right which the City may have against the Escrow Agent, any contractor or anyone else for any reason whatsoever;
- (2) Any insolvency, bankruptcy, reorganization or similar proceedings by the City;

- (3) Abatement through damage, destruction or non-availability of the Projects; or
- (4) Any other event or circumstance whatsoever, whether or not similar to any of the foregoing.

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

Each Obligation owner is entitled proportionately to the principal component of the Financing Payments due on the Payment Date, which is the same as the maturity of the 2010 Obligations. In addition, each Obligation owner is entitled proportionately to receipt of an amount of the interest component of Financing Payments on each Payment Date attributable to the interest accruing on the principal component attributable to such 2010 Obligations at the interest rate set forth for said principal component.

## 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:

### Mayor and City Council

Name	Position	Occupation	Service Began	Term Expires
John Kovash <sup>(1)</sup>	Interim Mayor	Retired Professional	2009	12/31/2010
Scott Burgess	President	Consultant	2005	12/31/2010
Jody Carson	Councilor	Healthcare Contract Manager	2006	12/31/2010
Teri Cummings	Councilor	Retired Professional	2009	12/31/2012
Jim Mattis <sup>(2)</sup>	Interim Councilor	Retired Professional	2010	12/31/2012

- (1) Term as Interim Mayor ends on December 31, 2010. Original term as Councilor ends on December 31, 2012. The Special Election on September 21, 2010 will fill the Mayor position on a permanent basis. Four candidates, including John Kovash, filed to run for office.
- (2) The Special Election on September 21, 2010 will fill the Interim Councilor position on a permanent basis. Two candidates, including Jim Mattis, filed to run for office.

### 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, Finance Director.* Mr. Seals joined the City in October 2008 following nearly 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 Masters 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 three professional licenses: Certified Public Accountant, Certified Management Accountant, and Certified in Financial Management.

*Casey Camors, Assistant Finance Director.* 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 Iser 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:

<b>Bargaining Units</b>		
<b>Bargaining Unit</b>	<b>No. of Employees</b>	<b>Contract Expires</b>
Clackamas County Peace Officers Association	26	June 30, 2012
American Federation of State, County and Municipal employees	75	June 30, 2010 <sup>(1)</sup>

(1) Contract under negotiation.

**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 2010 G.O. Bonds are general obligation bonds and are subject to this limitation, as shown below** (please see “Description of the 2010 G.O. Bonds - Security” herein).

**City of West Linn**

**General Obligation Debt Capacity**

Real Market Value (Fiscal Year 2010) <sup>(1)</sup>	\$ 3,960,668,206
<b>Debt Capacity</b>	
General Obligation Debt Capacity (3.0% of Real Market Value)	\$ 118,820,046
(Less) Outstanding Debt Subject to Limit <sup>(2)</sup>	7,575,000
Remaining General Obligation Debt Capacity	\$ 111,245,046
Percent of Capacity Used	6.38%

(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 2010 G.O. Bonds.

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

*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. **The Financing Agreement is a limited tax obligation, which does not require voter approval and is not subject to statutory debt limitations** (please see “Description of the 2010 Obligations - Security” herein).

*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. The Securities are not pension bonds.

*Revenue Bonds.* The City may issue revenue bonds pursuant to ORS 287 A.150. The Securities are not revenue bonds.

*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. The Securities are not notes.

**Outstanding Long-Term Debt**

	Dated	Final Maturity	Original Amount	Outstanding Amount
<b>Governmental Activities</b>				
<b>General Obligation Bonds</b>				
General Obligation Bonds, Series 2000	11/1/2000	10/2/2010 <sup>(3)</sup>	\$3,900,000	\$3,050,000
Less: Refinancing				(3,050,000)
General Obligation Refunding Bonds, Series 2009	1/21/2009	12/1/2018	4,915,000	4,510,000
General Obligation Refunding Bonds, Series 2010 <sup>(1)</sup>	9/2/2010	6/1/2021	3,065,000	<u>3,065,000</u>
<b>Subtotal</b>				<b>\$7,575,000</b>
<b>Full Faith and Credit Obligations</b>				
Full Faith and Credit Obligations, Series 2000	11/1/2000	12/1/2010 <sup>(3)</sup>	\$4,300,000	\$2,865,000
Less: Refinancing				(2,665,000)
Full Faith and Credit Obligations, Series 2009	1/21/2009	6/1/2029	4,035,000	3,945,000
Full Faith and Credit Refunding Obligations, Series 2010 <sup>(2)</sup>	9/2/2010	12/1/2020	2,575,000	<u>2,575,000</u>
<b>Subtotal</b>				<b>\$6,720,000</b>
<b>Total Governmental Activities</b>				<b>\$14,295,000</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>\$1,225,000</u>
<b>Subtotal</b>				<b>\$1,225,000</b>

(1) The 2010 G.O. Bonds.

(2) The 2010 Obligations.

(3) Redemption dates.

Source: City of West Linn Audited Financial Report for the Fiscal Year ended June 30, 2009 and this issue.

## Debt Service Requirements

The following tables show the debt service on the 2010 G.O. Bonds and the 2010 Obligations.

### General Obligation Debt Service Requirements

Fiscal Year ending June 30	Outstanding Debt		(Less) G.O. Refundable General Obligation Bonds Debt Service		Plus: 2010 G.O. Bonds Debt Service		Total Debt Service
	Principal	Interest	Principal	Interest	Principal	Interest	
2011	\$ 625,000	\$ 304,190	\$ 155,000	\$ 158,903	\$ 210,000	\$ 54,833	\$ 880,120
2012	665,000	282,650	175,000	151,463	200,000	69,538	890,725
2013	700,000	259,419	195,000	142,931	220,000	63,538	905,025
2014	735,000	234,519	220,000	133,181	240,000	59,138	915,475
2015	775,000	208,069	240,000	122,181	250,000	54,338	925,225
2016	825,000	179,719	270,000	109,881	275,000	49,338	949,175
2017	865,000	147,776	295,000	95,976	290,000	43,838	955,638
2018	915,000	112,339	325,000	80,489	310,000	37,313	969,163
2019	635,000	68,864	355,000	63,264	330,000	29,563	645,163
2020	390,000	44,183	390,000	44,183	355,000	21,313	376,313
2021	430,000	23,220	430,000	23,220	385,000	11,550	396,550
	<u>\$ 7,560,000</u>	<u>\$ 1,864,946</u>	<u>\$ 3,050,000</u>	<u>\$ 1,125,671</u>	<u>\$ 3,065,000</u>	<u>\$ 494,295</u>	<u>\$ 8,808,570</u>

Source: City of West Linn Audited Financial Report for the Fiscal Year ended June 30, 2009 and this issue.

### Full Faith and Credit Obligation Debt Service Requirements

Fiscal Year ending June 30	Outstanding Debt		(Less) Refundable Obligations Debt Service		Plus: 2010 Obligations Debt Service		Total Debt Service
	Principal	Interest	Principal	Interest	Principal	Interest	
2011	\$ 350,000	\$ 293,505	\$ -	\$ 136,983	\$ 40,000	\$ 62,012	\$ 608,534
2012	365,000	279,113	210,000	131,890	220,000	79,425	601,648
2013	380,000	263,980	220,000	121,408	225,000	72,750	600,323
2014	395,000	248,040	230,000	110,268	230,000	65,925	598,698
2015	415,000	231,154	245,000	98,331	240,000	58,875	601,698
2016	430,000	213,301	255,000	85,579	245,000	51,600	599,323
2017	450,000	193,960	270,000	71,925	255,000	42,825	599,860
2018	470,000	173,091	285,000	57,356	265,000	32,425	598,160
2019	490,000	150,335	300,000	42,000	275,000	23,000	596,335
2020	515,000	126,591	315,000	25,856	285,000	14,600	600,335
2021	545,000	101,529	335,000	8,794	295,000	5,163	602,898
2022	215,000	84,335	-	-	-	-	299,335
2023	225,000	75,735	-	-	-	-	300,735
2024	235,000	66,623	-	-	-	-	301,623
2025	245,000	57,105	-	-	-	-	302,105
2026	255,000	46,815	-	-	-	-	301,815
2027	265,000	36,105	-	-	-	-	301,105
2028	275,000	24,578	-	-	-	-	299,578
2029	290,000	12,615	-	-	-	-	302,615
	<u>\$ 6,810,000</u>	<u>\$ 2,678,509</u>	<u>\$ 2,665,000</u>	<u>\$ 890,389</u>	<u>\$ 2,575,000</u>	<u>\$ 508,599</u>	<u>\$ 9,016,719</u>

Source: City of West Linn Audited Financial Report for the Fiscal Year ended June 30, 2009 and this issue.



**Summary of Overlapping Debt**  
(As of June 30, 2010)

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	\$ 8,484,506,408	46.1984%	\$ 107,915,876	\$ 88,533,338
Clackamas Community College	39,181,851,197	10.0039%	8,780,423	3,485,359
Clackamas County Education Service District	52,190,109,946	7.5889%	2,015,612	-
Clackamas County	54,443,394,601	7.2748%	7,749,481	5,774,009
Tualatin Valley Fire and Rescue District	61,322,615,295	6.4587%	2,898,987	1,801,008
Metro	208,138,998,272	1.9029%	4,393,194	3,111,876
Tri-Met	207,106,827,948	1.8124%	534,707	534,707
Port of Portland	228,377,750,177	1.7343%	1,238,662	-
Lake Oswego School District No. 7J	10,057,831,994	0.4073%	465,506	303,718
Portland Community College	165,643,687,831	0.0247%	101,990	55,334
<b>Total</b>			<b>\$ 136,094,438</b>	<b>\$ 103,599,349</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 2010 G.O. 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	\$ 3,960,668,206	
Estimated Population	24,400	
Per Capita Real Market Value	\$ 162,322	
Debt Information	Gross Direct Debt <sup>(1)</sup>	Net Direct Debt <sup>(2)</sup>
City Direct Debt	\$ 21,870,000	\$ 7,575,000
Overlapping Direct Debt	136,094,438	103,599,349
<b>Total Direct Debt</b>	<b>\$ 157,964,438</b>	<b>\$ 111,174,349</b>
Bonded Debt Ratios		
District Direct Debt to Real Market Value	0.55%	0.19%
Total Direct Debt to Real Market Value	3.99%	2.81%
Per Capita City Direct Debt	\$ 896	\$ 310
Per Capita Total Direct Debt	\$ 6,474	\$ 4,556

- (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, 2009

**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 Securities, 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:

- 1) To fund the public school system (kindergarten through grade twelve school districts, education service districts and community college districts, collectively, “Education Taxes”). Education Taxes are limited to \$5 per \$1,000 of the Taxable Real Market Value of property (the “Measure 5 Limits”).
- 2) To fund government operations other than the public school system (“General Government Taxes”). General Government taxes are limited to \$10 per \$1,000 of the Taxable Real Market Value of property (the “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 2010, 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 2010 G.O. Bonds ARE NOT subject to the limitations of Article XI, Sections 11 and 11b.**

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

In 2007 the Oregon Supreme Court determined that taxes levied by general purpose governments (such as cities and counties) may be subject to the \$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 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>	6/30/2009 <sup>(3)</sup>
2009	95.71%	95.71%
2008	96.56%	98.69%
2007	97.28%	99.50%
2006	97.59%	99.84%
2005	97.32%	99.94%
2004	96.92%	99.96%

- (1) Percentage of total tax levy collection in Clackamas County. Pre-payment discounts are considered to be collected when outstanding taxes are calculated. The tax rates are before offsets.
- (2) The percentage of taxes collected in the "year of the levy" represents taxes collected in a single levy year, beginning July 1 and ending June 30.
- (3) The percentage of taxes collected represents taxes collected for that levy year through June 30, 2009.

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>
2010	\$ 3,960,668,206	\$ 2,768,702,173
2009	4,507,161,484	2,655,549,376
2008	4,464,348,037	2,516,737,956
2007	3,807,332,655	2,369,462,477
2006	3,186,256,026	2,266,911,704
2005	2,895,041,280	2,173,835,372

- (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 2010 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 2010 Representative Levy Rate – City of West Linn

(Rates Per \$1,000 of Assessed Value)

General Government	Billing Rate	Bond Levy Rate	Local Option Rate <sup>(1)</sup>	Consolidated Rate
City of West Linn	\$ 2.1200	\$ 0.3293	\$ -	\$ 2.4493
Clackamas County	2.4042	-	0.2480	2.6522
Clackamas County Extension & 4-H	0.0493	-	-	0.0493
County Library	0.3902	-	-	0.3902
County Soil Conservation District	0.0493	-	-	0.0493
Tualatin Valley Fire & Rescue (FD 64)	1.5252	0.1195	0.2500	1.8947
Port of Portland	0.0689	-	-	0.0689
Metro	0.0944	0.3366	-	0.4310
Tri-Met	-	0.0842	-	0.0842
Clackamas County UR Special Levy	0.1186	-	-	0.1186
Clackamas County Urban Renewal	0.0419	-	-	0.0419
Vector Control District	0.0064	-	0.0250	0.0314
<b>Total General Government</b>	<b>\$ 6.8684</b>	<b>\$ 0.8696</b>	<b>\$ 0.5230</b>	<b>\$ 8.2610</b>
<b>Education</b>				
Clackamas Community College	\$ 0.5450	\$ 0.1730	\$ -	\$ 0.7180
Clackamas ESD	0.3620	-	-	0.3620
West Linn-Wilsonville School District	4.8684	2.8126	1.5000	9.1810
<b>Total Education</b>	<b>\$ 5.7754</b>	<b>\$ 2.9856</b>	<b>\$ 1.50</b>	<b>\$ 10.2610</b>
<b>Total Tax Rate</b>	<b>\$12.6438</b>	<b>\$ 3.8552</b>	<b>\$ 2.0230</b>	<b>\$ 18.5220</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 two tax codes in Clackamas County that overlap the City and Tax Code 035-002 (represented in the table above) has the highest tax rate of these tax codes.

**Major Taxpayers – City of West Linn**  
(Fiscal Year 2009-2010)

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	\$ 996,840	\$ 61,359,000	2.22%
Simpson Realty Group LP	Real Estate Management	427,505	23,555,470	0.85%
West Linn Paper Company	Paper Manufacturing	312,912	19,118,310	0.69%
West Linn Shopping Ctr. Assoc. LLC	Commercial/Retail Management	320,500	17,303,762	0.62%
Cascade Summit Realty	Real Estate Management	292,509	15,792,497	0.57%
Blackhawk Nevada LLC	Real Estate Management	291,510	15,156,294	0.55%
Comcast Corporation	Telecommunications	223,331	13,746,300	0.50%
Northwest Natural Gas Company	Gas Utilities	215,826	13,289,300	0.48%
VPC-OR West Linn LP	Real Estate Management	185,532	9,885,024	0.36%
Blackhawk LLC	Real Estate Management	160,944	8,689,345	0.31%
Subtotal - Ten largest taxpayers		\$ 3,427,409	197,895,302	7.15%
All other City's taxpayers			2,570,806,871	92.85%
Total Assessed Value			\$ 2,768,702,173	100.00%

**Major Taxpayers – Clackamas County**  
(Fiscal Year 2009-2010)

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	\$ 7,163,381	\$ 497,547,000	1.44%
General Growth Properties Inc.	Shopping Center	3,761,844	232,253,118	0.67%
Shorenstein Properties LLC	Real Estate Management	3,994,566	225,448,591	0.65%
Northwest Natural Gas Company	Gas Utilities	2,918,353	186,489,400	0.54%
Fred Meyer Stores Inc.	Commercial/Retail	2,894,932	178,046,783	0.52%
Comcast Corporation	Telecommunications	2,244,966	136,572,200	0.40%
PCC Structurals Inc.	Manufacturing/Aerospace	1,388,602	83,825,300	0.24%
Verizon Northwest Inc.	Telecommunications	1,251,696	78,374,500	0.23%
Xerox Corporation	Printing	1,250,325	69,994,410	0.20%
Thomson Reuters Pts. Inc.	Financial Services	1,274,545	68,777,024	0.20%
Subtotal - Ten largest taxpayers		\$ 28,143,210	1,757,328,326	5.09%
All other County's taxpayers			32,760,602,103	94.91%
Total Assessed Value			\$ 34,517,930,429	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 2009 is attached hereto as Appendix E.

### 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.

Previous City management suspended annual auditing of its financial statements for Fiscal Years 2003 through 2005. Subsequent to a change in elected officials and management, auditing was resumed in early 2005. The Fiscal Year 2003 audit was completed in 2005 by the City's former auditor. During the Fiscal Year 2004 audit in 2006, the City's

former auditor was terminated when the City discovered that its former Finance Director embezzled approximately \$1,420,000 over a five-year period. The City and its forensic auditors determined that the funds were embezzled from the General Fund although specific accounts could not be identified.

In Fiscal Year 2007, the former Finance Director admitted to the embezzlement in an agreement with legal authorities. The agreement entitles the City to restitution of the \$1,420,000 plus statutory 9% per annum. The former Finance Director has agreed to transfer to the City 75% of the equity in her personal residence (estimated to be \$100,000) and her Public Employee Retirement System personal retirement account (estimated to be worth \$361,000). The City received \$100,000 from its insurance carrier during Fiscal Year 2007 and \$100,692 from the proceeds of the former Finance Director's personal residence during Fiscal Year 2008, related to the embezzlement. The City also expects to receive approximately \$350,000 from her Public Employee Retirement System personal retirement account in the near future.

In early 2007, following the conclusion of the forensic audit, the City selected Talbot, Korvola & Warwick LLP, CPAs and Consultants in Portland, Oregon to be the City's new auditor (the "Auditor"). Since early 2007 the City has completed audits for Fiscal Years 2004 through 2009. The audit report for Fiscal Year 2009 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 Auditor was not requested to review this Preliminary Official Statement. The audited financial report of the City as of June 30, 2009 is attached to this Official Statement as Appendix E.

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).

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			
	2009	2008	2007	2006	2009	2008	2007	2006
Cash and investments	\$ 5,990,785	\$ 8,909,059	\$ 9,322,076	\$ 7,257,648	\$ 2,905,464	\$ 2,774,476	\$ 2,341,505	\$ 1,870,288
Restricted cash and investments	6,556,305	-	4,634	4,637	154,500	-	-	180,760
Property taxes receivable	480,965	376,763	366,643	282,156	-	-	-	-
Accounts receivable, net of allowance	606,370	259,306	52,214	45,725	868,552	840,867	1,500,083	863,479
Prepaid expenses	-	142,264	-	-	-	-	-	-
Other assets	-	-	104,342	130,834	-	-	-	-
Bond issuance costs	275,558	-	-	-	78,261	-	-	-
Capital assets not being depreciated:	187,871,161	187,454,403	254,526,696	31,115,748	-	554,996	-	-
Capital assets net of accumulated depreciation:	43,855,460	43,413,506	-	-	-	27,025,674	22,173,420	22,574,232
Investment in joint venture	-	-	-	-	7,318,919	7,260,704	6,972,697	6,352,237
<b>Total Assets</b>	<b><u>245,636,604</u></b>	<b><u>240,555,301</u></b>	<b><u>264,376,605</u></b>	<b><u>38,836,748</u></b>	<b><u>40,006,680</u></b>	<b><u>38,456,717</u></b>	<b><u>32,987,705</u></b>	<b><u>31,840,996</u></b>
<b>Liabilities</b>								
Accounts payable	2,032,083	734,289	581,264	482,305	848,252	685,154	757,182	604,954
Accrued salaries and payroll taxes payable	376,654	358,539	381,399	305,114	27,550	19,079	21,596	26,861
Accrued compensated absences payable	794,765	407,585	351,341	483,032	81,415	42,317	75,753	63,210
Accrued interest payable	165,361	38,312	41,938	41,938	19,314	20,133	21,087	22,208
Deposits payable	864,340	813,023	944,359	12,201	5,000	5,000	-	-
Demand bank note payable	119,552	175,000	-	-	-	-	-	-
Other liabilities	-	-	28,735	546,386	-	-	-	107,885
Noncurrent liabilities:								
Long-term debt, due within one year	825,000	705,000	670,000	625,000	80,000	75,000	70,000	65,000
Long-term debt, due in more than one year	14,370,000	11,165,000	11,870,000	12,540,000	1,225,000	1,305,000	1,380,000	1,450,000
Bond Premium	156,023	-	-	-	-	-	-	-
Accrued other postemployment benefit obligations	339,352	167,484	-	-	28,964	14,212	-	-
Total Liabilities	<u>20,043,130</u>	<u>14,564,232</u>	<u>14,869,036</u>	<u>15,035,976</u>	<u>2,315,495</u>	<u>2,165,895</u>	<u>2,325,618</u>	<u>2,340,118</u>
<b>Net Assets</b>								
Invested in capital assets, net of related debt	219,276,357	218,997,909	241,986,696	17,950,748	27,454,245	26,200,670	20,723,420	21,059,232
Restricted for:								
Library endowment	157,300	157,298	-	-	-	-	-	-
Debt service	214,386	4,205,331	-	251,455	154,500	-	-	-
Capital Projects	6,193,703	116,773	3,525,429	2,602,105	-	-	-	-
Unrestricted (deficit)	(248,272)	2,513,758	3,995,444	2,996,464	10,082,440	10,090,152	9,938,667	8,441,646
Total Net Assets	<u>\$ 225,593,474</u>	<u>\$ 225,991,069</u>	<u>\$249,507,569</u>	<u>\$ 23,800,772</u>	<u>\$ 37,691,185</u>	<u>\$ 36,290,822</u>	<u>\$ 30,662,087</u>	<u>\$ 29,500,878</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 245,636,604</u></b>	<b><u>\$ 240,555,301</u></b>	<b><u>\$264,376,605</u></b>	<b><u>\$ 38,836,748</u></b>	<b><u>\$ 40,006,680</u></b>	<b><u>\$ 38,456,717</u></b>	<b><u>\$ 32,987,705</u></b>	<b><u>\$ 31,840,996</u></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			
	2009	2008	2007	2006	2009	2008	2007	2006
<b>Revenues:</b>								
Program revenues:								
Charges for services	\$ 9,403,914	\$ 8,790,380	\$ 3,527,127	\$ 3,954,968	\$ 5,521,769	\$ 4,634,629	\$ 5,201,940	\$ 4,397,518
Operating grants and contributions	2,486,047	4,126,676	2,374,184	2,410,889	-	864,853	-	-
Capital grants and contributions	726,425	-	-	-	1,635,213	-	-	-
Total program revenues	<u>\$ 12,616,386</u>	<u>\$ 12,917,056</u>	<u>\$ 5,901,311</u>	<u>\$ 6,365,857</u>	<u>\$ 7,156,982</u>	<u>\$ 5,499,482</u>	<u>\$ 5,201,940</u>	<u>\$ 4,397,518</u>
General revenues:								
Property taxes levied for general purposes	5,536,231	5,263,506	6,674,766	5,759,836	-	-	-	-
Property taxes levied for debt service	942,300	769,572	930,892	854,316	-	-	-	-
Franchise taxes	1,727,918	1,685,632	2,098,041	1,459,842	-	-	-	-
Unrestricted grants and contributions	604,187	263,531	-	-	-	-	-	-
Unrestricted investment earnings	50,420	419,705	468,348	210,220	189,805	109,527	109,918	42,584
Net income in investment in joint venture	-	-	-	-	-	288,007	620,460	488,074
Miscellaneous	-	-	279,634	382,902	-	-	-	-
Transfers	(27,043)	(131,574)	1,092,116	(1,866,698)	27,043	131,574	(1,092,116)	1,866,698
Total General revenues and transfers	<u>\$ 8,834,013</u>	<u>\$ 8,270,372</u>	<u>\$ 11,543,797</u>	<u>\$ 6,800,418</u>	<u>\$ 216,848</u>	<u>\$ 529,108</u>	<u>\$ (361,738)</u>	<u>\$ 2,397,356</u>
<b>Total Revenues</b>	<b><u>\$ 21,450,399</u></b>	<b><u>\$ 21,187,428</u></b>	<b><u>\$ 17,445,108</u></b>	<b><u>\$ 13,166,275</u></b>	<b><u>\$ 7,373,830</u></b>	<b><u>\$ 6,028,590</u></b>	<b><u>\$ 4,840,202</u></b>	<b><u>\$ 6,794,874</u></b>
<b>Expenses:</b>								
General government	\$ 5,969,895	\$ 6,007,231	\$ 4,695,751	\$ 4,040,208	\$ -	\$ -	\$ -	\$ -
Culture and recreation	5,433,099	4,279,297	2,973,587	2,846,267	-	-	-	-
Public safety	6,318,096	5,657,223	4,489,727	4,414,247	-	-	-	-
Highways and streets	3,527,808	1,235,144	994,334	1,441,389	-	-	-	-
Interest on Long-Term Debt	599,096	630,842	639,505	590,797	-	-	-	-
Unallocated depreciation	-	2,395,306	643,851	1,486,334	-	-	-	-
Water	-	-	-	-	3,269,250	2,913,892	2,269,609	2,732,134
Environmental services	-	-	-	-	2,704,217	2,813,584	1,409,384	2,094,239
Total Expenses	<u>\$ 21,847,994</u>	<u>\$ 20,205,043</u>	<u>\$ 14,436,755</u>	<u>\$ 14,819,242</u>	<u>\$ 5,973,467</u>	<u>\$ 5,727,476</u>	<u>\$ 3,678,993</u>	<u>\$ 4,826,373</u>
Excess (Deficiency) Before Transfers	(397,595)	982,385	3,008,353	(1,652,967)	1,400,363	301,114	1,161,209	1,968,501
Transfers In (Out)	-	-	-	-	-	-	-	-
Increase (Decrease) in Net Assets	(397,595)	982,385	3,008,353	(1,652,967)	1,400,363	301,114	1,161,209	1,968,501
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	225,991,069	249,507,569	23,800,772	25,453,739	36,290,822	30,662,087	29,500,878	27,532,377
<b>Total Net Assets</b>	<b><u>\$ 225,593,474</u></b>	<b><u>\$ 225,991,069</u></b>	<b><u>\$ 249,507,569</u></b>	<b><u>\$ 23,800,772</u></b>	<b><u>\$ 37,691,185</u></b>	<b><u>\$ 36,290,822</u></b>	<b><u>\$ 30,662,087</u></b>	<b><u>\$ 29,500,878</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)

<b>Assets</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Cash and investments	\$ 1,597,648	\$ 1,866,134	\$ 1,917,067	\$ 2,176,323
Accounts receivable	56,998	5,005	3,255	45,725
Prepaid expenses	<u>-</u>	<u>142,264</u>	<u>104,342</u>	<u>130,834</u>
Total Assets	<u>1,654,646</u>	<u>2,013,403</u>	<u>2,024,664</u>	<u>2,352,882</u>
<b>Liabilities</b>				
Accounts payable	\$ 0	\$ 409,468	\$ 279,107	\$ 298,649
Accrued salaries and payroll taxes	182,672	178,381	250,367	278,510
Accrued vacation payable	-	7,399	-	-
Deposits payable	184,854	580,592	619,114	-
Other liabilities	-	-	28,735	543,066
Deferred revenue	<u>301,715</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>669,241</u>	<u>1,175,840</u>	<u>1,177,323</u>	<u>1,120,225</u>
<b>Fund Balances</b>				
Unreserved	\$ 985,405	695,299	742,999	1,232,657
Reserved for prepaid expenses	<u>-</u>	<u>142,264</u>	<u>104,342</u>	<u>-</u>
Total Fund Balance	<u>985,405</u>	<u>837,563</u>	<u>847,341</u>	<u>1,232,657</u>
Total Liabilities and Fund Balance	<u>\$ 1,654,646</u>	<u>\$ 2,013,403</u>	<u>\$ 2,024,664</u>	<u>\$ 2,352,882</u>

Source: City of West Linn - Audited Financial Statements.

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

(Fiscal Years Ended June 30)

Revenues	2009	2008	2007	2006
Property taxes <sup>(1)</sup>	\$ -	\$ -	\$ -	\$ 4,641,719
Intergovernmental	114,960	414	2,789	358,183
Franchise taxes	20,000	-	-	1,299,088
Licenses and permits	427,045	53,901	50,023	291,987
Fines and forfeitures	410,519	450,670	476,019	513,503
Charges for services <sup>(2)</sup>	4,670,000	3,392,751	91,040	1,277,475
Investment earnings	7,552	67,400	52,487	2,478
Miscellaneous:	488,064	194,433	199,295	99,207
<b>Total Revenues</b>	<u>6,138,140</u>	<u>4,159,569</u>	<u>871,653</u>	<u>8,483,640</u>
<b>Expenditures</b>				
Current: General government				
General government	5,175,550	3,476,705	3,233,083	3,628,433
Cultural and recreation	-	-	-	2,658,448
Public safety	-	-	-	2,396,475
Debt Service				
Principal	180,000	175,000	165,000	160,000
Interest	159,838	168,136	176,000	183,435
Capital outlay	274,910	176,217	26,786	-
<b>Total Expenditures</b>	<u>5,790,298</u>	<u>3,996,058</u>	<u>3,600,869</u>	<u>9,026,791</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>347,842</u>	<u>163,511</u>	<u>(2,729,216)</u>	<u>(543,151)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	241,411	2,643,900	1,597,064
Transfers Out	(200,000)	(414,700)	(300,000)	(260,598)
<b>Total Other Financing Sources (Uses)</b>	<u>(200,000)</u>	<u>(173,289)</u>	<u>2,343,900</u>	<u>1,336,466</u>
<b>Net Change in Fund Balance</b>	<u>147,842</u>	<u>(9,778)</u>	<u>(385,316)</u>	<u>793,315</u>
<b>Beginning Fund Balance</b>	<u>837,563</u>	<u>847,341</u>	<u>1,232,657</u>	<u>439,342</u>
<b>Ending Fund Balance</b>	<u>\$ 985,405</u>	<u>\$ 837,563</u>	<u>\$ 847,341</u>	<u>\$ 1,232,657</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)

<b>Resources</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Fees and charges	\$ 360	\$ 329	\$ 337
Fines and forfeitures	508	493	408
Interest	46	45	39
Miscellaneous	102	100	492
Transfers from other funds	5,457	5,474	4,670
Beginning fund balance	801	717	838
<b>Total Resources</b>	<b>\$ 7,274</b>	<b>\$ 7,158</b>	<b>\$ 6,784</b>
<b>Expenditures</b>			
Personal services	\$ 3,938	\$ 3,718	\$ 3,048
Materials and services	2,039	2,028	1,913
Debt service (Series 2000)	342	341	340
Transfers to other funds	32	31	350
Transfer to building inspections fund	0	214	0
Capital outlay	25	25	416
Contingency	599	599	0
Unappropriated ending fund balance	299	202	717
<b>Total Expenditures</b>	<b>\$ 7,274</b>	<b>\$ 7,158</b>	<b>\$ 6,784</b>

Source: City of West Linn – 2009-2011 Adopted Budget.

**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” at [www.ost.state.or.us/about/boards/OSTF/About.htm](http://www.ost.state.or.us/about/boards/OSTF/About.htm)<sup>(1)</sup>.

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

## Pension System

*General.* 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.

Current employer contribution rates are based on the December 31, 2007 actuarial valuation (the “2007 Valuation”). Contribution rates effective July 1, 2011 will be based on the December 31, 2009 actuarial valuation expected to be released in the Fall of 2010 (the “2009 Valuation”).

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

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

According to the City’s advisory valuation for the year ending December 31, 2008 (the “2008 Advisory Valuation”), the City’s UAL for the T1/T2 Pension Programs was \$8,933,636.

OPSRP’s assets and liabilities are pooled on a program-wide basis. These assets and liabilities are not tracked or calculated on an employer basis. The City’s allocated share of OPSRP’s assets and liabilities is based on the City’s proportionate share of OPSRP’s pooled payroll. According to the City’s 2008 Advisory Valuation, the City’s allocated share of OPSRP’s assets and liabilities results in an allocated OPSRP UAL of \$60,488.

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.

On September 25, 2009 Mercer reported that the funded status of PERS, excluding side accounts decreased from 112% on December 31, 2007 to 71% on December 31, 2008. Mercer also reported that the 2009 investment return on the regular account through August 31, 2009 was 8.88% and that an investment return of approximately 26% would be required by December 31, 2009 to reach 80% funded status 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.

*City Contribution Rates.* The City's current contribution rates are based on the 2007 Valuation and are effective through June 30, 2011. Contribution rates for the City effective July 1, 2011 through June 30, 2013 will be based on the 2009 Valuation. The following table shows the City's current rates effective beginning July 1, 2009 (2007 Valuation) and the advisory rates from the City's 2008 Advisory Valuation:

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

	Advisory Rates (2011-2013)			Current Rates (2009-2011)		
	T1/T2	OPSRP General	OPSRP P&F	T1/T2	OPSRP General	OPSRP P&F
Normal Cost Rate	9.59%	5.90%	8.61%	7.48%	5.81%	8.52%
UAL Rate	7.09	7.09	7.09	3.20	3.20	3.20
OPSRP UAL Rate	0.07	0.07	0.07	(0.08)	(0.08)	(0.08)
Net Pension Contribution Rate	16.75%	13.06%	15.77%	10.60%	8.93%	11.64%
Retiree Healthcare Rate <sup>(1)</sup>	<u>0.59%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>0.29%</u>	<u>0.19%</u>	<u>0.19%</u>
Total Net Contribution Rate	17.34%	13.56%	16.27%	10.89%	9.12%	11.83%

(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 2008 Valuations.

## 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 2008 System Valuation, this program had a UAL of approximately \$310 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 2008 Advisory Valuation, the City's allocated share of the RHIA program's UAL is \$283,154.

*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.

### OPEB Obligations – City of West Linn

City's Normal Cost at year end	\$	122,974
Amortization of UAAL with interest		<u>120,793</u>
Annual Required Contribution (ARC)		243,767
Interest on prior year net OPEB obligation		8,176
Adjustment to ARC		<u>(12,825)</u>
Annual OPEB cost		239,118
Less contribution (amounts paid during year for OPEB)		-
Less implicit benefit payments		<u>(52,498)</u>
Increase in net OPEB obligation		186,620
OPEB obligation at beginning of fiscal year		<u>181,696</u>
OPEB obligation at end of fiscal year	\$	<u>368,316</u>

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
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 2009 is attached hereto as Appendix E.



## THE INITIATIVE AND REFERENDUM PROCESS

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

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.

The 75th Oregon Legislative Assembly adjourned on June 29, 2009. Two bills that were approved and signed by the Governor that could impact the revenues and expenses of the District follow:

*House Bill 2001 ("HB 2001")*. The Jobs and Transportation Act of 2009 was signed by the Governor on July 29, 2009. It addresses long-standing transportation issues, mainly the 6-cent increase in the state, gas tax, fee increases for automobile title and registration, and an increase in the weight-mile tax for truckers, resulting in a \$300 million increase to the State Highway Fund. When fully implemented in 2012 and 2013, cities will receive a 20 percent share. The share is made permanent by the bill as part of the 50-30-20 (state, county, city) revenue split of all new State Highway Funds.

*House Bill 2867 ("HB 2867")* was signed by the Governor on August 4, 2009. Under HB 2867, cities with a population of at least 15,000 and contracts greater than \$250,000 in value must determine whether there is an economic benefit to contracting a service through a third party, prohibits an agency from contracting out a service if it would be more economical to perform the service with existing employees, prohibits a city from contracting out a service if the only reason the service would be less expensive was due to lower wages and benefits paid by the contractor, and proscribes performance standards and penalties for non-performance of a contracted service.

## 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	n.a.	n.a.
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 Securities 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 2010 G.O. Bonds and Appendix D relating to the 2010 Obligations. 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 Securities nor the power and authority of the City to issue the Securities. 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 Securities.

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, that portion of the payments under the Financing Agreement designated as and constituting interest on the Obligations (“Interest”) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2010 G.O 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 Obligations and interest on the 2010 G.O 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 Obligations and interest on the 2010 G.O. Bonds is exempt from personal income taxation imposed by the State of Oregon. Complete copies of the proposed form of opinions of Bond Counsel are set forth in Appendix C and D hereto.

The City has designated the Obligations and the 2010 G.O 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 Securities 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 Securities) constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each beneficial owner thereof, is treated as Interest on the Obligations or interest on the 2010 G.O. 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 Obligations and a particular maturity of the 2010 G.O. Bonds, respectively, is the first price at which a substantial amount of such maturity of the Obligations or the 2010 G.O. Bonds, as the case may be, 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 Obligations of any maturity date and 2010 G.O. 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 Obligations or 2010 G.O. Bonds, as the case may be, to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Obligations or 2010 G.O. Bonds. Beneficial holders of the Obligations and the 2010 G.O. Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Obligations or 2010 G.O. Bonds with original issue discount, including the treatment of beneficial owners who do not purchase such Obligations in the original offering to the public at the first price at which a substantial amount of such Obligations or 2010 G.O. Bonds is sold to the public.

Obligations and 2010 G.O. 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 Obligations and the 2010 G.O. Bonds. The City has covenanted to comply with certain restrictions designed to ensure that interest on the Obligations and the 2010 G.O. Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Obligations or the 2010 G.O. 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 Obligations and the 2010 G.O. 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 Obligations and the 2010 G.O. Bonds may adversely affect the value of, or the tax status of interest on, the Obligations or the 2010 G.O. Bonds.

Although Bond Counsel is of the opinion that Interest on the Obligations and the 2010 G.O. 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 Obligations and the 2010 G.O. 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 Obligations or interest on the 2010 G.O. Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent beneficial holders of the Obligations or the 2010 G.O. Bonds from realizing the full current benefit of the tax status of such interest. Prospective purchasers of the Obligations and the 2010 G.O. 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 Obligations or the 2010 G.O. Bonds for audit examination, or the course or result of any IRS examination of the Obligations or the 2010 G.O. Bonds, or obligations which present similar tax issues, will not affect the market price for the Obligations or the 2010 G.O. 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 Obligations and the 2010 G.O. Bonds for federal income tax purposes. It is not binding on the IRS or the courts. Bond Counsel's engagement with respect to the Obligations and the 2010 G.O. Bonds ends with the issuance of the Obligations and the 2010 G.O. Bonds, as the case may be, and, unless separately engaged, Bond Counsel is not obligated to defend the tax-exempt status of the Obligations or the 2010 G.O. 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 had one limited 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 2010 G.O. Bonds and of "AA" to the 2010 Obligations. Moody's Investors Service ("Moody's") has assigned its municipal bond rating of "Aa2" to the 2010 G.O. Bonds and of "Aa3" to the 2010 Obligations. No application was made to any other rating agency for the purpose of obtaining an additional rating on the Securities. 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 Securities. Any further explanation of the underlying ratings may be obtained from S&P or Moody's.

## **UNDERWRITING**

D. A. Davidson & Co. (the "Underwriter") has agreed, subject to the terms of a Bond Purchase Agreement, to purchase the 2010 G.O. Bonds from the City at a price of 102.189% of the par value of the 2010 G.O. Bonds and will reoffer the 2010 G.O. Bonds at a price of 102.954% of the par value of the 2010 G.O. Bonds plus accrued interest, if any. The Underwriter has also agreed, subject to the terms of a Purchase Agreement, to purchase the 2010 Obligations from the City at a price of 107.168% of the par value of the 2010 Obligations and will reoffer the 2010 Obligations at a price of 107.933% of the par value of the 2010 Obligations plus accrued interest, if any. The Securities are being offered for sale to the public at the prices shown on the inside cover of this Official Statement. Concessions from the initial offering price may be allowed to selected dealers and special purchasers. The initial offering prices are subject to change after the date hereof.

**CONCLUDING STATEMENT**

The information contained herein should not be construed as representing all conditions affecting the City or the Securities. Additional information may be obtained from the City. The statements relating to the Resolutions 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 Securities.

**APPROVAL OF OFFICIAL STATEMENT**

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

CITY OF WEST LINN, OREGON

By: \_\_\_\_\_  
Authorized City Official

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## **APPENDIX A**

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### **Economic and Demographic Information**

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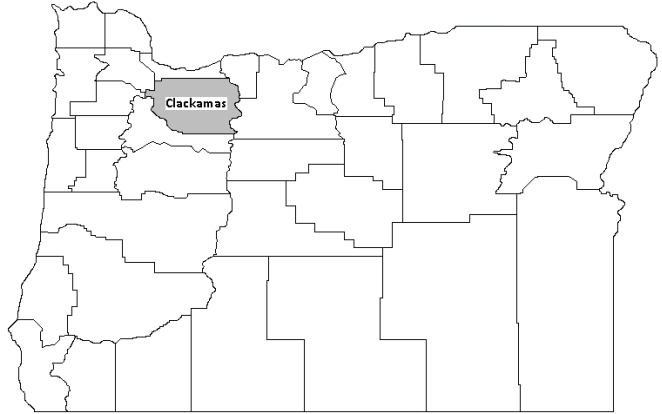
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## ECONOMIC AND DEMOGRAPHIC INFORMATION

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 2009 preliminary estimated population of 24,400. 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
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 are as follows:

Company	Service	No. Employees
West Linn-Wilsonville School District 3J	Public School	372
Tanner Spring Assisted Living	Assisted Living Facility	250
West Linn Paper Company	Paper Manufacturing	200
Safeway Inc.	Grocery Store	170
City of West Linn	Government	123
New Albertson's Inc.	Grocery Store	100
Technocom Inc.	Electrical Contractors	90
American Golf Corporation	Public Golf Course	80
Rose Linn Vintage Place	Skilled Nursing Care Facility	80
Pond Maintenance Services	Building Maintenance Services	75
Elton Enterprises IV Inc.	Restaurant Chain	70
First Student Inc.	School Bus Services	70
Zupans	Grocery Store	70
Fisher Corporation	Gas Station / Retail Stores	40
Thriftway Stores	Grocery Store	40

Source: Selectory Online (Dun and Bradstreet). July 2010.

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 <sup>(1)</sup>	2009	2008	2007	2006	2005	2010 Change from				
							2009	2008	2007	2006	2005
Civilian Labor Force	200,124	201,036	199,542	195,869	194,991	191,232	-912	582	4,255	5,133	8,892
Unemployment	19,927	20,564	11,280	8,930	9,332	10,576	-637	8,647	10,997	10,595	9,351
Percent of Labor Force	10.0%	10.2%	5.7%	4.6%	4.8%	5.5%	xx	xx	xx	xx	xx
Total Employment	180,197	180,472	188,262	186,939	185,659	180,656	-275	-8,065	-6,742	-5,462	-459
	2010 <sup>(1)</sup>	2009	2008	2007	2006	2005	2010 Change from				
							2009	2008	2007	2006	2005
Total Nonfarm Payroll Employment	137,800	148,300	148,500	144,900	140,900	135,900	-10,500	-10,700	-7,100	-3,100	1,900
Total Private	119,600	130,000	130,600	127,400	123,600	118,800	-10,400	-11,000	-7,800	-4,000	800
Mining and Logging	200	200	200	200	200	200	0	0	0	0	0
Construction	9,100	11,700	12,600	12,000	10,700	9,700	-2,600	-3,500	-2,900	-1,600	-600
Manufacturing	16,300	18,500	18,400	18,300	18,200	17,300	-2,200	-2,100	-2,000	-1,900	-1,000
Trade, transportation, and utilities	31,100	33,300	33,500	33,400	33,200	32,100	-2,200	-2,400	-2,300	-2,100	-1,000
Information	2,200	2,100	2,000	1,700	1,600	1,600	100	200	500	600	600
Financial activities	8,900	9,600	10,400	10,600	10,300	9,600	-700	-1,500	-1,700	-1,400	-700
Professional and business services	15,100	17,400	17,500	16,700	15,700	15,200	-2,300	-2,400	-1,600	-600	-100
Educational and health services	18,400	17,900	16,700	16,200	15,800	15,400	500	1,700	2,200	2,600	3,000
Leisure and hospitality	13,200	14,000	13,900	13,100	12,600	12,500	-800	-700	100	600	700
Other services	5,100	5,300	5,400	5,300	5,300	5,300	-200	-300	-200	-200	-200
Government	18,200	18,300	17,900	17,500	17,300	17,100	-100	300	700	900	1,100

Source: State of Oregon Employment Division, Department of Human Resources as of July 6, 2010.

Per capita income in the County is higher than that of the State. In 2007, the County represents 12.6 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
2008	\$ 136,276,807	\$ 35,956	N/A	N/A
2007	131,277,786	35,143	16,491,610	43,965
2006	123,857,159	33,648	15,555,029	41,974
2005	114,379,155	31,580	14,316,392	39,157
2004	109,717,646	30,621	13,599,941	37,691
2003	105,160,987	29,565	12,813,995	36,016

Source: U.S. Department of Commerce, Bureau of Economic Analysis, July 2010.

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
2008	865	\$221,883,976	-	\$0
2007	1,942	498,931,163	108	10,163,320
2006	2,212	588,105,813	570	58,596,297
2005	2,450	643,719,097	230	21,705,705
2004	1,971	482,384,395	229	25,615,978

Source: U.S. Census Bureau, July 2010.

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**APPENDIX B**

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**Continuing Disclosure**

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## CONTINUING DISCLOSURE CERTIFICATE

City of West Linn, Oregon  
\$3,065,000  
General Obligation Refunding Bonds  
Series 2010

City of West Linn, Oregon  
\$2,575,000  
Full Faith and Credit Refunding Obligations  
Series 2010

This Continuing Disclosure Certificate (the "Certificate") is executed and delivered by the City of West Linn, Oregon (the "Issuer") in connection with the issuance of its General Obligation Refunding Bonds, Series 2010 and its Full Faith and Credit Refunding Obligations, Series 2010 captioned above (collectively, the "Obligations").

Section 1. Purpose of Certificate. This Certificate is being executed and delivered by the Issuer for the benefit of the holders of the Obligations and to assist the underwriter of the Obligations in complying with paragraph (b)(5) of the United States Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. § 240.15c2-12) (the "Rule"). This Certificate constitutes the Issuer's written undertaking for the benefit of the owners of the Obligations as required by Section (b)(5) of the Rule.

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

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

"Commission" means the United States Securities and Exchange Commission.

"MSRB" means 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" means the final official statement for the Obligations dated August 18, 2010.

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

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

Section 3. Financial Information. The Issuer agrees to provide or cause to be provided to the MSRB and to the SID, if any, in each case as designated by the Commission in accordance with the Issuer's latest publicly available annual financial statements prepared in accordance with the Oregon Local Budget Law (or any successor statute) and in accordance with

generally accepted accounting principles so prescribed by the Governmental Accounting Standards Board (or its successors) and generally of the type included in the official statement for the Obligations under the heading “Audited Financial Statements 2009 (Appendix E).” To the extent not included in its annual financial statements, the Issuer shall also provide a statement containing: (1) the total real market value and total assessed value of property within the Issuer (as indicated in the records of the county assessors); (2) the amount or rate of property taxes levied by the Issuer for the fiscal year, and the amount of property taxes the Issuer received during the fiscal year; (3) the aggregate tax rate for all ad valorem property taxes levied within the boundaries of the Issuer; and, (4) the total principal amount of general obligation bonds and other tax-supported bonds of the Issuer which are outstanding at the end of the fiscal year.

Section 4. Timing. The information described in the preceding paragraph shall be provided on or before nine months after the end of the Issuer’s fiscal year, commencing with information for fiscal year 2009-2010 (which is due not later than April 1, 2011). The Issuer’s current fiscal year ends June 30. The Issuer may adjust this fiscal year by providing written notice of the change of fiscal year to the MSRB and the SID, if any. In lieu of providing this annual financial information separately, the Issuer may cross-reference to other documents provided to the MSRB, the SID or to the Commission. If the cross-referenced document is a final official statement within the meaning of the Rule, it shall be available from the MSRB.

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

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

Section 5. Material Events. The Issuer agrees to provide or cause to be provided, in a timely manner, to the SID, if any, and to the MSRB notice of the occurrence of any of the following events with respect to the Obligations, if material:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves for the Obligations reflecting financial difficulties;
4. Unscheduled draws on credit enhancements for the Obligations reflecting financial difficulties;
5. Substitution of credit or liquidity providers or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the Obligations;

7. Modifications to the rights of Obligation owners;
8. Bond calls;
9. Defeasance of the Obligations;
10. Release, substitution or sale of property securing repayment of the Obligations; and
11. Rating changes.

Section 6. Termination/Modification. The Issuer's obligations to provide notices of material events shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Obligations. This Certificate, or any provision hereof, shall be null and void if the Issuer (a) obtains an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this Certificate, or any such provision, are invalid, have been repealed retroactively or otherwise do not apply to the Obligations; and (b) notifies the MSRB and the SID, if any, of such opinion and the cancellation of this Certificate.

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

A. If the amendment or waiver relates to the provisions of Sections 3 or 5 hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Issuer with respect to the Obligations, or the type of business conducted;

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

C. The amendment or waiver either (i) is approved by the owners of the Obligations or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the owners or Beneficial Owners of the Obligations.

In the event of any amendment or waiver of a provision of this Certificate, the Issuer shall describe such amendment in the next annual report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a material event under Section 5 hereof, and (ii) the annual report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 7. Obligation Owner's Remedies Under This Certificate. The right of any Obligation Owner or Beneficial Owner of Obligations to enforce the provisions of this Certificate shall be limited to a right to obtain specific enforcement of the Issuer's obligations hereunder, and any failure by the Issuer to comply with the provisions of this undertaking shall not be an event of default with respect to the Obligations hereunder.

Section 8. Electronic Municipal Market Access (EMMA). Any filing required to be made with the MSRB or SID, if any, under this Certificate are to be made by transmitting such filing through the Electronic Municipal Market Access (EMMA) website of the MSRB currently located at <http://emma.msrb.org>.

Section 9. Choice of Law. This Certificate shall be governed by and construed in accordance with the laws of the State of Oregon, provided that to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

Dated as of the 2nd day of September 2010.

**CITY OF WEST LINN, OREGON**

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

Richard Seals  
Finance Director

**APPENDIX C**

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**2010 G.O. Bonds Form of Legal Opinion**

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September 2, 2010

City of West Linn, Oregon  
West Linn, Oregon

\$3,065,000  
City of West Linn, Oregon  
General Obligation Refunding Bonds, Series 2010  
(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 \$3,065,000 aggregate principal amount of bonds designated as “City of West Linn, Oregon General Obligation Refunding Bonds, Series 2010” (the “Bonds”), authorized pursuant to Resolution No. 2010-33 adopted by the City Council of the City on August 9, 2010 (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, 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 opinion speaks only as of its date and is not intended to, and may not, be relied upon 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, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

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

1. The Bonds constitute the valid and binding general obligations of the Issuer.
2. The Resolution has been duly and 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 Bond 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, nor is it 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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**2010 Obligations Form of Legal Opinion**

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September 2, 2010

City of West Linn, Oregon  
West Linn, Oregon

City of West Linn, Oregon  
Full Faith and Credit Refunding Obligations, Series 2010  
(Final Opinion)

Ladies and Gentlemen:

We have acted as special counsel to the City of West Linn, Oregon (the "City") in connection with the execution and delivery of \$2,575,000 aggregate principal amount of City of West Linn, Oregon Full Faith and Credit Refunding Obligations, Series 2010 (the "Obligations"), which evidence and represent undivided proportionate interests in payments to be made by the City under a Tax-Exempt Financing Agreement, dated as of September 1, 2010 (the "Financing Agreement"), between the City and U.S. Bank National Association (the "Escrow Agent"). The Obligations are being issued pursuant to Resolution No. 2010-34 adopted by the City Council of the City on August 9, 2010 (the "Resolution"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Financing Agreement and the Escrow Agreement, dated as of September 1, 2010 (the "Escrow Agreement"), between the City and the Escrow Agent.

In such connection, we have reviewed the Resolution, the Financing Agreement, the Escrow Agreement and the Tax Certificate, dated the date hereof (the "Tax Certificate"), certificates of the City, the Escrow 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 opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Obligations has concluded with their execution and delivery, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Financing Agreement, the Escrow Agreement and the Tax Certificate, including (without limitation) covenants and

agreements compliance with which is necessary to assure that future actions, omissions or events will not cause the interest component of the Obligations to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Obligations, the Financing Agreement, the Escrow Agreement 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, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to any lien created by the Financing Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Obligations and express no opinion with respect thereto.

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

1. The Financing Agreement and the Escrow Agreement have been duly executed and delivered by, and constitute the valid and binding limited obligations of, the City.
2. The Obligations constitute the valid and binding obligation of the City, payable from the City's general non-restricted revenues and other funds which may be lawfully available therefor.
3. The portion of the Obligations designated as and constituting interest paid by the City under the Financing Agreement and received by the registered owners of the Obligations is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of Oregon personal income taxes. Interest on the Obligations is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, nor is it included in adjusted current earnings when calculating corporate alternative minimum taxable income. We note that the City has designated the Obligations 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 Obligations.

City of West Linn, Oregon  
September 2, 2010  
Page 3

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

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**APPENDIX E**

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**Audited Financial Statement - 2009**

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CITY OF  
**West  
Linn**  
OREGON

FINANCE DEPARTMENT

# Comprehensive Annual Financial Report

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2009

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

For the fiscal year ended June 30, 2009

prepared by

Finance Department  
City of West Linn, Oregon

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

#### COVER PHOTOGRAPHY

ONE OF SEVERAL CITY FACILITIES, THE WEST LINN LIBRARY WAS REMODELED IN 2002 AND INCLUDES 28,000 SQUARE FEET OF WELCOMING FACILITY SPACE. THE REMODEL WAS FUNDED BY A \$3.9 MILLION BOND MEASURE WHICH VOTERS APPROVED IN MAY 2000.

LIBRARY FINANCIAL OPERATIONS, WHICH ARE PRESENTED ON PAGE 66, HAVE STABILIZED WITH THE VOTER-APPROVED FORMATION OF THE CLACKAMAS COUNTY LIBRARY DISTRICT IN NOVEMBER 2008 WHICH PROVIDES DEDICATED FUNDING FOR LIBRARY SERVICES THROUGHOUT CLACKAMAS COUNTY.



THIS REPORT WAS PRINTED  
ON RECYCLED PAPER

**CITY OF WEST LINN, OREGON**  
 Comprehensive Annual Financial Report  
 For the fiscal year ended June 30, 2009

**TABLE OF CONTENTS**

	Page
<b>I. INTRODUCTORY SECTION</b>	
Letter of Transmittal	1
Certificate of Achievement for Excellence in Financial Reporting	5
Elected and Appointed Officials	6
Organizational Chart	7
Audit Committee	8
<b>II. FINANCIAL SECTION</b>	
Independent Auditor's Report	11
Management's Discussion and Analysis	13
<b>Basic Financial Statements</b>	
Government-wide Financial Statements	
Statement of Net Assets	24
Statement of Activities	25
Fund Financial Statements	
Balance Sheet – Governmental Funds	26
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	27
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	28
Statement of Net Assets – Proprietary Funds	29
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	30
Statement of Cash Flows – Proprietary Funds	31
Notes to Basic Financial Statements	32
<b>Required Supplementary Information</b>	
Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Major Governmental Funds	
General Fund	52
Public Safety Fund	53
Parks and Recreation Fund	54
Street Fund	55
Systems Development Charges Fund	56
Notes to Required Supplementary Information	58



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**CITY OF WEST LINN, OREGON**  
 Comprehensive Annual Financial Report  
 For the fiscal year ended June 30, 2009

**TABLE OF CONTENTS, CONTINUED**

	Page
<b>Supplementary Information</b>	
Combining and Individual Fund Statements and Schedules	
Combining Balance Sheet – Nonmajor Governmental Funds	62
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	63
Combining Balance Sheet – Nonmajor Special Revenue Funds	64
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit) – Nonmajor Special Revenue Funds	65
Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Nonmajor Governmental Funds	
Library Fund	66
Communications Fund	67
Building Inspection Fund	68
Planning Fund	69
Debt Service Fund	70
Parks Bond Construction Fund	71
Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Proprietary Funds	
Water Fund	73
Environmental Services Fund	74
Notes to Supplementary Information	75
<b>Other Financial Schedules</b>	
Schedule of Property Tax Transactions and Outstanding Balances	77
Schedule of Accountability of Independently Elected Officials	78

**CITY OF WEST LINN, OREGON**  
 Comprehensive Annual Financial Report  
 For the fiscal year ended June 30, 2009

**TABLE OF CONTENTS, CONTINUED**

	Page
<b>III. STATISTICAL SECTION</b>	
Net Assets by Component	81
Changes in Net Assets	82
Governmental Activities Tax Revenues by Source	84
Fund Balances of Governmental Funds	85
Changes in Fund Balances of Governmental Funds	86
Assessed Value and Estimated Real Market Value of Taxable Property	87
Property Tax Rates – Direct and Overlapping Governments	88
Principal Property Taxpayers	89
Property Tax Levies and Collections	90
Ratios of Outstanding Debt by Type	91
Ratios of General Bonded Debt Outstanding	92
Direct and Overlapping Governmental Activities Debt	93
Legal Debt Margin Information	94
Pledged-Revenue Coverage	95
Demographic and Economic Statistics	96
Principal Employers	97
Full-time Equivalent City Government Employees by Function	98
Operating Indicators by Function	99
Capital Assets Statistics by Function	100
<b>IV. COMPLIANCE SECTION</b>	
Independent Auditor’s Comments and Disclosures Required by the Minimum Standards for Audits of Oregon Municipal Corporations	103
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	106


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

SECTION I

**INTRODUCTORY SECTION**

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

# CITY OF West Linn

December 16, 2009

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, 2009 is hereby submitted.

This report presents the financial position of the City as of June 30, 2009 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 as prescribed by the 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, 2009. The independent auditor's opinion is located at page 11 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 13 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 24,500. 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

CITY OF HILLS, TREES, AND RIVERS • WWW.WESTLINNOREGON.GOV

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 the City of West Linn. 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 5-year strategic financial 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 fiscal year 2008-09 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, 2009, a five percent rate increase for water, sewer, and surface water management fees was approved and effective July 1, 2010, 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 \$8.1 million outstanding in two general obligation bond issues, \$7.1 million outstanding in two full faith and credit obligations, and \$1.3 million outstanding in a water revenue bond issue, for a total of \$16.5 million in long-term debt outstanding as of June 30, 2009.

#### **City's Credit Ratings**

In 2008, Standard and Poor's Rating Services reinstated the City's AA- rating on its outstanding general obligation debt. Previously, Standard and Poor's had suspended its ratings on the City's debt because of substantially delayed financial disclosures, a situation that created uncertainty regarding the City's financial position. The general obligation bonds include the obligation to levy property taxes without limitation as to rate or amount. The property tax pledge of general obligation bonds is limited by constitutional restrictions on revenue growth.

Standard and Poor's cited that the West Linn service area shows very strong economic characteristics and is integrated with the large and diverse Portland regional economy; and that the City has implemented good financial policies and practices, including the use of long-term financial forecasting and capital planning models.

#### **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 2008-09 fiscal year, 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.

Going forward, two changes occurred in 2009 coming out of the City's two financial committees. The Citizens Budget Committee moved forward with converting over to a biennial budget. In June 2009, the Citizens Budget Committee adopted the City's first biennial budget for 2010-2011 better aligning with the State's biennial budget and increasing their focus on a longer term. And second, the Audit Committee consisting of Councilors Carson and Kovash, continued their focus on audit oversight by recruiting a citizen member to their committee who is a West Linn resident and a certified public accountant. Welcome Nikki Koblaha and thank you for your service.

#### **Awards**

**Comprehensive Annual Financial Reporting Award.** For the first 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, 2008. 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 first 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, 2008. The *Award for Outstanding Achievement in Popular Annual Financial Reporting* is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government popular reports. In order to receive an *Award for Outstanding Achievement in Popular Annual Financial Reporting*, a government unit must publish a Popular Annual Financial Report, 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 2010-2011 biennial budget from the GFOA, making this the third budget document in a row receiving 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. The award program is an international one established in 1984 to encourage exemplary budgetary practices and to provide peer recognition for government finance officers who prepare budget documents. They rate a budget's proficiency 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. 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  
Finance Director

## 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, 2008

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



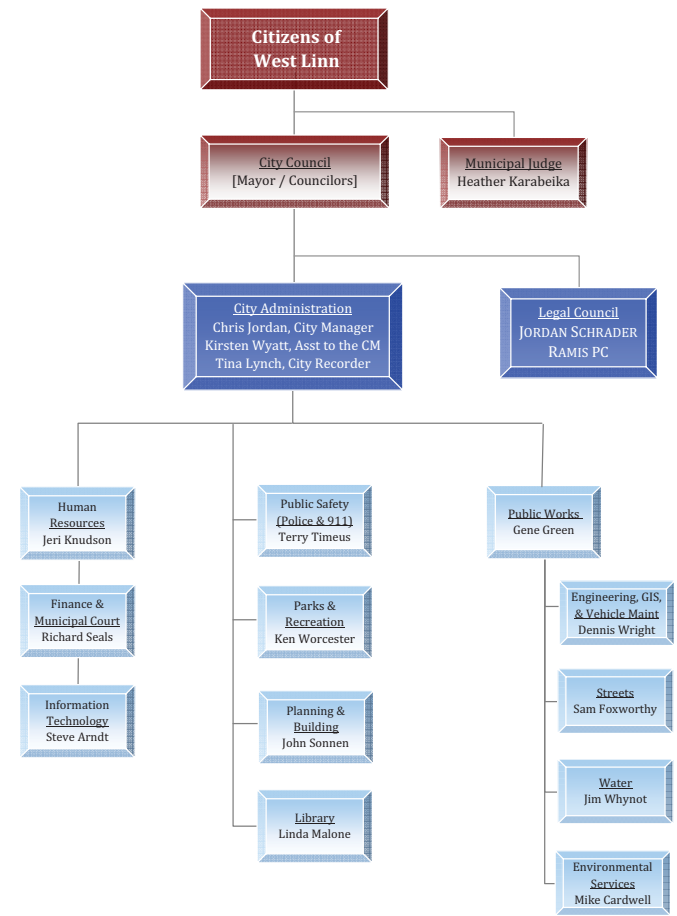
Executive Director

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

Elected Officials	Term Expires
Patti Galle, Mayor	December 31, 2012
Jody Carson, Council President	December 31, 2010
Scott Burgess, Councilor	December 31, 2010
Teri Cummings, Councilor	December 31, 2012
John Kovash, Councilor	December 31, 2012
Heather Karabeika, Municipal Court Judge	December 31, 2011

Appointed Officials	Position
Christopher A. Jordan	City Manager
JORDAN SCHRADER RAMIS PC	Legal Counsel
<b>Key Personnel:</b>	
Steve Arndt	Chief Technology Officer
Casey Camors, CPA	Accounting Manager
Gene Green	Public Works Director
Jeri Knudson	Human Resources Director
Tina Lynch	City Recorder
Linda Malone (interim)	Library Director
Richard Seals, CPA CMA CFM	Finance Director
John Sonnen	Planning Director
Terry Timeus	Police Chief
Ken Worcester	Parks and Recreation Director
Kirsten Wyatt	Assistant to the City Manager

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





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

---

Resolution 06-33 passed in July 2006 establishing an Audit Committee to ensure that the 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:	
Jody Carson, Council President	December 31, 2010
John Kovash, Councilor	December 31, 2012
One Citizen Member:	
Nikki Koblaha, CPA	December 31, 2012

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

**SECTION II**

**FINANCIAL SECTION**

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Portland, Oregon 97239-3973  
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F 503.274.2853  
www.tkw.com

## INDEPENDENT AUDITOR'S REPORT

December 14, 2009

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, 2009, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2009, 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 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.

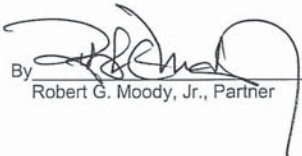
**INDEPENDENT AUDITOR'S REPORT (Continued)**

City Council  
City of West Linn, Oregon  
December 14, 2009  
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 accompanying Required Supplementary Information, comprised of the Budgetary Comparisons for the General Fund and major special revenue funds as listed in the Table of Contents, as well as the Supplementary Information consisting of combining and individual nonmajor fund financial statements and other schedules, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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, 2009**

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, 2009. 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**

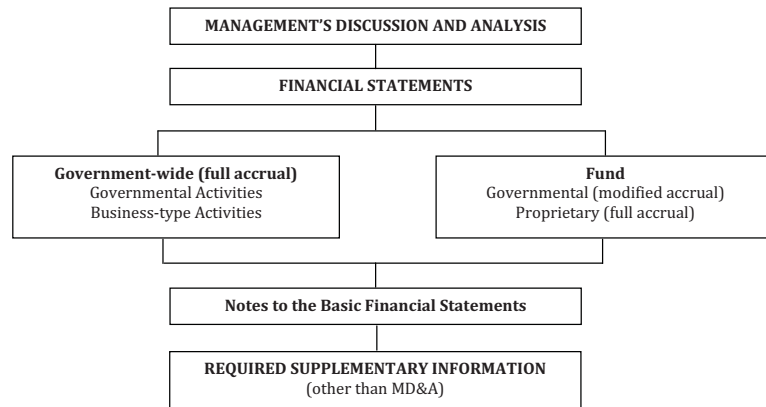
- The City's assets totaled \$285.6 million at June 30, 2009, consisting of \$260.4 million in capital assets, \$8.9 million in unrestricted cash and investments, \$6.7 million in restricted cash and investments, and \$9.6 million in investment in joint venture and other assets. Total assets increased by \$6.5 million from the previous fiscal year.
- The City's liabilities totaled \$22.3 million at June 30, 2009 consisting of \$17.0 million in long-term liabilities and \$5.3 million in accounts payable and other liabilities.
- The assets of the City exceeded its liabilities by \$263.3 million at the close of fiscal year 2009. Unrestricted net assets totaled \$9.8 million with the remainder of the City's net assets invested in capital assets net of related debt (\$246.7 million) and restricted for endowment, capital projects, and debt service (\$6.8 million).
- For its governmental activities, the City generated \$9.4 million in charges for services and received \$3.2 million in operating and capital grants and contributions. Direct expenses, including interest on long-term debt for governmental activities were \$21.8 million for the year, resulting in a net expense of \$9.2 million. \$8.8 million of general revenues were received resulting in a net change in net assets of \$0.4 million.
- For its business-type activities, the City generated \$7.2 million in charges for services and in operating and capital grants and contributions to fund direct expenses of \$6.0 million.
- Fund balance in the City's governmental funds was \$9.8 million at June 30, 2009, up by \$2.6 million from June 30, 2008.

**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 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 it 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 \$263.3 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, machinery, 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	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 13.9	\$ 9.7	\$ 11.3	\$ 10.9	\$ 25.2	\$ 20.6
Capital assets	231.7	230.9	28.7	27.6	260.4	258.5
<b>Total assets</b>	<b>245.6</b>	<b>240.6</b>	<b>40.0</b>	<b>38.5</b>	<b>285.6</b>	<b>279.1</b>
Long-term liabilities	15.7	11.3	1.3	1.3	17.0	12.6
Other liabilities	4.3	3.3	1.0	0.9	5.3	4.2
<b>Total liabilities</b>	<b>20.0</b>	<b>14.6</b>	<b>2.3</b>	<b>2.2</b>	<b>22.3</b>	<b>16.8</b>
Net assets:						
Invested in capital assets, net of related debt	219.3	219.0	27.4	26.2	246.7	245.2
Restricted	6.6	4.5	0.2	-	6.8	4.5
Unrestricted (deficit)	(0.3)	2.5	10.1	10.1	9.8	12.6
<b>Total net assets</b>	<b>\$ 225.6</b>	<b>\$ 226.0</b>	<b>\$ 37.7</b>	<b>\$ 36.3</b>	<b>\$ 263.3</b>	<b>\$ 262.3</b>

A portion of the City's net assets (\$6.8 million or about three percent) represents resources that are subject to external restrictions on how they may be used. The balance of *unrestricted net assets* (\$9.8 million or about four percent) may be used to meet the City's ongoing obligations to citizens and creditors.

As of June 30, 2009, 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. The same situation held true as of the end of the prior fiscal year.

Total net assets increased by \$1.0 million during the current fiscal year. This increase represents the degree to which increases in ongoing revenues have exceeded similar increases in 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)*

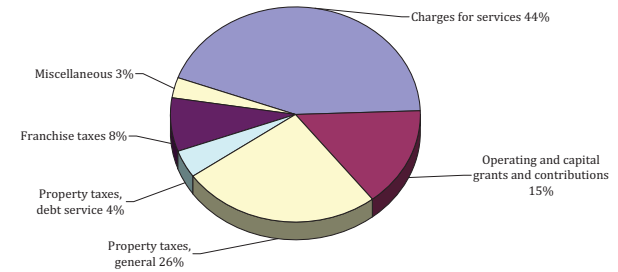
	Governmental Activities		Business-type Activities		Total	
	FY08-09	FY07-08	FY08-09	FY07-08	FY08-09	FY07-08
<b>Revenues</b>						
<b>Program revenues</b>						
Charges for services	\$ 9.4	\$ 8.8	\$ 5.5	\$ 4.9	\$ 14.9	\$ 13.7
Operating grants and contributions	2.5	2.3	-	-	2.5	2.3
Capital grants and contributions	0.7	1.8	1.7	0.9	2.4	2.7
<b>General revenues</b>						
Property taxes	6.4	6.0	-	-	6.4	6.0
Franchise taxes	1.7	1.7	-	-	1.7	1.7
Grants and contributions not restricted to specific programs	0.6	0.3	-	-	0.6	0.3
Miscellaneous	0.1	0.4	0.2	0.1	0.3	0.5
<b>Total revenues</b>	<b>21.4</b>	<b>21.3</b>	<b>7.4</b>	<b>5.9</b>	<b>28.8</b>	<b>27.2</b>
<b>Expenses</b>						
<b>Governmental activities</b>						
General government	6.0	6.0	-	-	6.0	6.0
Culture and recreation	5.4	4.3	-	-	5.4	4.3
Public safety	6.3	5.7	-	-	6.3	5.7
Highways and streets	3.5	1.2	-	-	3.5	1.2
Interest on long-term debt	0.6	0.6	-	-	0.6	0.6
Depreciation	-	2.4	-	-	-	2.4
<b>Business-type activities</b>						
Water	-	-	3.3	2.9	3.3	2.9
Environmental services	-	-	2.7	2.8	2.7	2.8
<b>Total expenses</b>	<b>21.8</b>	<b>20.2</b>	<b>6.0</b>	<b>5.7</b>	<b>27.8</b>	<b>25.9</b>
Change in net assets before transfers	(0.4)	1.1	1.4	0.2	1.0	1.3
Transfers	-	(0.1)	-	0.1	-	-
Change in net assets	(0.4)	1.0	1.4	0.3	1.0	1.3
Net assets - beginning	226.0	225.0	36.3	36.0	262.3	261.0
Net assets - ending	\$ 225.6	\$ 226.0	\$ 37.7	\$ 36.3	\$ 263.3	\$ 262.3

**Governmental Activities**

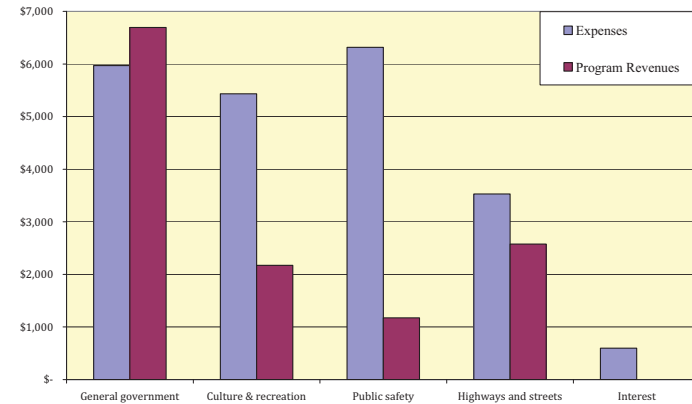
Governmental activities decreased the City's net assets by \$0.4 million in fiscal year 2008-09, as compared to a \$1.0 million increase in the prior fiscal year, 2007-08. Key elements of these changes are illustrated in Table 2 above.

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. 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)*

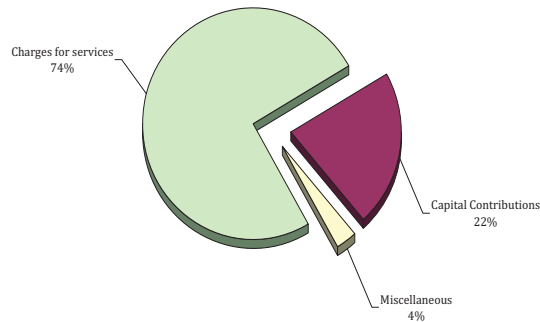


### Business-type Activities

The water fund revenues represent approximately 56 percent of all utility revenues for the City. The City continued to realize improved operating results increasing funds available for planned significant capital investment. Additionally, the City's fifty percent equity investment in the South Fork Water Board provided a return of \$58,215 in fiscal year 2009.

The environmental services fund revenues represent approximately 44 percent of all utility revenues for the City. The fund provides sewer collection services and surface water management services. Overall the fund continues to realize improved operating results. 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, 2009, the City's governmental funds reported a combined ending fund balance of \$9.8 million, an increase of \$2.6 million when compared to the prior year. Unreserved fund balance, as of June 30, 2009, was \$3.3 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, 2009, total fund balance was \$1 million. The City's general fund increased by \$0.1 million during the fiscal year 2008-09. Key factors relative to this change are as follows:

- As of July 1, 2008, the general fund absorbed activities related to three previously existing funds, increasing total revenues by 75 percent and total expenditure by 41 percent over the 2007-08 fiscal year.
- Intergovernmental revenues increased by \$0.1 million during the fiscal year 2008-09.

### Public Safety Fund

This special revenue fund accounts for police, 911 dispatch, and overall safety activities within City limits. Revenues increased by \$0.2 million from \$4.8 million in the 2007-08 fiscal year to \$5.0 million in the 2008-09 fiscal year. Expenditures in the public safety fund increased by \$0.5 million from \$4.2 million in the 2007-08 fiscal year to \$5.6 million in the 2008-09 fiscal year. The increase in expenditures is due to the increase in personal services reflecting a now fully-staffed city police force. Bonds issued attributed to the public safety fund were \$1.5 million resulting in a \$1.2 million increase in fund balance over the 2007-08 fiscal year.

### Parks and Recreation Fund

This special revenue fund is used to account for funding parks and recreation programs throughout the City. Revenues increased by \$0.4 million from \$2.8 million in the 2007-08 fiscal year to \$3.2 million in the 2008-09 fiscal year. This increase was specifically due to an increased property tax revenue allocation and increased charges for service. Expenditures decreased nominally resulting in an increase in fund balance of \$0.3 million for the fiscal year ended June 30, 2009.

### Street Fund

This special revenue fund accounts for the operation and maintenance of the City's street and sidewalk systems including medians. Revenue increased by \$0.6 million from \$1.4 million in the 2007-08 fiscal year to \$2.0 million in the 2008-09 fiscal year. This increase is attributable to the completion of the phase-in period for the street maintenance fee. Expenditures in the street fund increased by \$1.6 million from \$1.0 million in the 2007-08 fiscal year to \$3.3 million in the 2008-09 fiscal year due to scheduled and budgeted capital improvements. During the 2008-09 fiscal year, bonds issued attributable to the street fund were \$2.0 million. The street fund had an overall increase in fund balance of \$0.7 million for the fiscal year ended June 30, 2009.

### Systems Development Charges Fund

This special revenue fund accounts for systems development charges and improvements including those for the street, water, surface water, sewer, and park systems. Revenues decreased by \$0.5 million from \$1.1 million in the 2007-08 fiscal year to \$0.6 million in the 2008-09 fiscal year. Expenditures in the systems development charges fund decreased by \$0.7 million from the 2007-08 fiscal year. The change in the systems development charges fund activities reflects the economic downturn, specifically, the reduction in local building activity.

**General Fund Budgetary Highlights**

The original appropriated budget of the general fund for the fiscal year 2008-09 amounted to \$6.5 million including \$637,000 for contingencies. Differences between the original budget and the final budget of the general fund netted to an increase in expenditure appropriations of \$385,000 from contingency. Contingency decreased by \$385,000 to support carry forward of software expenditures, additional sustainability funding in the city administration department, and additional audit costs in the finance department.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As of June 30, 2009, the City had invested \$260.4 million in capital assets, net of depreciation as reflected in the following table. This represents a net increase (additions, deductions and depreciation) of \$1.9 million in fiscal year 2009. Governmental capital assets totaled \$231.7 million while business-type capital assets totaled \$28.7 million.

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

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
	Land and easements	\$ 187.5	\$ 187.4	\$ 0.4	\$ 0.3	\$ 187.9
Buildings and improvements	17.1	17.1	0.8	0.8	17.9	17.9
Vehicles and equipment	1.4	1.6	0.5	0.6	1.9	2.2
Infrastructure	25.3	24.8	27.0	25.7	52.3	50.5
Construction in progress	0.4	-	-	0.2	0.4	0.2
Capital assets, net	<u>\$ 231.7</u>	<u>\$ 230.9</u>	<u>\$ 28.7</u>	<u>\$ 27.6</u>	<u>\$ 260.4</u>	<u>\$ 258.5</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 general revenues on the *Statement of Activities*.

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

	Governmental Activities		Business-type Activities		Total	
	FY08-09	FY07-08	FY08-09	FY07-08	FY08-09	FY07-08
	Beginning balance	\$ 230.9	\$ 230.0	\$ 27.6	\$ 27.5	\$ 258.5
Additions	3.8	3.3	2.5	1.2	6.3	4.5
Reductions	(0.2)	-	(0.2)	-	(0.4)	-
Depreciation	(2.8)	(2.4)	(1.2)	(1.1)	(4.0)	(3.5)
Ending balance	<u>\$ 231.7</u>	<u>\$ 230.9</u>	<u>\$ 28.7</u>	<u>\$ 27.6</u>	<u>\$ 260.4</u>	<u>\$ 258.5</u>

Assets utilized in governmental activities increased a net \$0.8 million and include land, building, machinery and equipment, and sidewalk improvements. These additions include completion of various projects throughout the community. More detailed information about the City's capital assets is presented on page 40 in the notes to the basic financial statements.

**Debt Outstanding**

As of the end of the fiscal year, the City had \$16.5 million in long-term bonded debt obligations outstanding – an increase of twenty four percent from last year – as shown in Table 5. More detailed information about the City's long-term debt obligations is presented on pages 42 and 43 in the notes to the basic financial statements.

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

	2009	2008
Governmental:		
General obligation bonds	\$ 8.1	\$ 8.7
Full faith and credit obligations	7.1	3.2
Sub-total	15.2	11.9
Business-type:		
Water revenue bonds	1.3	1.4
Total	<u>\$ 16.5</u>	<u>\$ 13.3</u>

During the fiscal year ended June 30, 2009, the City refunded two bond issues and issued \$4 million in new debt for street improvements, acquiring land for a police station site, and certain park improvements. Bond ratings for general obligation debt by Standard & Poor's Rating Agency was restored to AA- in July 2008 and again, reaffirmed in December 2008.

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 \$8.1 million in general obligation debt applicable to this limit is well below the \$135 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 is significantly below real market values (currently about 55 percent), therefore, real market values would have to decrease by over 45 percent before the City's property tax revenue stream would be negatively impacted.

Property tax revenue provided 30 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 next largest resource, at 20 percent, comes from fees and charges for services, permits, licenses, recreation charges, and system development charges.

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, 2006 and subsequently on January 1, 2007, 2008 and 2009, the City increased utility rates by five percent each. The rate increases are limited 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. Similar rate increases are anticipated over the next several years to generate sufficient revenue to fund operations and provide adequate funds for anticipated capital replacement projects.

**Requests for Information**

This City's financial statements are designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability of the resources it receives and expends. If you have questions about this report, or need additional financial information, contact the Finance Director at City of West Linn, 22500 Salamo Road, West Linn, Oregon 97068 or e-mail [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, 2009

	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
Cash and investments	\$ 5,990,785	\$ 2,905,464	\$ 8,896,249
Restricted cash and investments	6,556,305	154,500	6,710,805
Property taxes receivable	480,965	-	480,965
Accounts receivable, net of allowance	606,370	868,552	1,474,922
Bond issuance costs	275,558	78,261	353,819
Capital assets net of being depreciated:			
Land and easements	187,514,464	394,097	187,908,561
Construction in progress	356,697	-	356,697
Capital assets net of accumulated depreciation:			
Buildings and improvements	17,068,574	733,337	17,801,911
Vehicles and equipment	1,407,298	526,896	1,934,194
Infrastructure	25,379,588	27,026,654	52,406,242
Investment in joint venture	-	7,318,919	7,318,919
<b>TOTAL ASSETS</b>	<b>245,636,604</b>	<b>40,006,680</b>	<b>285,643,284</b>
<b>LIABILITIES:</b>			
Accounts payable	2,032,083	848,252	2,880,335
Accrued salaries and payroll taxes payable	376,654	27,550	404,204
Accrued compensated absences payable	794,765	81,415	876,180
Accrued interest payable	165,361	19,314	184,675
Deposits payable	864,340	5,000	869,340
Demand bank note payable	119,552	-	119,552
Noncurrent liabilities:			
Long-term debt obligations, due within one year	825,000	80,000	905,000
Long-term debt obligations, due in more than one year	14,370,000	1,225,000	15,595,000
Bond premium	156,023	-	156,023
Accrued other postemployment benefit obligations	339,352	28,964	368,316
<b>TOTAL LIABILITIES</b>	<b>20,043,130</b>	<b>2,315,495</b>	<b>22,358,625</b>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	219,276,357	27,454,245	246,730,602
Restricted for:			
Library endowment	157,300	-	157,300
Debt service	214,386	154,500	368,886
Capital projects	6,193,703	-	6,193,703
Unrestricted (deficit)	(248,272)	10,082,440	9,834,168
<b>TOTAL NET ASSETS</b>	<b>\$ 225,593,474</b>	<b>\$ 37,691,185</b>	<b>\$ 263,284,659</b>

See notes to basic financial statements

CITY OF WEST LINN, OREGON

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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	\$ 5,969,895	\$ 6,364,223	\$ 331,115	\$ -	\$ 725,443	\$ -	\$ 725,443
Culture and recreation	5,433,099	1,543,171	628,198	-	(3,261,730)	-	(3,261,730)
Public safety	6,318,096	663,952	508,695	-	(5,145,449)	-	(5,145,449)
Highways and streets	3,527,808	832,568	1,018,039	726,425	(950,776)	-	(950,776)
Interest on long-term debt	599,096	-	-	-	(599,096)	-	(599,096)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>21,847,994</b>	<b>9,403,914</b>	<b>2,486,047</b>	<b>726,425</b>	<b>(9,231,608)</b>	<b>-</b>	<b>(9,231,608)</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>							
Water	3,269,250	3,069,457	-	597,238	-	397,445	397,445
Environmental services	2,704,217	2,452,312	-	1,037,975	-	786,070	786,070
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>5,973,467</b>	<b>5,521,769</b>	<b>-</b>	<b>1,635,213</b>	<b>-</b>	<b>1,183,515</b>	<b>1,183,515</b>
<b>TOTAL ACTIVITIES</b>	<b>\$ 27,821,461</b>	<b>\$ 14,925,683</b>	<b>\$ 2,486,047</b>	<b>\$ 2,361,638</b>	<b>(9,231,608)</b>	<b>1,183,515</b>	<b>(8,048,093)</b>
<b>GENERAL REVENUES:</b>							
Taxes:							
Property taxes, levied for general purposes					5,536,231	-	5,536,231
Property taxes, levied for debt service					942,300	-	942,300
Franchise taxes					1,727,918	-	1,727,918
Grants and contributions not restricted to specific programs					604,187	-	604,187
Unrestricted investment earnings					50,420	189,805	240,225
<b>TRANSFERS</b>					(27,043)	27,043	-
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>					<b>8,834,013</b>	<b>216,848</b>	<b>9,050,861</b>
<b>CHANGE IN NET ASSETS</b>					(397,595)	1,400,363	1,002,768
<b>NET ASSETS - beginning</b>					225,991,069	36,290,822	262,281,891
<b>NET ASSETS - ending</b>					<b>\$ 225,593,474</b>	<b>\$ 37,691,185</b>	<b>\$ 263,284,659</b>

See notes to basic financial statements

CITY OF WEST LINN, OREGON

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2009

	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	\$ 1,597,648	\$ 598,453	\$ 491,907	\$ 2,487,531	\$ -	\$ 815,246	\$ 5,990,785
Restricted cash and investments	-	1,500,000	-	-	3,727,651	1,328,654	6,556,305
Property taxes receivable	-	411,970	-	-	-	68,995	480,965
Accounts receivable	56,998	156,625	121,523	167,833	-	103,391	606,370
<b>TOTAL ASSETS</b>	<b>\$ 1,654,646</b>	<b>\$ 2,667,048</b>	<b>\$ 613,430</b>	<b>\$ 2,655,364</b>	<b>\$ 3,727,651</b>	<b>\$ 2,316,286</b>	<b>\$ 13,634,425</b>
<b>LIABILITIES:</b>							
Accounts payable	\$ 182,672	\$ 74,346	\$ 84,596	\$ 1,547,224	\$ 2,076	\$ 141,169	\$ 2,032,083
Accrued salaries and payroll taxes	184,854	94,100	35,000	10,700	-	52,000	376,654
Deposits payable	301,715	-	-	275,268	-	287,357	864,340
Deferred revenue	-	339,065	-	-	-	56,785	395,850
Demand bank note payable	-	-	-	-	-	119,552	119,552
<b>TOTAL LIABILITIES</b>	<b>669,241</b>	<b>507,511</b>	<b>119,596</b>	<b>1,833,192</b>	<b>2,076</b>	<b>656,863</b>	<b>3,788,479</b>
<b>FUND BALANCES:</b>							
Reserved for:							
Library endowment	-	-	-	-	-	157,300	157,300
Debt service	-	-	-	-	-	214,386	214,386
Capital projects	-	1,500,000	-	-	3,725,575	968,128	6,193,703
Unreserved, reported in:							
General fund	985,405	-	-	-	-	-	985,405
Special revenue funds	-	659,537	493,834	822,172	-	319,609	2,295,152
<b>TOTAL FUND BALANCES</b>	<b>985,405</b>	<b>2,159,537</b>	<b>493,834</b>	<b>822,172</b>	<b>3,725,575</b>	<b>1,659,423</b>	<b>9,845,946</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,654,646</b>	<b>\$ 2,667,048</b>	<b>\$ 613,430</b>	<b>\$ 2,655,364</b>	<b>\$ 3,727,651</b>	<b>\$ 2,316,286</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. 231,726,621

Other assets are not available to pay for current-period expenditures and therefore, are deferred in the funds:  
Bond issuance costs \$ 275,558 275,558

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 395,850  
Accrued compensated absences payable (794,765)  
Accrued interest payable (165,361)  
Long-term debt obligations (15,195,000)  
Bond premium (156,023)  
Accrued other postemployment benefit obligations (339,352) (16,254,651)

Net assets of governmental activities \$ 225,593,474

See notes to basic financial statements

CITY OF WEST LINN, OREGON

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	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	\$ -	\$ 2,923,718	\$ 1,580,449	\$ -	\$ -	\$ 1,888,521	\$ 6,392,688
Intergovernmental	114,960	508,695	110,723	1,018,039	-	733,630	2,486,047
Franchise taxes	20,000	1,412,410	-	78,940	-	216,568	1,727,918
Licenses and permits	427,045	28,245	-	-	-	551,500	1,006,790
Fines and forfeitures	410,519	108,047	-	-	-	67,579	586,145
Charges for services	4,670,000	-	1,475,592	832,568	-	214,000	7,192,160
Systems development charges	-	-	-	-	618,819	-	618,819
Investment earnings	7,552	8,340	1,118	4,310	17,945	11,155	50,420
Miscellaneous:							
Settlements	416,921	-	-	-	-	-	416,921
Other	71,143	43,507	28,959	28,273	-	15,384	187,266
<b>TOTAL REVENUES</b>	<b>6,138,140</b>	<b>5,032,962</b>	<b>3,196,841</b>	<b>1,962,130</b>	<b>636,764</b>	<b>3,698,337</b>	<b>20,665,174</b>
<b>EXPENDITURES:</b>							
Current:							
General government	5,175,550	-	-	-	-	768,639	5,944,189
Cultural and recreation	-	-	2,662,894	-	-	1,885,482	4,548,376
Public safety	-	5,419,939	-	-	-	520,490	5,940,429
Highways and streets	-	-	-	1,634,945	-	-	1,634,945
Debt service:							
Principal	180,000	-	-	-	-	525,000	705,000
Interest	159,838	-	-	-	-	312,210	472,048
Capital outlay	274,910	130,856	262,948	1,631,299	33,401	611,060	2,944,474
<b>TOTAL EXPENDITURES</b>	<b>5,790,298</b>	<b>5,550,795</b>	<b>2,925,842</b>	<b>3,266,244</b>	<b>33,401</b>	<b>4,622,881</b>	<b>22,189,461</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>347,842</b>	<b>(517,833)</b>	<b>270,999</b>	<b>(1,304,114)</b>	<b>603,363</b>	<b>(924,544)</b>	<b>(1,524,287)</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Transfers from other funds	-	200,000	-	-	-	122,500	322,500
Transfers to other funds	(200,000)	-	-	(28,000)	(34,500)	(60,000)	(322,500)
Full faith and credit obligation bonds issued	-	1,513,000	-	2,018,000	-	504,000	4,035,000
Refunding bonds issued	-	-	-	-	-	4,915,000	4,915,000
Bond premium on issuance of debt	-	9,165	-	12,385	-	150,366	171,916
Payment to refunded bond escrow agent	-	-	-	-	-	(4,992,519)	(4,992,519)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(200,000)</b>	<b>1,722,165</b>	<b>-</b>	<b>2,002,385</b>	<b>(34,500)</b>	<b>639,347</b>	<b>4,129,397</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>147,842</b>	<b>1,204,332</b>	<b>270,999</b>	<b>698,271</b>	<b>568,863</b>	<b>(285,197)</b>	<b>2,605,110</b>
<b>FUND BALANCES - beginning</b>	<b>837,563</b>	<b>955,205</b>	<b>222,835</b>	<b>123,901</b>	<b>3,156,712</b>	<b>1,944,620</b>	<b>7,240,836</b>
<b>FUND BALANCES - ending</b>	<b>\$ 985,405</b>	<b>\$ 2,159,537</b>	<b>\$ 493,834</b>	<b>\$ 822,172</b>	<b>\$ 3,725,575</b>	<b>\$ 1,659,423</b>	<b>\$ 9,845,946</b>

See notes to basic financial statements

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, 2009**

Net change in fund balances - total governmental funds (page 27)	\$	2,605,110
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 capital outlay was greater than depreciation.		858,712
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		218,457
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.		
Full faith and credit obligation bonds issued	\$ (4,035,000)	
Refunding bonds issued	(4,915,000)	
Long-term debt principal repayments	705,000	
Payment to refunded bond escrow agent	<u>4,920,000</u>	(3,325,000)
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	(387,180)	
Accrued interest payable	(127,049)	
Accrued other postemployment benefit obligations	(171,868)	
Demand note principal repayment	(55,448)	
Amortization of bond issuance costs	(29,223)	
Amortization of bond premium	<u>15,894</u>	<u>(754,874)</u>
Change in net assets of governmental activities (page 25)	\$	<u>(397,595)</u>

See notes to basic financial statements  
28

CITY OF WEST LINN, OREGON  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2009**

	Business-type Activities - Enterprise Funds		
	Water Fund	Environmental Services Fund	Total
<b>ASSETS:</b>			
Current assets:			
Cash and investments	\$ 251,271	\$ 2,654,193	\$ 2,905,464
Restricted cash and investments	154,500	-	154,500
Accounts receivable, net of allowance for doubtful accounts	425,775	442,777	868,552
Bond issuance costs	6,522	-	6,522
Total current assets	<u>838,068</u>	<u>3,096,970</u>	<u>3,935,038</u>
Noncurrent assets:			
Capital assets not being depreciated	307,853	86,244	394,097
Capital assets, net of accumulated depreciation	9,924,182	18,362,705	28,286,887
Investment in joint venture	7,318,919	-	7,318,919
Bond issuance costs	71,739	-	71,739
Total noncurrent assets	<u>17,622,693</u>	<u>18,448,949</u>	<u>36,071,642</u>
<b>TOTAL ASSETS</b>	<u>18,460,761</u>	<u>21,545,919</u>	<u>40,006,680</u>
<b>LIABILITIES:</b>			
Current liabilities:			
Accounts payable	195,663	652,589	848,252
Deposits payable	-	5,000	5,000
Accrued salaries and payroll taxes payable	15,100	12,450	27,550
Accrued compensated absences payable	43,262	38,153	81,415
Accrued interest payable	19,314	-	19,314
Bonds payable - due within one year	<u>80,000</u>	<u>-</u>	<u>80,000</u>
Total current liabilities	<u>353,339</u>	<u>708,192</u>	<u>1,061,531</u>
Noncurrent liabilities:			
Bonds payable	1,225,000	-	1,225,000
Accrued other postemployment benefit obligations	15,799	13,165	28,964
Total noncurrent liabilities	<u>1,240,799</u>	<u>13,165</u>	<u>1,253,964</u>
<b>TOTAL LIABILITIES</b>	<u>1,594,138</u>	<u>721,357</u>	<u>2,315,495</u>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	9,005,296	18,448,949	27,454,245
Restricted for debt service	154,500	-	154,500
Unrestricted	<u>7,706,827</u>	<u>2,375,613</u>	<u>10,082,440</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 16,866,623</u>	<u>\$ 20,824,562</u>	<u>\$ 37,691,185</u>

See notes to basic financial statements  
29

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, 2009**

	Business-type Activities - Enterprise Funds		
	Water Fund	Environmental Services Fund	Total
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 2,954,547	\$ 2,337,194	\$ 5,291,741
Systems development charges	6,764	65,608	72,372
Licenses and permits		47,930	47,930
Other operating revenues	49,931	1,580	51,511
<b>TOTAL OPERATING REVENUES</b>	<b>3,011,242</b>	<b>2,452,312</b>	<b>5,463,554</b>
<b>OPERATING EXPENSES:</b>			
Salaries and wages	510,354	638,083	1,148,437
Materials and supplies	2,276,000	1,275,987	3,551,987
Depreciation	405,245	783,091	1,188,336
<b>TOTAL OPERATING EXPENSES</b>	<b>3,191,599</b>	<b>2,697,161</b>	<b>5,888,760</b>
<b>OPERATING LOSS</b>	<b>(180,357)</b>	<b>(244,849)</b>	<b>(425,206)</b>
<b>NONOPERATING INCOME (EXPENSE):</b>			
Investment earnings	85,228	104,577	189,805
Net income on investment in joint venture	58,215	-	58,215
Loss on disposal of capital assets		(7,056)	(7,056)
Interest expense	(77,651)	-	(77,651)
<b>TOTAL NONOPERATING INCOME (EXPENSE)</b>	<b>65,792</b>	<b>97,521</b>	<b>163,313</b>
<b>LOSS BEFORE CAPITAL CONTRIBUTIONS</b>	<b>(114,565)</b>	<b>(147,328)</b>	<b>(261,893)</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>612,995</b>	<b>1,049,261</b>	<b>1,662,256</b>
<b>CHANGE IN NET ASSETS</b>	<b>498,430</b>	<b>901,933</b>	<b>1,400,363</b>
<b>NET ASSETS - beginning</b>	<b>16,368,193</b>	<b>19,922,629</b>	<b>36,290,822</b>
<b>NET ASSETS - ending</b>	<b>\$ 16,866,623</b>	<b>\$ 20,824,562</b>	<b>\$ 37,691,185</b>

See notes to basic financial statements  
30

CITY OF WEST LINN, OREGON  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	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	\$ 2,956,617	\$ 2,479,252	\$ 5,435,869
Payments to suppliers for goods and services	(2,328,854)	(1,138,295)	(3,467,149)
Payments to employees for services	(476,942)	(609,174)	(1,086,116)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>150,821</b>	<b>731,783</b>	<b>882,604</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Principal paid on capital debt	(75,000)	-	(75,000)
Interest paid on capital debt	(78,470)	-	(78,470)
Acquisition and construction of capital assets	(357,950)	(275,501)	(633,451)
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(511,420)</b>	<b>(275,501)</b>	<b>(786,921)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest earnings received on investments	85,228	104,577	189,805
<b>NET INCREASE (DECREASE) IN CASH AND INVESTMENTS</b>	<b>(275,371)</b>	<b>560,859</b>	<b>285,488</b>
<b>CASH AND INVESTMENTS - beginning</b>	<b>681,142</b>	<b>2,093,334</b>	<b>2,774,476</b>
<b>CASH AND INVESTMENTS - ending</b>	<b>\$ 405,771</b>	<b>\$ 2,654,193</b>	<b>\$ 3,059,964</b>
Cash and investments are shown in the <i>Statement of Net Assets</i> as follows:			
Cash and investments	\$ 251,271	\$ 2,654,193	\$ 2,905,464
Restricted cash and investments	154,500	-	154,500
	<b>\$ 405,771</b>	<b>\$ 2,654,193</b>	<b>\$ 3,059,964</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES:</b>			
Operating loss	\$ (180,357)	\$ (244,849)	\$ (425,206)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation expense	405,245	783,091	1,188,336
(Increase) decrease in accounts receivable	(54,625)	26,940	(27,685)
Decrease in bond issuance costs	6,522	-	6,522
Increase (decrease) in accounts payable	(59,376)	137,692	78,316
Increase in accrued salaries and payroll taxes payable	4,889	3,582	8,471
Increase in accrued compensated absences payable	20,476	18,622	39,098
Increase in accrued postemployment benefit obligations	8,047	6,705	14,752
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>\$ 150,821</b>	<b>\$ 731,783</b>	<b>\$ 882,604</b>
<b>NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>			
Net income on investment in joint venture	\$ 58,215	\$ -	\$ 58,215
Capital assets transferred from (to) business-type funds	(3,851)	3,851	-
Capital assets transferred from governmental funds	19,608	7,435	27,043
Capital assets contributed by developers	597,238	1,037,975	1,635,213

See notes to basic financial statements  
31

**CITY OF WEST LINN, OREGON**  
**Notes to Basic Financial Statements**  
**June 30, 2009**

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**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) statements and interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. No FASB statements and interpretations issued after November 30, 1989 have 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. 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. Expenses reported for functional activities include allocated indirect expenses, such as administrative overhead. 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 individually 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. This interfund activity results from the City's allocation of charges as reimbursement for services provided by one fund to another. These reimbursements are for the support of interfund activity and are based on levels of service provided. Not eliminating these charges would artificially inflate the direct costs and program revenues reported for the various functions concerned.

**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 combining 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, vehicle and equipment maintenance, and related debt service. The primary revenue sources are reimbursement charges for services to other funds, licenses and permits, fines and forfeitures, 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, intergovernmental revenue, franchise taxes and other miscellaneous program revenues such as dog licensing fees.
- **Parks and Recreation Fund**  
Accounts for the operation and maintenance of the City's parks and recreation programs. The primary sources of revenue include an allocation of the City's property tax levy, intergovernmental revenues, 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.
- **Systems Development Charges Fund**  
Accounts for the receipt and expenditures of systems development charges (SDCs) dedicated to streets, surface water, water, sewer, and parks.

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 pool'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 the property on July 1 in 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 taxes 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 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 \$5,000 and an estimated 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' lives are not capitalized.

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

	Useful Lives (in years)
Buildings and structures	25-50
Improvements other than buildings	10-20
Machinery and equipment	5-30
Vehicles	5-10
Infrastructure	20 to 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. 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**

The City early implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for the Postemployment Benefits Other Than Pensions* (OPEB) in last fiscal year, 2008. 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 based upon actuarial accounting principles.

**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, or 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**

In the government-wide statement of net assets, fund equity is referred to as net assets and is segregated into the following three components: 1) amount invested in capital assets, net of related debt, 2) legally restricted by outside parties for a specific purpose, and 3) unrestricted. In the fund financial statements, governmental funds report reserved fund balances for amounts that are not available for appropriation because they are legally segregated for a specific purpose. These legal segregations include bond covenants reserving debt service payments and use limitations, building and systems development charges fund balances legally restricted by applicable state statutes, and funds endowed to the City for restricted purposes. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources, as they are needed.

**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. The City continues to properly account for the legally restricted principal in the net assets section of the *Statement of Net Assets* presented on page 24 and restricted cash and reserved fund balance on the library fund's *Balance Sheet* presented on page 64.

**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 include U.S. Treasury obligations including treasury notes, bond 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; the 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, 2009, the City's cash and investments were comprised of the following:

Cash on hand	\$ 2,575
Deposits with financial institutions	7,384,590
Oregon State Treasurer's Local Government Investment Pool	8,219,889
Total cash and investments	<u>\$ 15,607,054</u>

	Government Activities	Business-type Activities	Total
Cash and investments	\$ 5,990,785	\$ 2,905,464	\$ 8,896,249
Restricted cash and investments	6,556,305	154,500	6,710,805
Total cash and investments	<u>\$ 12,547,090</u>	<u>\$ 3,059,964</u>	<u>\$ 15,607,054</u>

**Deposits.** Deposits with financial institutions are comprised of bank demand deposits. The combined total bank balance is \$7,661,325. Of these deposits, \$500,000, was 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. As a result the City has no exposure to custodial credit risk for deposits with financial institutions.

**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 investments in 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, 2009, all the City deposits are insured or collateralized and therefore, are not subject to custodial credit risk.

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 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 the types and maturities of investments. That portion of the external investment pool which belongs 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 at the Oregon State Treasury, 350 Winter St. NE, Salem, Oregon 97310-0840.

The City's position in the LGIP at June 30, 2009 is stated at cost which approximates fair value.

**Receivables**

As of June 30, 2009, accounts receivable are reflected in the basic financial statements net of an allowance for uncollectible accounts pertaining to utility billing collections which impacts only the business-type activities.

Accounts, contracts and grants	\$ 1,492,722
Allowance for uncollectible accounts	<u>(17,800)</u>
Total accounts receivable	<u>\$ 1,474,922</u>

Accounts receivable - governmental activities	\$ 606,370
Accounts receivable - business-type activities	868,552
Total accounts receivable	<u>\$ 1,474,922</u>

**Investment in Joint Venture**

The South Fork Water Board (SFWB) operates a water distribution system jointly with the City 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 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 \$58,215 from net income of the joint venture in fiscal year 2008-09. 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, 2009, was as follows:

	Beginning balance as of June 30, 2008	Additions	Reductions and adjustments	Ending balance as of June 30, 2009
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land and easements	\$ 187,454,403	\$ 60,061	\$ -	\$ 187,514,464
Construction in progress	-	266,947	89,750	356,697
Total capital assets not being depreciated	187,454,403	327,008	89,750	187,871,161
Capital assets being depreciated:				
Buildings and improvements	24,992,476	746,877	-	25,739,353
Vehicles and equipment	2,836,216	212,247	(389,082)	2,659,381
Infrastructure	54,081,391	2,461,793	(27,043)	56,516,141
Total capital assets being depreciated	81,910,083	3,420,917	(416,125)	84,914,875
Less accumulated depreciation for:				
Buildings and improvements	(7,932,713)	(738,066)	-	(8,670,779)
Vehicles and equipment	(1,270,604)	(203,916)	222,438	(1,252,082)
Infrastructure	(29,293,260)	(1,843,294)	-	(31,136,554)
Total accumulated depreciation	(38,496,577)	(2,785,276)	222,438	(41,059,415)
Total capital assets being depreciated, net	43,413,506	635,641	(193,687)	43,855,460
Total capital assets, net	\$ 230,867,909	\$ 962,649	\$ (103,937)	\$ 231,726,621

	Beginning balance as of June 30, 2008	Additions	Reductions	Ending balance as of June 30, 2009
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 315,313	\$ 78,784	\$ -	\$ 394,097
Construction in progress	239,683	-	(239,683)	-
Total capital assets not being depreciated	554,996	78,784	(239,683)	394,097
Capital assets being depreciated:				
Buildings and improvements	1,579,504	-	-	1,579,504
Vehicles and equipment	1,077,530	38,676	(41,120)	1,075,086
Infrastructure	52,453,394	2,417,929	-	54,871,323
Total capital assets being depreciated	55,110,428	2,456,605	(41,120)	57,525,913
Less accumulated depreciation for:				
Buildings and improvements	(814,577)	(31,590)	-	(846,167)
Vehicles and equipment	(501,125)	(81,129)	34,064	(548,190)
Infrastructure	(26,769,052)	(1,075,617)	-	(27,844,669)
Total accumulated depreciation	(28,084,754)	(1,188,336)	34,064	(29,239,026)
Total capital assets being depreciated, net	27,025,674	1,268,269	(7,056)	28,286,887
Total capital assets, net	\$ 27,580,670	\$ 1,347,053	\$ (246,739)	\$ 28,680,984

Depreciation expense for governmental activities in the amount of \$2,785,276 and for business-type activities the amount of \$1,188,336 was charged to functions/programs as follows:

	Governmental activities	Business-type activities	Total
General government	\$ 39,739	\$ -	\$ 39,739
Culture and recreation	777,446	-	777,446
Public safety	103,520	-	103,520
Highways and streets	1,864,571	-	1,864,571
Water	-	405,245	405,245
Environmental services	-	783,091	783,091
Depreciation expense	<u>\$ 2,785,276</u>	<u>\$ 1,188,336</u>	<u>\$ 3,973,612</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, 2009, all of the itemized transfers below represent transfers to and from various funds for general government purposes.

Interfund transfers for the fiscal year ended June 30, 2009 are as follows:

	Transfers from other funds	Transfers to other funds	Net
<b>Governmental funds:</b>			
General fund	\$ -	\$ (200,000)	\$ (200,000)
Street fund	-	(28,000)	(28,000)
Systems development charges fund	-	(34,500)	(34,500)
Public safety fund	200,000	-	200,000
Nonmajor governmental funds	122,500	(60,000)	62,500
Total interfund transfers	<u>\$ 322,500</u>	<u>\$ (322,500)</u>	<u>\$ -</u>

## 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 equipment for use in its operations under cancelable and noncancelable operating leases. Total costs for such leases were approximately \$85,000 for the year ended June 30, 2009. The future minimum lease payments for noncancelable operating leases are as follows:

Fiscal year ending June 30,	Amount
2010	\$ 89,941
2011	89,941
2012	89,941
2013	89,941
2014	89,941
	<u>\$ 449,705</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. Compensated absences are all considered due within one year.

	Beginning balance as of June 30, 2008	Additions	Reductions	Ending balance as of June 30, 2009	Due within one year
<b>Governmental activities:</b>					
General obligation bonds					
Series 1998 Parks & Recreation, interest at 4.0-4.7%, original issue of \$4,400,000, due 2018	\$ 2,785,000	\$ -	\$ (2,785,000)	\$ -	\$ -
Series 1999 Parks & Recreation, interest at 4.25-5.3%, original issue of \$3,600,000, due 2021	2,535,000	-	(2,535,000)	-	-
Series 2000 Library Expansion, interest at 4.7-5.4%, original issue of \$3,900,000, due 2021	3,315,000	-	(125,000)	3,190,000	140,000
Series 2009-A Park Refundings, interest at 3.0-4.0%, original issue of \$4,915,000, due 2019	-	4,915,000	-	4,915,000	405,000
Full Faith and Credit obligations					
Series 2000 City Hall, interest at 4.3-5.2%, original issue of \$4,300,000, due 2021	3,235,000	-	(180,000)	3,055,000	190,000
Series 2009-B St./Police/Parks, interest at 3.0-4.35%, original issue of \$4,035,000, due 2029	-	4,035,000	-	4,035,000	90,000
Long-term bonded debt obligations	11,870,000	8,950,000	(5,625,000)	15,195,000	825,000
Compensated absences for governmental activities	407,585	908,305	(521,125)	794,765	794,765
Total governmental activities	<u>12,277,585</u>	<u>9,858,305</u>	<u>(6,146,125)</u>	<u>15,989,765</u>	<u>1,619,765</u>
<b>Business-type activities:</b>					
Revenue bonds					
Series 2000 Water Revenue and Refunding, interest at 4.7-5.6%, original issue of \$4,317,000, due 2021	1,380,000	-	(75,000)	1,305,000	80,000
Compensated absences for business-type activities	42,317	99,410	(60,312)	81,415	81,415
Total business-type activities	<u>1,422,317</u>	<u>99,410</u>	<u>(135,312)</u>	<u>1,386,415</u>	<u>161,415</u>
<b>Total long-term debt obligations</b>					
General obligation bonds	8,635,000	4,915,000	(5,445,000)	8,105,000	545,000
Full Faith and Credit obligations	3,235,000	4,035,000	(180,000)	7,090,000	280,000
Revenue bonds	1,380,000	-	(75,000)	1,305,000	80,000
Long-term bonded debt obligations	13,250,000	8,950,000	(5,700,000)	16,500,000	905,000
Compensated absences	449,902	1,007,715	(581,437)	876,180	876,180
Total long-term debt obligations	<u>\$ 13,699,902</u>	<u>\$ 9,957,715</u>	<u>\$ (6,281,437)</u>	<u>\$ 17,376,180</u>	<u>\$ 1,781,180</u>

Future maturities of bond principal and interest at June 30, 2009, are as follows:

Year	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 825,000	\$ 741,054	\$ 80,000	\$ 74,188	\$ 905,000	\$ 815,242
2011	975,000	597,695	80,000	69,728	1,055,000	667,423
2012	1,030,000	561,762	85,000	65,044	1,115,000	626,806
2013	1,080,000	523,399	90,000	60,012	1,170,000	583,411
2014	1,130,000	482,559	95,000	54,694	1,225,000	537,253
2015-2019	6,270,000	1,678,608	585,000	178,106	6,855,000	1,856,714
2020-2024	2,555,000	522,215	290,000	17,700	2,845,000	539,915
2025-2029	1,330,000	177,218	-	-	1,330,000	177,218
	<u>\$ 15,195,000</u>	<u>\$ 5,284,510</u>	<u>\$ 1,305,000</u>	<u>\$ 519,472</u>	<u>\$ 16,500,000</u>	<u>\$ 5,803,982</u>

**Advance and Current Refunding.** On January 21, 2009, the City issued \$2,575,000 of general obligation refunding bonds to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of advance refunding all future debt service payments of \$2,555,000 of the Series 1998 general obligation bonds. As a result, these refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the *Statement of Net Assets*. The reacquisition price exceeded the net carrying amount of the old debt by \$37,709. 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. This advance refunding was undertaken to reduce total debt service payments over the next 10 years by \$178,521 and resulted in an economic gain of \$165,447.

In addition, the City issued \$2,340,000 of general obligation bonds for a current refunding of \$2,365,000 of the Series 1999 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 \$34,809. 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 \$271,185 and a reduction of \$291,270 in future debt service payments.

Standard and Poor's Rating Services reaffirmed the City's AA- long-term credit rating on its general obligation bonds and full faith and credit obligations on December 23, 2008. They cited a service area that shows strong economic characteristics and the implementation of strengthened financial policies and procedures.

**Demand Bank Note.** A short term bank note in the amount of \$175,000 was received in June 2008 and reported as a fund liability in the building inspection fund. This bank note requires twelve monthly principal and interest payments, contains an initial interest rate of five percent, and matures with a final payment due in July 2009. The outstanding principal balance as of June 30, 2009 and the amount scheduled for the final payment in July 2009 amounts to \$119,552.

### Employee Retirement Pension Plan

#### Plan Description

The City contributes to the Oregon Public Employees Retirement System (PERS) and to the Oregon Public Service Retirement Plan (OPSRP). PERS is an agent multi-employer defined benefit public employee retirement system. OPSRP is a hybrid retirement plan with two components: the Pension

Program (defined benefit; established and maintained as a tax-qualified governmental defined benefit plan) and the Individual Account Program (defined contribution; established and maintained as a tax-qualified governmental defined contribution plan). A defined benefit plan is benefit-based and uses predictable criteria such as a pension determined by salary multiplied by length of service multiplied by a factor. A defined contribution plan has no guarantee. OPSRP is administered by PERS. PERS acts as a common investment and administrative agent for political subdivisions in the State of Oregon.

The 2003 Oregon Legislature established OPSRP. Public employees hired on or after August 29, 2003, become part of OPSRP, unless membership was previously established in PERS. The 1995 Oregon Legislature established a different level of benefits for employees who began their six-month waiting period on or after January 1, 1996 called Tier Two.

Benefits generally vest after five years of continuous service. Retirement is allowed at age fifty-eight with unreduced benefits, but retirement is generally available after age fifty-five with reduced benefits. Retirement benefits based on salary and length of service are calculated using a formula and are payable in a lump sum or monthly using several payment options. PERS also provides death and disability benefits. These benefit provisions and other requirements are established by state statute.

The State of Oregon PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700 or by calling 1-888-320-7377.

**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 14.05 percent for PERS, 14.30 percent for OPSRP – general employees, and 17.57 percent for OPSRP – police employees of salary covered under the plan. 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, 2009, 2008, and 2007 the City's annual pension costs were approximately \$1,113,000, \$973,000, and \$1,108,000 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, 2005, 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 8 percent in 2008, then declining by 0.5 percent per year until the rate of 5 percent is reached in 2013; (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.

**Annual Required Contribution/Contractually Required Contribution**

The Annual Required Contribution (ARC) and the contractually required contribution are expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. The ARC is shown in the following table.

	Tier 1/2	OPSRP	
		General	Police
July 1, 2007 to June 30, 2009			
Tier 1/Tier 2 Annual Required Contribution	13.68 %	8.22 %	8.22 %
OPSRP Contractually Required Contribution	n/a	5.82	9.09

**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 only to the implicit rate subsidy. This "plan" is not a stand-alone plan 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, 2009, 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, 2009.

	Medical		Dental
	HealthNet	Kaiser	ODS
Employee	\$ 474	\$ 428	\$ 51
Employee + child(ren)	853	771	n/a
Employee + spouse	937	857	89
Employee + family	1,314	1,285	165

**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 30 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	\$ 122,974
Amortization of UAAL with interest	<u>120,793</u>
Annual Required Contribution (ARC)	243,767
Interest on prior year net OPEB obligation	8,176
Adjustment to ARC	<u>(12,825)</u>
Annual OPEB cost	239,118
Less contribution (amounts paid during year for OPEB)	-
Less implicit benefit payments	<u>(52,498)</u>
Increase in net OPEB obligation	186,620
OPEB obligation at beginning of fiscal year	<u>181,696</u>
OPEB obligation at end of fiscal year	<u>\$ 368,316</u>

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

Fiscal Year Ended	Annual OPEB Cost	Percent of Annual OPEB Cost Contribution	Net OPEB Obligation
6/30/2009	\$ 239,118	22%	\$ 368,316
6/30/2008	227,671	20	181,696

**Funded Status and Funding Progress.** The funded status of the plan as of August 1, 2008, representing the date of the most recent actuarial valuation, was as follows:

Actuarial accrued liability (AAL)	\$ 1,422,086
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,422,086</u>

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, 2008 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8 percent initially, and then declining over

the next twenty-nine years until 5 percent is reached. The projected annual rate of wage inflation is 3.75 percent compounded annually and the UAAL is being amortized over an initial period of thirty 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. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to 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 0.37 percent of annual covered payroll. 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, 2009, were approximately \$28,200 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 administered by independent plan administrators through administrative service agreements. 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 has agreements 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.

#### 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 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.

#### Subsequent Events

**Embezzlement Settlement.** In fiscal year 2006, the City discovered that its former Finance Director had embezzled approximately \$1,420,000 over a five-year period. The City and its forensic auditors determined that the funds were embezzled from the general fund although specific accounts could not be identified.

In fiscal year 2007, the former Finance Director admitted to the embezzlement in an agreement with legal authorities. The agreement entitles the City to restitution of the \$1,420,000 plus statutory interest of 9 percent per annum. The former Finance Director agreed to transfer to the City, 75 percent of the equity in her personal residence (estimated to be \$100,000) and her Public

Employee Retirement System personal retirement account (estimated to be worth \$175,000). Additionally, the City received \$100,000 from its insurance carrier during fiscal year 2007.

In fiscal year 2008, the City received \$100,692 from the proceeds from the sale of the personal residence related to the embezzlement. In fiscal year 2009, the mediation with the City's former auditors and insurance carrier was settled and the City recovered another portion amounting to \$385,000. Still outstanding, is the PERS account balance mentioned previously which is expected to be resolved later in fiscal year 2010.

**REQUIRED SUPPLEMENTARY INFORMATION**

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

*Notes to Required Supplementary Information*

**SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**BUDGET AND ACTUAL**

Major Governmental Funds  
(required supplementary information)

**General Fund**

**Special Revenue Funds**

Public Safety Fund  
Parks and Recreation Fund  
Street Fund  
Systems Development Charges 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, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Intergovernmental	\$ -	\$ -	\$ 114,960	\$ 114,960
Licenses and permits	132,000	132,000	427,045	295,045
Fines and forfeitures	479,000	479,000	410,519	(68,481)
Franchise taxes	-	20,000	20,000	-
Investment earnings	44,000	44,000	7,552	(36,448)
Miscellaneous:				
Settlements	450,000	450,000	416,921	(33,079)
Other	50,000	50,000	71,143	21,143
<b>TOTAL REVENUES</b>	<b>1,155,000</b>	<b>1,175,000</b>	<b>1,468,140</b>	<b>293,140</b>
<b>EXPENDITURES:</b>				
City Council	50,000	50,000	39,985	10,015
City Administration	770,300	790,300	761,952	28,348
Human Resources	281,100	281,100	280,612	488
Finance	801,900	861,900	847,320	14,580
Information Technology	854,500	1,179,500	973,819	205,681
Municipal Court	207,200	207,200	206,041	1,159
Facility Services	580,300	580,300	530,988	49,312
Public Works Support Services	1,261,500	1,261,500	1,261,253	247
Vehicle and Equipment Maintenance	361,800	361,800	359,343	2,457
Nondepartmental:				
General services	51,500	51,500	39,147	12,353
Debt service	339,838	339,838	339,838	-
Contingency	636,935	251,935	-	251,935
<b>TOTAL EXPENDITURES</b>	<b>6,196,873</b>	<b>6,216,873</b>	<b>5,640,298</b>	<b>576,575</b>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<b>(5,041,873)</b>	<b>(5,041,873)</b>	<b>(4,172,158)</b>	<b>869,715</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers from other funds	4,670,000	4,670,000	4,670,000	-
Transfers to other funds	(350,000)	(350,000)	(350,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>4,320,000</b>	<b>4,320,000</b>	<b>4,320,000</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(721,873)</b>	<b>(721,873)</b>	<b>147,842</b>	<b>869,715</b>
<b>FUND BALANCES - beginning</b>	<b>721,873</b>	<b>721,873</b>	<b>837,563</b>	<b>115,690</b>
<b>FUND BALANCES - ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 985,405</b>	<b>\$ 985,405</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, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Property taxes	\$ 2,989,000	\$ 2,989,000	\$ 2,923,718	\$ (65,282)
Intergovernmental	630,800	630,800	508,695	(122,105)
Franchise taxes	1,459,000	1,459,000	1,412,410	(46,590)
Licenses and permits	59,000	59,000	28,245	(30,755)
Fines and forfeitures	250,000	250,000	108,047	(141,953)
Investment earnings	37,000	37,000	8,340	(28,660)
Miscellaneous	52,000	52,000	43,507	(8,493)
<b>TOTAL REVENUES</b>	<b>5,476,800</b>	<b>5,476,800</b>	<b>5,032,962</b>	<b>(443,838)</b>
<b>EXPENDITURES:</b>				
Personal services	3,645,600	3,645,600	3,998,502	(352,902)
Materials and services	809,000	809,000	592,437	216,563
Capital outlay	1,700,000	1,700,000	130,856	1,569,144
Contingency	978,542	978,542	-	978,542
<b>TOTAL EXPENDITURES</b>	<b>7,133,142</b>	<b>7,133,142</b>	<b>4,721,795</b>	<b>2,411,347</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,656,342)</b>	<b>(1,656,342)</b>	<b>311,167</b>	<b>1,967,509</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers from other funds	200,000	200,000	200,000	-
Transfers to other funds	(829,000)	(829,000)	(829,000)	-
Full faith and credit obligation bonds issued	1,500,000	1,500,000	1,513,000	13,000
Bond premium on issuance of debt	-	-	9,165	9,165
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>871,000</b>	<b>871,000</b>	<b>893,165</b>	<b>22,165</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(785,342)</b>	<b>(785,342)</b>	<b>1,204,332</b>	<b>1,989,674</b>
<b>FUND BALANCES - beginning</b>	<b>785,342</b>	<b>785,342</b>	<b>955,205</b>	<b>169,863</b>
<b>FUND BALANCES - ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,159,537</b>	<b>\$ 2,159,537</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, 2009**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Property taxes	\$ 1,325,000	\$ 1,525,000	\$ 1,580,449	\$ 55,449
Intergovernmental	897,000	897,000	110,723	(786,277)
Charges for services	1,427,000	1,427,000	1,475,592	48,592
Investment earnings	10,000	10,000	1,118	(8,882)
Miscellaneous	25,000	25,000	28,959	3,959
<b>TOTAL REVENUES</b>	<b>3,684,000</b>	<b>3,884,000</b>	<b>3,196,841</b>	<b>(687,159)</b>
<b>EXPENDITURES:</b>				
Personal services	1,320,900	1,320,900	1,319,028	1,872
Materials and services	722,000	734,000	726,866	7,134
Capital outlay	1,397,000	1,597,000	262,948	1,334,052
Contingency	231,823	219,823	-	219,823
<b>TOTAL EXPENDITURES</b>	<b>3,671,723</b>	<b>3,871,723</b>	<b>2,308,842</b>	<b>1,562,881</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>12,277</b>	<b>12,277</b>	<b>887,999</b>	<b>875,722</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers to other funds	(617,000)	(617,000)	(617,000)	-
Full faith and credit obligation bonds issued	500,000	500,000	-	(500,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(117,000)</b>	<b>(117,000)</b>	<b>(617,000)</b>	<b>(500,000)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(104,723)</b>	<b>(104,723)</b>	<b>270,999</b>	<b>375,722</b>
<b>FUND BALANCES - beginning</b>	<b>104,723</b>	<b>104,723</b>	<b>222,835</b>	<b>118,112</b>
<b>FUND BALANCES - ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 493,834</b>	<b>\$ 493,834</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, 2009**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Intergovernmental	\$ 1,075,000	\$ 1,368,525	\$ 1,018,039	\$ (350,486)
Franchise taxes	68,000	68,000	78,940	10,940
Charges for services	714,000	714,000	832,568	118,568
Investment earnings	6,000	6,000	4,310	(1,690)
Miscellaneous	9,000	9,000	28,273	19,273
<b>TOTAL REVENUES</b>	<b>1,872,000</b>	<b>2,165,525</b>	<b>1,962,130</b>	<b>(203,395)</b>
<b>EXPENDITURES:</b>				
Personal services	434,100	434,100	432,937	1,163
Materials and services	516,000	516,000	511,008	4,992
Capital outlay	2,000,000	2,293,525	1,631,299	662,226
Contingency	274,636	274,636	-	274,636
<b>TOTAL EXPENDITURES</b>	<b>3,224,736</b>	<b>3,518,261</b>	<b>2,575,244</b>	<b>943,017</b>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<b>(1,352,736)</b>	<b>(1,352,736)</b>	<b>(613,114)</b>	<b>739,622</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers to other funds	(719,000)	(719,000)	(719,000)	-
Full faith and credit obligation bonds issued	2,000,000	2,000,000	2,018,000	18,000
Bond premium on issuance of debt	-	-	12,385	12,385
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,281,000</b>	<b>1,281,000</b>	<b>1,311,385</b>	<b>30,385</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(71,736)</b>	<b>(71,736)</b>	<b>698,271</b>	<b>770,007</b>
<b>FUND BALANCES - beginning</b>	<b>71,736</b>	<b>71,736</b>	<b>123,901</b>	<b>52,165</b>
<b>FUND BALANCES - ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 822,172</b>	<b>\$ 822,172</b>



CITY OF WEST LINN, OREGON  
**SYSTEMS DEVELOPMENT CHARGES FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Original Budget	Final Budget	Actual	
			Street	Surface Water
<b>REVENUES:</b>				
Systems development charges:				
Street - systems development charges	\$ -	\$ -	\$ 44,631	\$ -
Surface water - systems development charges	9,000	9,000	-	11,478
Water - systems development charges	206,000	206,000	-	-
Sewer - systems development charges	95,000	95,000	-	-
Parks - systems development charges	144,000	144,000	-	-
Investment earnings	88,000	88,000	2,063	3,440
<b>TOTAL REVENUES</b>	<b>542,000</b>	<b>542,000</b>	<b>46,694</b>	<b>14,918</b>
<b>EXPENDITURES:</b>				
Capital outlay	1,420,000	1,420,000	-	-
Contingency	2,020,269	2,020,269	-	-
<b>TOTAL EXPENDITURES</b>	<b>3,440,269</b>	<b>3,440,269</b>	<b>-</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(2,898,269)</b>	<b>(2,898,269)</b>	<b>46,694</b>	<b>14,918</b>
<b>OTHER FINANCING USES:</b>				
Transfers to other funds	(34,500)	(34,500)	(19,500)	-
<b>NET CHANGE IN FUND BALANCES</b>	<b>(2,932,769)</b>	<b>(2,932,769)</b>	<b>27,194</b>	<b>14,918</b>
<b>FUND BALANCES - beginning</b>	<b>2,932,769</b>	<b>2,932,769</b>	<b>387,884</b>	<b>654,329</b>
<b>FUND BALANCES - ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 415,078</b>	<b>\$ 669,247</b>

Continued on next page

	Actual				Variance with Final Budget
	Water	Sewer	Parks	Total	
	\$ -	\$ -	\$ -	\$ 44,631	\$ 44,631
	-	-	-	11,478	2,478
	219,450	-	-	219,450	13,450
	-	101,000	-	101,000	6,000
	-	-	242,260	242,260	98,260
	5,873	5,654	915	17,945	(70,055)
	225,323	106,654	243,175	636,764	94,764
	19,607	7,436	6,358	33,401	1,386,599
	-	-	-	-	2,020,269
	19,607	7,436	6,358	33,401	3,406,868
	205,716	99,218	236,817	603,363	3,501,632
	(15,000)	-	-	(34,500)	-
	190,716	99,218	236,817	568,863	3,501,632
	1,049,317	1,026,414	38,768	3,156,712	223,943
	\$ 1,240,033	\$ 1,125,632	\$ 275,585	\$ 3,725,575	\$ 3,725,575

Continued from previous page

CITY OF WEST LINN, OREGON

Notes to Required Supplementary Information

June 30, 2009

Required Supplementary Information includes budgetary comparisons for the general fund, public safety fund, parks and recreation fund, street fund, and systems development charges 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 of 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 as of 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 fiscal year 2008-09 budget, the City Council approved one supplemental budget resolution, recognizing additional resources carried over from the prior fiscal year and appropriating additional unanticipated monies received after the budget was adopted.

2. Expenditures over Appropriations

In the public safety fund presented on page 53, the appropriation for personal services (\$3,645,600) was overspent by \$352,902 relating to the now fully-staffed city police force.

3. 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
12/31/2007	\$ 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
12/31/2003	26,970,000	32,807,000	5,837,000	82	5,626,000	104

4. 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
8/1/2008	\$ -	\$ 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

## SUPPLEMENTARY INFORMATION

### *Combining and Individual Fund Financial Statements and Schedules Notes to Supplementary Information*

## COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES For Nonmajor Governmental Funds

### **Special Revenue Funds**

These nonmajor funds are used to account for specific revenues that are legally restricted 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 Inspection Fund – accounts for the City's building inspection activities. The primary revenue source is licenses and permit fees.

Planning Fund – accounts for the City's planning activities. Primary revenue sources are licenses and permit fees, intergovernmental revenues, franchise taxes, and transfers from the general fund.

### **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 the land and construction of park facilities.

CITY OF WEST LINN, OREGON  
NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2009

	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total
<b>ASSETS:</b>				
Cash and investments	\$ 815,246	\$ -	\$ -	\$ 815,246
Restricted cash and investments	157,300	202,176	969,178	1,328,654
Property taxes receivable	-	68,995	-	68,995
Accounts receivable	103,391	-	-	103,391
<b>TOTAL ASSETS</b>	<b>\$ 1,075,937</b>	<b>\$ 271,171</b>	<b>\$ 969,178</b>	<b>\$ 2,316,286</b>
<b>LIABILITIES:</b>				
Accounts payable	\$ 140,119	\$ -	\$ 1,050	\$ 141,169
Accrued salaries and payroll taxes	52,000	-	-	52,000
Deposits payable	287,357	-	-	287,357
Deferred revenue	-	56,785	-	56,785
Demand bank note payable	119,552	-	-	119,552
<b>TOTAL LIABILITIES</b>	<b>599,028</b>	<b>56,785</b>	<b>1,050</b>	<b>656,863</b>
<b>FUND BALANCES:</b>				
Reserved for:				
Library endowment	157,300	-	-	157,300
Debt service	-	214,386	-	214,386
Capital projects	-	-	968,128	968,128
Unreserved	319,609	-	-	319,609
<b>TOTAL FUND BALANCES</b>	<b>476,909</b>	<b>214,386</b>	<b>968,128</b>	<b>1,659,423</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,075,937</b>	<b>\$ 271,171</b>	<b>\$ 969,178</b>	<b>\$ 2,316,286</b>

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, 2009

	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total
<b>REVENUES:</b>				
Property taxes	\$ 963,150	\$ 925,371	\$ -	\$ 1,888,521
Licenses and permits	551,500	-	-	551,500
Franchise taxes	216,568	-	-	216,568
Charges for services	214,000	-	-	214,000
Fines and forfeitures	67,579	-	-	67,579
Intergovernmental	733,630	-	-	733,630
Investment earnings	3,530	1,682	5,943	11,155
Miscellaneous	15,384	-	-	15,384
<b>TOTAL REVENUES</b>	<b>2,765,341</b>	<b>927,053</b>	<b>5,943</b>	<b>3,698,337</b>
<b>EXPENDITURES:</b>				
Current:				
General government	768,639	-	-	768,639
Cultural and recreation	1,812,144	-	73,338	1,885,482
Public safety	520,490	-	-	520,490
Debt service:				
Principal	-	525,000	-	525,000
Interest	7,770	304,440	-	312,210
Capital outlay	21,117	-	589,943	611,060
<b>TOTAL EXPENDITURES</b>	<b>3,130,160</b>	<b>829,440</b>	<b>663,281</b>	<b>4,622,881</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(364,819)</b>	<b>97,613</b>	<b>(657,338)</b>	<b>(924,544)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers from other funds	122,500	-	-	122,500
Transfers to other funds	(60,000)	-	-	(60,000)
Full faith and credit obligation bonds issued	-	-	504,000	504,000
Refunding bonds issued	-	-	4,915,000	4,915,000
Bond premium from issuance of debt	-	-	150,366	150,366
Payment to refunded bond escrow agent	-	-	(4,992,519)	(4,992,519)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>62,500</b>	<b>-</b>	<b>576,847</b>	<b>639,347</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(302,319)</b>	<b>97,613</b>	<b>(80,491)</b>	<b>(285,197)</b>
<b>FUND BALANCES - beginning</b>	<b>779,228</b>	<b>116,773</b>	<b>1,048,619</b>	<b>1,944,620</b>
<b>FUND BALANCES - ending</b>	<b>\$ 476,909</b>	<b>\$ 214,386</b>	<b>\$ 968,128</b>	<b>\$ 1,659,423</b>

CITY OF WEST LINN, OREGON  
NONMAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2009

	Library Fund	Communications Fund	Building Inspection Fund	Planning Fund	Total
<b>ASSETS:</b>					
Cash and investments	\$ 115,605	\$ 203,826	\$ 86,681	\$ 409,134	\$ 815,246
Restricted cash and investments	157,300	-	-	-	157,300
Accounts receivable	-	-	-	103,391	103,391
<b>TOTAL ASSETS</b>	<b>\$ 272,905</b>	<b>\$ 203,826</b>	<b>\$ 86,681</b>	<b>\$ 512,525</b>	<b>\$ 1,075,937</b>
<b>LIABILITIES:</b>					
Accounts payable	\$ 11,300	\$ 47,304	\$ 79,099	\$ 2,416	\$ 140,119
Accrued salaries and payroll taxes	30,400	-	7,000	14,600	52,000
Deposits payable	-	-	2,641	284,716	287,357
Demand bank note payable	-	-	119,552	-	119,552
<b>TOTAL LIABILITIES</b>	<b>41,700</b>	<b>47,304</b>	<b>208,292</b>	<b>301,732</b>	<b>599,028</b>
<b>FUND BALANCES (DEFICIT):</b>					
Reserved for library endowment	157,300	-	-	-	157,300
Unreserved	73,905	156,522	(121,611)	210,793	319,609
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<b>231,205</b>	<b>156,522</b>	<b>(121,611)</b>	<b>210,793</b>	<b>476,909</b>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)</b>	<b>\$ 272,905</b>	<b>\$ 203,826</b>	<b>\$ 86,681</b>	<b>\$ 512,525</b>	<b>\$ 1,075,937</b>

CITY OF WEST LINN, OREGON  
NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES (DEFICIT)

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Library Fund	Communications Fund	Building Inspection Fund	Planning Fund	Total
<b>REVENUES:</b>					
Property taxes	\$ 963,150	\$ -	\$ -	\$ -	\$ 963,150
Licenses and permits	-	-	527,660	23,840	551,500
Franchise taxes	-	106,478	-	110,090	216,568
Charges for services	-	-	-	214,000	214,000
Fines and forfeitures	67,579	-	-	-	67,579
Intergovernmental	517,475	-	-	216,155	733,630
Investment earnings	1,494	1,039	-	997	3,530
Miscellaneous	6,755	-	5,137	3,492	15,384
<b>TOTAL REVENUES</b>	<b>1,556,453</b>	<b>107,517</b>	<b>532,797</b>	<b>568,574</b>	<b>2,765,341</b>
<b>EXPENDITURES:</b>					
Current:					
General government	-	-	-	768,639	768,639
Cultural and recreation	1,631,927	180,217	-	-	1,812,144
Public safety	-	-	520,490	-	520,490
Debt service:					
Interest	-	-	7,770	-	7,770
Capital outlay	9,719	11,398	-	-	21,117
<b>TOTAL EXPENDITURES</b>	<b>1,641,646</b>	<b>191,615</b>	<b>528,260</b>	<b>768,639</b>	<b>3,130,160</b>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<b>(85,193)</b>	<b>(84,098)</b>	<b>4,537</b>	<b>(200,065)</b>	<b>(364,819)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers from other funds	-	-	-	122,500	122,500
Transfers to other funds	-	-	(60,000)	-	(60,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>(60,000)</b>	<b>122,500</b>	<b>62,500</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(85,193)</b>	<b>(84,098)</b>	<b>(55,463)</b>	<b>(77,565)</b>	<b>(302,319)</b>
<b>FUND BALANCES (DEFICIT) - beginning</b>	<b>316,398</b>	<b>240,620</b>	<b>(66,148)</b>	<b>288,358</b>	<b>779,228</b>
<b>FUND BALANCES (DEFICIT) - ending</b>	<b>\$ 231,205</b>	<b>\$ 156,522</b>	<b>\$ (121,611)</b>	<b>\$ 210,793</b>	<b>\$ 476,909</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, 2009**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Property taxes	\$ 968,000	\$ 968,000	\$ 963,150	\$ (4,850)
Intergovernmental	501,000	501,000	517,475	16,475
Fines and forfeitures	80,000	80,000	67,579	(12,421)
Investment earnings	8,000	8,000	1,494	(6,506)
Miscellaneous	12,400	12,400	6,755	(5,645)
<b>TOTAL REVENUES</b>	<b>1,569,400</b>	<b>1,569,400</b>	<b>1,556,453</b>	<b>(12,947)</b>
<b>EXPENDITURES:</b>				
Personal services	1,091,900	1,091,900	1,091,163	737
Materials and services	188,000	198,000	181,764	16,236
Capital outlay	10,000	10,000	9,719	281
Other requirements	157,300	157,300	-	157,300
Contingency	31,895	21,895	-	21,895
<b>TOTAL EXPENDITURES</b>	<b>1,479,095</b>	<b>1,479,095</b>	<b>1,282,646</b>	<b>196,449</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>90,305</b>	<b>90,305</b>	<b>273,807</b>	<b>183,502</b>
<b>OTHER FINANCING USES:</b>				
Transfers to other funds	(359,000)	(359,000)	(359,000)	-
<b>NET CHANGE IN FUND BALANCES</b>	<b>(268,695)</b>	<b>(268,695)</b>	<b>(85,193)</b>	<b>183,502</b>
<b>FUND BALANCES - beginning</b>	<b>268,695</b>	<b>268,695</b>	<b>316,398</b>	<b>47,703</b>
<b>FUND BALANCES - ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 231,205</b>	<b>\$ 231,205</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, 2009**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Franchise taxes	\$ 101,000	\$ 101,000	\$ 106,478	\$ 5,478
Investment earnings	13,500	13,500	1,039	(12,461)
<b>TOTAL REVENUES</b>	<b>114,500</b>	<b>114,500</b>	<b>107,517</b>	<b>(6,983)</b>
<b>EXPENDITURES:</b>				
Materials and services	216,000	216,000	180,217	35,783
Capital outlay	45,000	45,000	11,398	33,602
Contingency	145,500	145,500	-	145,500
<b>TOTAL EXPENDITURES</b>	<b>406,500</b>	<b>406,500</b>	<b>191,615</b>	<b>214,885</b>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES AND NET CHANGE IN FUND BALANCES</b>				
	(292,000)	(292,000)	(84,098)	207,902
<b>FUND BALANCES - beginning</b>	<b>292,000</b>	<b>292,000</b>	<b>240,620</b>	<b>(51,380)</b>
<b>FUND BALANCES - ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 156,522</b>	<b>\$ 156,522</b>

CITY OF WEST LINN, OREGON  
**BUILDING INSPECTION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES (DEFICIT) - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Licenses and permits	\$ 678,000	\$ 678,000	\$ 527,660	\$ (150,340)
Investment earnings	2,000	2,000	-	(2,000)
Miscellaneous	30,000	30,000	5,137	(24,863)
<b>TOTAL REVENUES</b>	<u>710,000</u>	<u>710,000</u>	<u>532,797</u>	<u>(177,203)</u>
<b>EXPENDITURES:</b>				
Personal services	428,400	428,400	418,016	10,384
Materials and services	36,000	36,000	20,474	15,526
Debt service:				
Principal	67,000	67,000	55,448	11,552
Interest	10,000	10,000	7,770	2,230
Capital outlay	25,500	25,500	-	25,500
Contingency	71,424	71,424	-	71,424
<b>TOTAL EXPENDITURES</b>	<u>638,324</u>	<u>638,324</u>	<u>501,708</u>	<u>136,616</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	71,676	71,676	31,089	(40,587)
<b>OTHER FINANCING USES:</b>				
Transfers to other funds	<u>(142,000)</u>	<u>(142,000)</u>	<u>(142,000)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	(70,324)	(70,324)	(110,911)	(40,587)
<b>FUND BALANCES - beginning</b>	70,324	70,324	108,852	38,528
<b>FUND BALANCES (DEFICIT) - ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(2,059)</u>	<u>\$ (2,059)</u>
<b>RECONCILIATION TO GAAP BASIS:</b>				
Adjustment for demand bank note payable			<u>(119,552)</u>	
<b>FUND BALANCES (DEFICIT) GAAP BASIS, ending</b>			<u>\$ (121,611)</u>	

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, 2009**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Franchise taxes	\$ 119,000	\$ 119,000	\$ 110,090	\$ (8,910)
Intergovernmental	216,000	216,000	216,155	155
Licenses and permits	244,000	244,000	23,840	(220,160)
Investment earnings	3,000	3,000	997	(2,003)
Miscellaneous	15,000	15,000	3,492	(11,508)
<b>TOTAL REVENUES</b>	<u>597,000</u>	<u>597,000</u>	<u>354,574</u>	<u>(242,426)</u>
<b>EXPENDITURES:</b>				
Personal services	527,600	527,600	526,557	1,043
Material and services	167,000	167,000	45,082	121,918
Contingency	98,578	98,578	-	98,578
<b>TOTAL EXPENDITURES</b>	<u>793,178</u>	<u>793,178</u>	<u>571,639</u>	<u>221,539</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<u>(196,178)</u>	<u>(196,178)</u>	<u>(217,065)</u>	<u>(20,887)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers from other funds	336,500	336,500	336,500	-
Transfers to other funds	<u>(197,000)</u>	<u>(197,000)</u>	<u>(197,000)</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>139,500</u>	<u>139,500</u>	<u>139,500</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	(56,678)	(56,678)	(77,565)	(20,887)
<b>FUND BALANCES - beginning</b>	56,678	56,678	288,358	231,680
<b>FUND BALANCES - ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 210,793</u>	<u>\$ 210,793</u>

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, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Property taxes	\$ 928,079	\$ 928,079	\$ 925,371	\$ (2,708)
Investment earnings	1,000	1,000	1,682	682
<b>TOTAL REVENUES</b>	<u>929,079</u>	<u>929,079</u>	<u>927,053</u>	<u>(2,026)</u>
<b>EXPENDITURES:</b>				
Debt service:				
Principal	525,000	525,000	525,000	-
Interest	423,366	423,366	304,440	118,926
<b>TOTAL EXPENDITURES</b>	<u>948,366</u>	<u>948,366</u>	<u>829,440</u>	<u>118,926</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND NET CHANGE IN FUND BALANCES</b>	<u>(19,287)</u>	<u>(19,287)</u>	<u>97,613</u>	<u>116,900</u>
<b>FUND BALANCES - beginning</b>	<u>19,287</u>	<u>19,287</u>	<u>116,773</u>	<u>97,486</u>
<b>FUND BALANCES - ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 214,386</u>	<u>\$ 214,386</u>

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, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Investment earnings	\$ 40,000	\$ 40,000	\$ 5,943	\$ (34,057)
<b>EXPENDITURES:</b>				
Materials and services	-	-	73,338	(73,338)
Capital outlay	1,011,797	1,011,797	589,943	421,854
<b>TOTAL EXPENDITURES</b>	<u>1,011,797</u>	<u>1,011,797</u>	<u>663,281</u>	<u>348,516</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<u>(971,797)</u>	<u>(971,797)</u>	<u>(657,338)</u>	<u>314,459</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Full faith and credit obligation bonds issued	-	-	504,000	504,000
Refunding bonds issued	-	-	4,915,000	4,915,000
Bond premium on issuance of debt	-	-	150,366	150,366
Payment to refunded bond escrow agent	-	-	(4,992,519)	(4,992,519)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>576,847</u>	<u>576,847</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(971,797)</u>	<u>(971,797)</u>	<u>(80,491)</u>	<u>891,306</u>
<b>FUND BALANCES - beginning</b>	<u>971,797</u>	<u>971,797</u>	<u>1,048,619</u>	<u>76,822</u>
<b>FUND BALANCES - ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 968,128</u>	<u>\$ 968,128</u>



**COMBINING AND INDIVIDUAL FUND FINANCIAL  
STATEMENTS AND 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 revenue 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 the 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, 2009**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Water charges	\$ 3,113,000	\$ 3,113,000	\$ 2,954,547	\$ (158,453)
Investment earnings	40,000	40,000	85,228	45,228
Miscellaneous	70,000	70,000	49,931	(20,069)
Systems development charges	4,000	4,000	6,764	2,764
<b>TOTAL REVENUES</b>	<b>3,227,000</b>	<b>3,227,000</b>	<b>3,096,470</b>	<b>(130,530)</b>
<b>EXPENDITURES:</b>				
Personal services	511,400	511,400	510,354	1,046
Materials and services	1,408,200	1,428,200	1,249,000	179,200
Debt service	153,470	153,470	152,651	819
Capital outlay	500,000	540,000	357,950	182,050
Other requirements	151,100	151,100	-	151,100
Contingency	622,552	562,552	-	562,552
<b>TOTAL EXPENDITURES</b>	<b>3,346,722</b>	<b>3,346,722</b>	<b>2,269,955</b>	<b>1,076,767</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(119,722)</b>	<b>(119,722)</b>	<b>826,515</b>	<b>946,237</b>
<b>OTHER FINANCING USES:</b>				
Transfers to other funds	(1,027,000)	(1,027,000)	(1,027,000)	-
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,146,722)</b>	<b>(1,146,722)</b>	<b>(200,485)</b>	<b>946,237</b>
<b>FUND BALANCES - beginning</b>				
As originally stated	1,146,722	1,146,722	1,122,837	(23,885)
Prior period adjustment, budgetary basis	-	-	(301,683)	(301,683)
<b>FUND BALANCES - restated beginning</b>	<b>1,146,722</b>	<b>1,146,722</b>	<b>821,154</b>	<b>(325,568)</b>
<b>FUND BALANCES - ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>620,669</b>	<b>\$ 620,669</b>
<b>RECONCILIATION TO GAAP BASIS:</b>				
Adjustment for capital assets not being depreciated			307,853	
Adjustment for capital assets, net of accumulated depreciation			9,924,182	
Adjustment for investment in joint venture			7,318,919	
Adjustment for bonds payable - due within one year			(80,000)	
Adjustment for bonds payable			(1,225,000)	
<b>FUND BALANCES - GAAP BASIS, ending</b>			<b>\$ 16,866,623</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, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Licenses and permits	\$ 30,000	\$ 30,000	\$ 47,930	\$ 17,930
Sewer charges	1,703,000	1,703,000	1,775,296	72,296
Surface water charges	608,000	608,000	561,898	(46,102)
Investment earnings	60,000	60,000	104,577	44,577
Miscellaneous	-	-	1,580	1,580
Systems development charges	56,000	56,000	65,608	9,608
<b>TOTAL REVENUES</b>	<b>2,457,000</b>	<b>2,457,000</b>	<b>2,556,889</b>	<b>99,889</b>
<b>EXPENDITURES:</b>				
Personal services	538,800	538,800	638,083	(99,283)
Materials and services	393,900	393,900	343,987	49,913
Capital outlay	980,000	980,000	275,501	704,499
Contingency	1,539,269	1,539,269	-	1,539,269
<b>TOTAL EXPENDITURES</b>	<b>3,451,969</b>	<b>3,451,969</b>	<b>1,257,571</b>	<b>2,194,398</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(994,969)</b>	<b>(994,969)</b>	<b>1,299,318</b>	<b>2,294,287</b>
<b>OTHER FINANCING USES:</b>				
Transfers to other funds	(932,000)	(932,000)	(932,000)	-
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,926,969)</b>	<b>(1,926,969)</b>	<b>367,318</b>	<b>2,294,287</b>
<b>FUND BALANCES - beginning</b>				
As originally stated	1,926,969	1,926,969	1,991,640	64,671
Prior period adjustment, budgetary basis	-	-	16,655	16,655
<b>FUND BALANCES - restated beginning</b>	<b>1,926,969</b>	<b>1,926,969</b>	<b>2,008,295</b>	<b>81,326</b>
<b>FUND BALANCES - ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>2,375,613</b>	<b>\$ 2,375,613</b>
<b>RECONCILIATION TO GAAP BASIS:</b>				
Adjustment for capital assets not being depreciated			86,244	
Adjustment for capital assets, net of accumulated depreciation			18,362,705	
<b>FUND BALANCES - GAAP BASIS, ending</b>			<b>\$ 20,824,562</b>	

CITY OF WEST LINN, OREGON  
Notes to Supplementary Information  
June 30, 2009

Supplementary Information includes budgetary comparisons for funds other than the general fund, parks and recreation fund, street fund, systems development charges fund, and the public safety fund which are presented in Required Supplementary Information.

**1. Fund Balance Deficit**

The building inspection fund presented on page 68 as a GAAP basis deficit fund balance of \$121,611 and a budget basis deficit fund balance of \$2,059. An interfund loan of \$250,000 payable with interest of five percent from the systems development charges fund was repaid in fiscal year 2007-08, replaced with a demand bank note for \$175,000 paid off in July 2009.

**2. Expenditures over Appropriations**

In the environmental services fund presented on page 74, the appropriation for personal services (\$538,800) was overspent by \$99,283 relating to labor costs incurred during the 2008-2009 winter storm events.

**3. Prior Period Adjustments - Budget Basis**

For the water fund presented on page 73, the beginning fund balance presented on a budget basis was in error due to a miscalculation of the amounts to be included in such balance. A decrease of \$301,683 to this fund's beginning fund balance brings this balance back in line to be reconciled to the fund balance presented on a GAAP basis.

For the environmental services fund presented on page 74, the beginning fund balance presented on a budget basis was in error due to a miscalculation of the amounts to be included in such balance. An increase of \$16,655 to this fund's beginning fund balance brings this balance back in line to be reconciled to the fund balance presented on a GAAP basis. Both of these errors occurred several years prior to June 30, 2008, and the corrections have no effect on the reported results of these funds for the fiscal year ended June 30, 2009.

**OTHER FINANCIAL SCHEDULES**

Schedule of Property Tax Transactions and Outstanding Balance

Schedule of Accountability of Independently Elected Officials

CITY OF WEST LINN, OREGON  
**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Tax Year	Uncollected Property Taxes as of June 30, 2008	Add Tax Levy Extended by Assessor	Add (deduct) adjustments and discounts	Deduct Cash Collections	Uncollected Property Taxes as of June 30, 2009
Current fiscal year 2008-09	\$ -	\$ 6,639,388	\$ (173,171)	\$ (6,163,584)	\$ 322,393
Prior fiscal years					
2007-08	243,074	-	(4,662)	(152,979)	85,433
2006-07	76,804	-	(1,109)	(34,831)	40,865
2005-06	28,264	-	(879)	(12,132)	15,253
2004-05	12,775	-	(299)	(8,850)	3,626
2003-04 & prior	15,846	-	(506)	(1,945)	13,395
Sub-total prior	<u>376,763</u>	<u>-</u>	<u>(7,454)</u>	<u>(210,737)</u>	<u>158,572</u>
Total	<u>\$ 376,763</u>	<u>\$ 6,639,388</u>	<u>\$ (180,626)</u>	<u>\$ (6,374,321)</u>	<u>\$ 480,965</u>

Public Safety Fund	\$ 411,970
Debt Service Fund	68,995
	<u>\$ 480,965</u>

**CITY OF WEST LINN, OREGON**  
**SCHEDULE OF ACCOUNTABILITY OF INDEPENDENTLY ELECTED OFFICIALS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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>
<b>Financial Trends</b>	<b>81</b>
These schedules contain trend information to help the reader understand how financial performance has changed over time.	
<b>Revenue Capacity</b>	<b>87</b>
These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.	
<b>Debt Capacity</b>	<b>91</b>
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.	
<b>Demographic and Economic Information</b>	<b>96</b>
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
<b>Operating Information</b>	<b>98</b>
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.	

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, and GASB Statement 44 in fiscal year 2007-08.

## CITY OF WEST LINN, OREGON

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

	Fiscal Year Ended						
	2003	2004	2005	2006	2007	2008	2009
<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
Restricted	-	3,867	4,080	2,854	3,526	4,479	6,565
Unrestricted (deficit)	(2,069)	5,893	3,921	2,996	3,995	2,514	(248)
<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>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
Restricted	-	-	-	-	-	-	155
Unrestricted	8,944	8,458	7,085	8,442	9,939	10,090	10,082
<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>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
Restricted	-	3,867	4,080	2,854	3,526	4,479	6,720
Unrestricted	6,875	14,351	11,006	11,438	13,934	12,604	9,834
<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>

<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 seven fiscal years <sup>1</sup>  
(accrual basis of accounting)  
(in thousands)**

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

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<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.

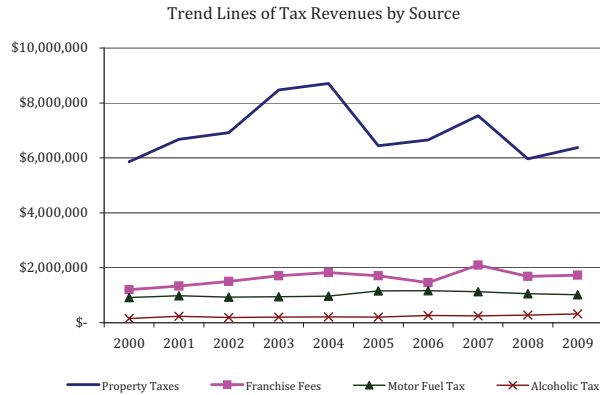
	Fiscal Year Ended						
	2003	2004	2005	2006	2007	2008	2009
<b>Net (Expense) Revenue</b>							
Governmental activities	\$ (8,002)	\$ (9,937)	\$ (7,087)	\$ (8,453)	\$ (8,535)	\$ (7,288)	\$ (9,231)
Business-type activities	585	445	43	59	2,144	60	1,183
Total primary government expenses	<u>\$ (7,417)</u>	<u>\$ (9,492)</u>	<u>\$ (7,044)</u>	<u>\$ (8,394)</u>	<u>\$ (6,391)</u>	<u>\$ (7,228)</u>	<u>\$ (8,048)</u>
<b>General Revenues and Other Changes in Net Assets</b>							
Governmental activities:							
Taxes							
Property taxes, levied for general purposes	\$ 4,123	\$ 7,728	\$ 5,520	\$ 5,760	\$ 6,675	\$ 5,264	\$ 5,536
Property taxes, levied for debt service	1,132	911	811	854	931	769	942
Franchise taxes	1,706	1,829	1,711	1,460	2,098	1,686	1,728
Unrestricted grants and contributions	253	-	-	382	279	263	604
Investment earnings	254	144	171	210	468	420	51
Transfers	112	180	165	(1,866)	1,092	(132)	(27)
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>
Business-type activities:							
Investment earnings	81	47	20	44	110	109	190
Transfers	-	-	-	1,866	(1,092)	132	27
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>
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>
<b>Change in Net Assets</b>							
Governmental activities	\$ (422)	\$ 855	\$ 1,291	\$ (1,653)	\$ 3,008	\$ 982	\$ (397)
Business-type activities	666	492	63	1,969	1,162	301	1,400
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>

Continued from previous page

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

Fiscal year	Property tax	Franchise tax	Motor fuel tax <sup>1</sup>	Alcoholic beverage tax <sup>1</sup>	Total
2000	\$ 5,858,652	\$ 1,203,596	\$ 918,181	\$ 155,168	\$ 8,135,597
2001	6,677,888	1,336,078	979,859	235,641	9,229,466
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	6,374,321	1,727,918	1,018,039	319,257	9,439,535

<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, and then a portion is allocated to the City based upon population.



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

	Fiscal Year Ended						
	2003	2004	2005	2006	2007	2008	2009
General fund							
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 104,342	\$ 142,264	\$ -
Unreserved	620,683	644,507	439,342	1,232,657	742,999	695,299	985,405
Total general fund	<u>\$ 620,683</u>	<u>\$ 644,507</u>	<u>\$ 439,342</u>	<u>\$ 1,232,657</u>	<u>\$ 847,341</u>	<u>\$ 837,563</u>	<u>\$ 985,405</u>
All other governmental funds							
Reserved	\$ 3,612,195	\$ 3,866,930	\$ 4,079,592	\$ 501,455	\$ 522,710	\$ 4,479,402	\$ 6,565,389
Unreserved, reported in:							
Special revenue funds	2,865,310	2,965,904	1,973,454	1,071,400	2,667,628	1,923,871	2,295,152
Capital projects funds	1,455,605	1,437,892	1,407,968	3,307,432	3,525,429	-	-
Debt service funds	345,802	364,826	285,478	-	-	-	-
Total all other governmental funds	<u>\$ 8,278,912</u>	<u>\$ 8,635,552</u>	<u>\$ 7,746,492</u>	<u>\$ 4,880,287</u>	<u>\$ 6,715,767</u>	<u>\$ 6,403,273</u>	<u>\$ 8,860,541</u>

<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 Fund Balances of Governmental Funds**  
*for the last seven fiscal years <sup>1</sup>*  
**(modified accrual basis of accounting)**

	Fiscal Year Ended						
	2003	2004	2005	2006	2007	2008	2009
<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
Intergovernmental	2,353,038	2,102,137	2,716,878	2,410,889	2,374,184	2,371,677	2,486,047
Franchise taxes	1,706,007	1,828,703	1,711,039	1,459,842	2,098,041	1,685,632	1,727,918
Licenses and fees	628,525	548,215	703,169	672,024	1,155,020	1,108,494	1,006,790
Fines and forfeitures	378,226	314,451	463,254	513,503	567,159	517,662	586,145
Charges for services	1,216,947	1,803,957	2,160,498	2,373,428	452,744	5,770,614	7,192,160
Systems development charges	1,165,220	774,017	622,099	1,155,017	1,209,582	963,567	618,819
Investment earnings	256,499	142,692	173,518	202,996	467,203	419,705	50,420
Miscellaneous	1,000,893	150,248	164,664	382,899	279,634	263,531	604,187
Total revenues	17,176,424	16,376,751	15,155,262	15,821,452	16,135,107	19,066,406	20,665,174
<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
Culture and recreation	2,787,800	2,810,471	3,591,126	2,908,948	2,973,587	4,274,399	4,548,376
Public safety	6,141,779	5,971,735	4,323,057	4,578,620	4,545,133	5,642,339	5,940,429
Highways and streets	1,315,363	1,199,738	1,614,965	1,534,138	1,043,943	1,236,200	1,634,945
Debt service:							
Principal	425,000	616,092	654,887	590,000	625,000	670,000	705,000
Interest	536,800	729,153	694,268	669,356	639,505	626,604	472,048
Capital outlay	1,242,161	764,912	756,008	2,188,791	1,363,980	1,611,978	2,944,474
Total expenditures	18,046,217	16,511,236	16,249,486	17,280,642	15,655,431	19,396,284	22,189,461
Excess (deficiency) of revenues over (under) expenditures	(869,793)	(134,485)	(1,094,224)	(1,459,190)	479,676	(329,878)	(1,524,287)
<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)
Full faith and credit obligation bonds issued	-	-	-	-	-	-	4,035,000
Refunding bonds issued	-	-	-	-	-	-	4,915,000
Bond premium on issuance of debt	-	-	-	-	-	-	171,916
Payment to refunded bond escrow agent	-	-	-	-	-	-	(4,992,519)
Total other financing sources (uses)	-	-	-	(613,702)	970,488	7,606	4,129,397
Net change in fund balances	\$ (869,793)	\$ (134,485)	\$ (1,094,224)	\$ (2,072,892)	\$ 1,450,164	\$ (322,272)	\$ 2,605,110
Debt service as a percentage of noncapital expenditures	5.7%	8.5%	8.7%	8.3%	8.8%	7.3%	6.1%

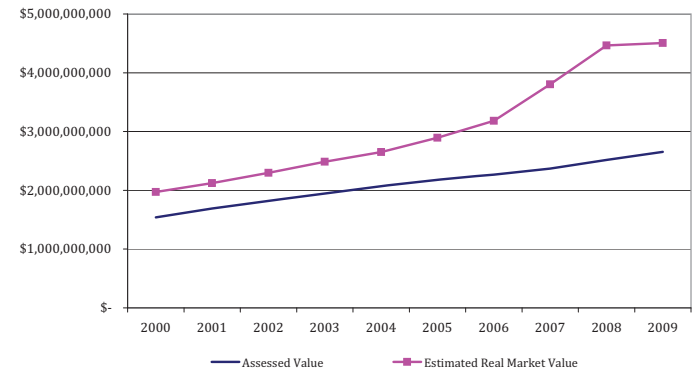
<sup>1</sup> Fiscal year 2002-03 was the first year that the new reporting requirements of GASB 34 were implemented, except for the infrastructure provisions which were implemented in fiscal year 2007-08.

**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		Assessed value as a percentage of RMV
	Real property	Personal property	Manuf'd structure	Public utility	Total assessed value		Estimated real market value (RMV)		
2000	\$ 1,488,744,410	\$ 16,019,200	\$ 3,783,530	\$ 30,676,240	\$ 1,539,223,380	\$ 3.9191	\$ 1,972,934,840	78%	
2001	1,636,195,534	16,992,692	3,911,352	34,405,739	1,691,505,317	4.0667	2,123,112,668	80	
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	

Source: Clackamas County Assessor's Office

The gap between Assessed Value and Estimated Real Market Value

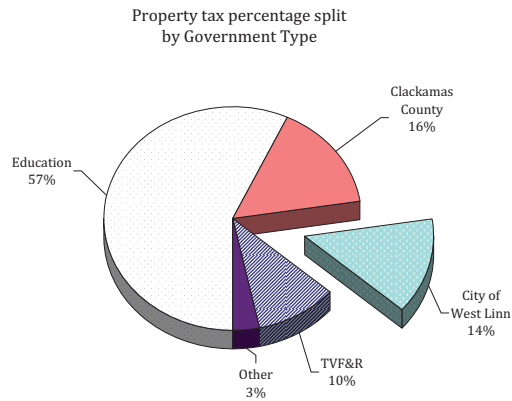




**CITY OF WEST LINN, OREGON**  
**Property Tax Rates - Direct and Overlapping Governments**  
*for the last ten fiscal years*  
*(rate per \$1,000 of assessed value)*

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	
2000	\$ 2.1200	\$ 1.3786	\$ 0.4205	\$ 3.9191	\$ 6.81	\$ 2.54	\$ 0.62	\$ 0.37	-	\$ 1.45	\$ 15.71
2001	2.1200	1.2545	0.6922	4.0667	9.02	2.57	0.62	0.37	-	1.35	17.99
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	0.7550	0.3876	3.2626	9.31	2.53	0.73	0.36	1.82	0.47	18.48
2008	2.1200	-	0.3117	2.4317	9.24	2.80	0.74	0.36	1.87	0.61	18.05
2009	2.1200	-	0.3784	2.4984	9.05	2.81	0.74	0.36	1.84	0.57	17.88

Source: Clackamas County Assessor's Office



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

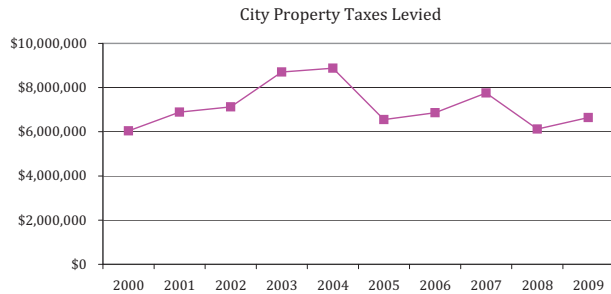
Name	2009			2000		
	Assessed value	Rank	% of total value	Assessed value	Rank	% of total value
Portland General Electric	\$ 59,828,000	1	2.3%	\$ 14,387,600	1	1.0%
West Linn Paper Prop. Co.	28,967,604	2	1.1%	10,915,020	2	0.8%
Blackhawk Nevada LLC	22,874,274	3	0.9%	-	-	-
Simpson Realty Group	22,869,388	4	0.9%	4,916,410	3	0.4%
West Linn Shopping Center	17,278,887	5	0.7%	-	-	-
Cascade Summit Retail, LLC	15,332,521	6	0.6%	-	-	-
NW Natural Gas	12,363,700	7	0.5%	6,443,000	4	0.5%
Summerlinn Apartments LLC	11,878,586	8	0.4%	-	-	-
VPC-OR West Linn Limited	8,193,130	9	0.3%	-	-	-
Renaissance Custom Homes LLC	7,909,209	10	0.3%	-	-	-
Deerpoint/Linnwood Partners	-	-	-	7,801,530	5	0.6%
Bean Terrence	-	-	-	4,207,180	6	0.3%
West EA Family LLC	-	-	-	4,072,500	7	0.3%
West Linn Paper Co.	-	-	-	4,032,610	8	0.3%
Dejardin Family LTD Partnership	-	-	-	3,782,910	9	0.3%
Hidden Springs LTD Partnership	-	-	-	3,277,550	10	0.2%
Sub-total, top ten	207,495,299		7.8%	63,836,310		4.5%
All other City taxpayers	2,448,054,077		92.2%	1,339,946,950		95.5%
<b>Total City taxpayers</b>	<b>\$ 2,655,549,376</b>		<b>100.0%</b>	<b>\$ 1,403,783,260</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
2000	\$ 6,039,847	\$ 5,653,008	94%	\$ 232,493	\$ 5,885,501	97%
2001	6,884,421	6,422,057	93	195,677	6,617,734	96
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	173,213	6,371,104	97
2006	6,864,067	6,523,682	95	152,992	6,676,674	97
2007	7,759,907	7,310,877	94	212,113	7,522,990	97
2008	6,123,920	5,725,655	93	152,979	5,878,634	96
2009	6,639,388	6,163,584	93	-	6,163,584	93

Source: Annual financial statements of the City of West Linn

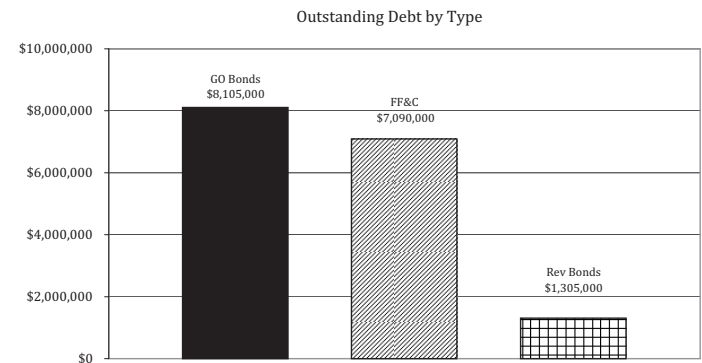


**CITY OF WEST LINN, OREGON**  
**Ratios of Outstanding Debt by Type**  
*for the last ten fiscal years*

Fiscal year	Governmental Activities		Business-type Activities		Total primary government	Percentage of personal income	Per capita
	General Obligation bonds	Full Faith and Credit obligations	Water Revenue bonds				
2000	\$ 8,405,000	\$ -	\$ -		\$ 8,405,000	13.52%	\$375
2001	11,745,000	4,300,000	1,800,000		17,845,000	27.93	773
2002	11,230,000	4,170,000	1,750,000		17,150,000	26.48	732
2003	10,805,000	4,030,000	1,695,000		16,530,000	25.06	694
2004	10,425,000	3,885,000	1,640,000		15,950,000	22.74	665
2005	10,020,000	3,735,000	1,580,000		15,335,000	20.98	637
2006	9,590,000	3,575,000	1,515,000		14,680,000	18.67	607
2007	9,130,000	3,410,000	1,450,000		13,990,000	16.70	579
2008	8,635,000	3,235,000	1,380,000		13,250,000	*	543
2009	8,105,000	7,090,000	1,305,000		16,500,000	*	673

\* Information unavailable at this time.

Source: Annual financial statements of the City of West Linn



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

<u>Fiscal year</u>	<u>General Obligation bonds</u>	<u>Less: amounts available in debt service fund</u>	<u>Net</u>	<u>Percentage of net over assessed value of property<sup>1</sup></u>	<u>Per capita<sup>2</sup></u>
2000	\$ 8,405,000	\$ (165,127)	\$ 8,239,873	0.54%	\$367
2001	11,745,000	(104,497)	11,640,503	0.69	504
2002	11,230,000	(119,711)	11,110,289	0.61	474
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	322

<sup>1</sup> Assessed value data of property can be found on page 87.

<sup>2</sup> Population data can be found on page 96.

**CITY OF WEST LINN, OREGON**  
**Direct and Overlapping Governmental Activities Debt**  
*as of June 30, 2009*

<u>Governmental unit</u>	<u>Real Market Values of Overlapping Districts</u>	<u>Tax-Supported Debt Outstanding</u>	<u>Percentage Overlapping<sup>1</sup></u>	<u>Overlapping Debt Applicable to the City of West Linn</u>
Debt repaid with property taxes:				
West Linn Wilsonville School District	\$ 9,339,657,071	\$ 243,297,238	47.78%	\$ 116,246,447
Clackamas Community College	43,249,681,807	89,400,000	10.32%	9,224,203
Clackamas County	59,993,039,013	74,840,000	7.51%	5,622,580
Metro	218,139,953,651	258,671,896	2.07%	5,344,679
Tualatin Valley Fire and Rescue	65,854,329,079	47,000,000	6.84%	3,216,727
Tri-Met	216,705,775,181	36,380,000	2.08%	756,668
Lake Oswego School District No. 7J	11,082,176,130	117,610,654	0.40%	474,441
Portland Community College	171,761,783,250	425,430,000	0.03%	110,612
Subtotal, overlapping debt	796,126,395,182	1,292,629,788		140,996,357
Direct debt outstanding: City of West Linn	4,507,161,484	15,195,000	100.00%	15,195,000
<b>Total direct and overlapping debt outstanding</b>	<b>\$ 800,633,556,666</b>	<b>\$ 1,307,824,788</b>		<b>\$ 156,191,357</b>

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*

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Debt maximum limitation	\$ 59,188,045	\$ 63,693,380	\$ 68,940,133	\$ 74,551,427	\$ 79,490,550
Debt applicable to maximum limit	<u>8,239,873</u>	<u>11,640,503</u>	<u>11,110,289</u>	<u>10,459,198</u>	<u>10,060,174</u>
Legal debt margin available	<u>\$ 50,948,172</u>	<u>\$ 52,052,877</u>	<u>\$ 57,829,844</u>	<u>\$ 64,092,229</u>	<u>\$ 69,430,376</u>
Debt applicable to the maximum limit as a percentage of debt limitation	13.92%	18.28%	16.12%	14.03%	12.66%
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Debt maximum limitation	\$ 86,791,327	\$ 95,521,596	\$ 114,122,736	\$ 133,930,441	\$ 135,214,845
Debt applicable to maximum limit	<u>9,734,522</u>	<u>9,338,545</u>	<u>8,857,290</u>	<u>8,518,227</u>	<u>7,890,614</u>
Legal debt margin available	<u>\$ 77,056,805</u>	<u>\$ 86,183,051</u>	<u>\$ 105,265,446</u>	<u>\$ 125,412,214</u>	<u>\$ 127,324,231</u>
Debt applicable to the maximum limit as a percentage of debt limitation	11.22%	9.78%	7.76%	6.36%	5.84%

**Legal debt margin calculation for fiscal year ended June 30, 2009**

Total property real market value	\$ 4,507,161,484
	<u>3%</u>
Debt maximum limitation (3% of total property real market value) <sup>1</sup>	<u>135,214,845</u>
Amount of debt applicable to debt limit:	
Total bonded debt	16,500,000
Less debt excluded from debt limit:	
Full Faith and Credit obligations	(7,090,000)
Revenue bonds, Series 2000 Water	(1,305,000)
Less funds applicable to the payment of principal in the debt service fund per ORS 287.004	<u>(214,386)</u>
Net amount of debt applicable to limit	<u>7,890,614</u>
Legal debt margin - amount available for future indebtedness	<u>\$ 127,324,231</u>
Percentage of City's indebtedness to total allowed	5.8%

<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 <sup>3</sup>
				Principal	Interest	
2000	\$ 2,095,710	\$ 1,729,507	\$ 366,203	\$ -	\$ -	n/a
2001	2,331,212	1,966,750	364,462	-	51,123	n/a
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

<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.

<sup>3</sup> Coverage ratio does not apply until fiscal year 2002 with the first principal due on the bond sale in fiscal year 2001.

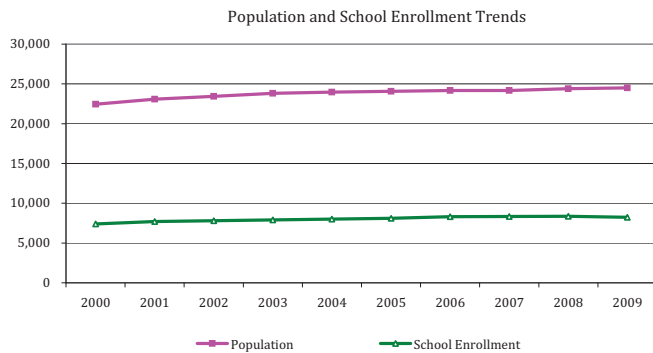
Source: Annual financial statements of the City of West Linn

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

<u>Fiscal year</u>	<u>Population</u>	<u>Personal income (in millions)</u>	<u>Per capita personal income</u>	<u>School enrollment</u>	<u>Unemployment rate</u>
2000	22,440	\$ 62,190	\$ 36,568	7,386	4.6%
2001	23,090	63,892	35,658	7,700	4.8
2002	23,430	64,755	35,316	7,793	5.5
2003	23,820	65,959	35,973	7,895	6.7
2004	23,970	70,144	37,631	8,016	7.5
2005	24,075	73,087	39,116	8,104	6.9
2006	24,180	78,618	41,378	8,315	5.3
2007	24,180	83,765	38,511	8,340	4.1
2008	24,400	*	*	8,350	5.3
2009	24,500	*	*	8,237	11.0

\* Information unavailable at this time.

Sources: Center for Population Research and Census, Portland State University  
 Bureau of Economic Analysis  
 State of Oregon Employment Division (Portland PMSA)  
 West Linn-Wilsonville School District



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

<u>Employer</u>	<u>2009</u>			<u>2000</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of total City employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of total City employment</u>
West Linn - Wilsonville SD	750	1	5.77%	630	1	4.23%
Tanner Spring Assisted Living	250	2	1.92	*		
West Linn Paper Sales Co	250	3	1.92	*		
Safeway	170	4	1.31	*		
Technocom Inc (ESP Tech)	140	5	1.08	*		
City of West Linn	130	6	1.00	149		1.00
Albertsons	100	7	0.77	*		
Rose Linn Vintage Place	80	8	0.62	*		
Oregon Golf Club	80	9	0.62	*		
Pond Maintenance Services	75	10	0.58	*		
Bales Market	70	11	0.54	*		
Laidlaw Transit Inc	70	12	0.54	*		
Elton Enterprises IV Inc	70	13	0.54	*		
<b>Total</b>	<b>2,235</b>		<b>8.94%</b>			

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

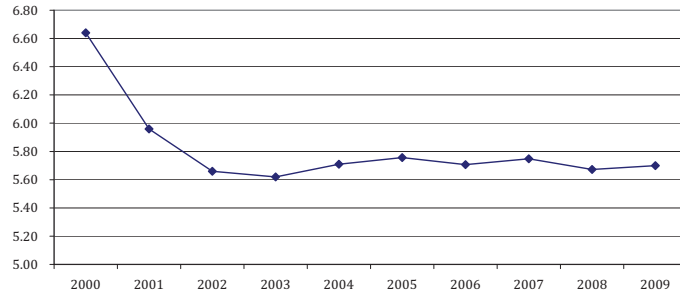
Sources: Chamber of Commerce and Clackamas County

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

Function/Program	Fiscal Year Ended									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government	18.90	16.50	15.50	15.75	16.75	17.50	18.00	19.00	17.00	16.60
Public safety	42.50	39.50	37.50	37.50	39.00	40.00	44.60	44.60	44.60	45.50
Culture and recreation	32.80	32.80	33.80	34.80	34.80	34.80	38.80	38.80	39.20	40.43
Community development	14.00	12.00	11.00	11.00	11.50	11.50	5.00	5.00	5.50	5.50
Highways and streets	6.25	5.25	5.25	5.25	4.95	5.30	7.00	7.00	7.00	7.00
Water	8.81	7.81	7.81	7.81	7.91	7.56	7.00	7.00	6.00	6.00
Sewer and surface water	9.44	9.44	9.44	10.04	10.24	10.24	7.00	7.00	7.00	6.00
Public works	16.30	14.30	12.30	11.70	11.70	11.70	10.60	10.60	12.10	12.60
<b>Total FTEs</b>	<b>149.00</b>	<b>137.60</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>
City Population	22,440	23,090	23,430	23,820	23,970	24,075	24,180	24,180	24,400	24,500
FTEs per 1,000 of population	6.64	5.96	5.66	5.62	5.71	5.76	5.71	5.75	5.67	5.70

Source: City of West Linn's Finance department

10-Year Trend of FTEs per 1,000 of City Population



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

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

<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*

<u>Function/Program</u>	<u>2009</u>	<u>2000</u>
Governmental activities:		
General government		
City-owned building facilities	5	4
Public safety		
Police stations	1	1
Patrol units	12	8
Culture and recreation		
Park and open space acreage	620	550
Baseball/softball fields	2	1
Community development		
Value of new building construction (in thousands)	40,925	22,125 *
Highways and streets		
Miles of streets	107	97
Miles of bikeways	68	40
Surface water catch basins	2,300	2,000 *
Miles of Sidewalk	117	65 *
Business-type activities:		
Water		
Water mains (miles)	214	202 *
Maximum daily capacity (in thousands of gallons)	16,000	12,500 *
Sanitary sewer		
Sanitary sewer (miles)	186	172 *
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 Comments and Disclosures Required by the Minimum Standards for Audits of Oregon Municipal Corporations
- Independent Auditor's Report on Internal Controls over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*



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## AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS

December 14, 2009

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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 14, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Minimum Standards for Audits of Oregon Municipal Corporations*.

### INTERNAL CONTROL OVER FINANCIAL REPORTING

Our report relating to compliance and internal control over financial reporting is contained on pages 106 and 107 of this report.

### ADEQUACY OF ACCOUNTING RECORDS

The City's accounting records were reasonably maintained and adequate to support our audit of the basic financial statements.

### COLLATERAL

The City has complied with Oregon Revised Statutes (ORS) 295 in relation to deposit accounts.

### INVESTMENTS

Our review of deposit and investment balances indicated that, during the year ended June 30, 2009, the City was in compliance with ORS 294 as it pertains to investment of public funds.



**AUDIT COMMENTS AND DISCLOSURES  
REQUIRED BY STATE REGULATIONS (Continued)**

Page 2

**INDEBTEDNESS**

We noted the indebtedness of the City was in compliance with ORS 287.004 during the year ended June 30, 2009. We noted no defaults in principal, interest, sinking fund or redemption provisions with respect to any of the City's bonded debt, and no breach of the bond agreements at June 30, 2009.

**BUDGET**

The City appears to have complied with Local Budget Law (ORS 294.305 to 294.520) in the preparation, adoption and execution of its budget and tax levy for the year ended June 30, 2009 and adoption of its budget for the two-year period ending June 30, 2011, with the following exceptions:

- In the Public Safety Fund, expenditures for personal services exceeded appropriations by \$352,902.
- In the Environmental Services Fund, expenditures for personal services exceeded appropriations by \$99,283.

A description of the budgeting process is included in the Notes to Basic Financial Statements.

**INSURANCE AND FIDELITY BONDS**

We have reviewed the City's legally required insurance and fidelity bond coverage at June 30, 2009. We ascertained that such policies appeared to be in force and in compliance with legal requirements relating to insurance and fidelity bond coverage. We are not competent by training to comment on the adequacy of the insurance policies covering City property at June 30, 2009.

**PUBLIC CONTRACTS AND PURCHASING**

The City's procedures for awarding public contracts were reviewed and found to be in accordance with ORS Chapter 279.

**HIGHWAY FUNDS**

The City's procedures for utilizing gas tax funds were reviewed and found to be in accordance with ORS Chapter 294.

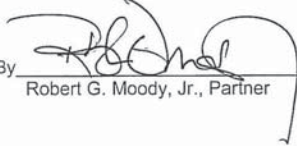
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**AUDIT COMMENTS AND DISCLOSURES  
REQUIRED BY STATE REGULATIONS (Continued)**

Page 3

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

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

By   
Robert G. Moody, Jr., Partner



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

December 14, 2009

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

We have audited the basic 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, 2009, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 14, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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 opinion 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential, will not be prevented or detected by the entity's internal control. We consider the deficiencies below to be significant deficiencies in internal control over financial reporting.

- We noted multiple areas within the City where the segregation of duties, related internal control procedures and evidence of supervisory review over the detailed accounting records was inadequate during the period of July 2008 through October 2008.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (Continued)**

Page 2

**INTERNAL CONTROL OVER FINANCIAL REPORTING (Continued)**

Individuals within the City should not have responsibility for more than one of the following functions with regards to financial information: authorization, custody, record keeping and reconciliation. These functions should also be the subject of evidenced supervisory review.

We noted that many of these items were remediated by March of 2009 as a response to our previous findings which were dated February 27, 2009.

- We noted that there were instances in which adequate supporting documentation for financial transactions was not retained during the period of July 2008 through October 2008. It is important to maintain records to support all transactions in all accounting cycles. We noted no issues with obtaining adequate documentation for transactions subsequent to October 2008.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

**COMPLIANCE AND OTHER MATTERS**

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 grant agreements, 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

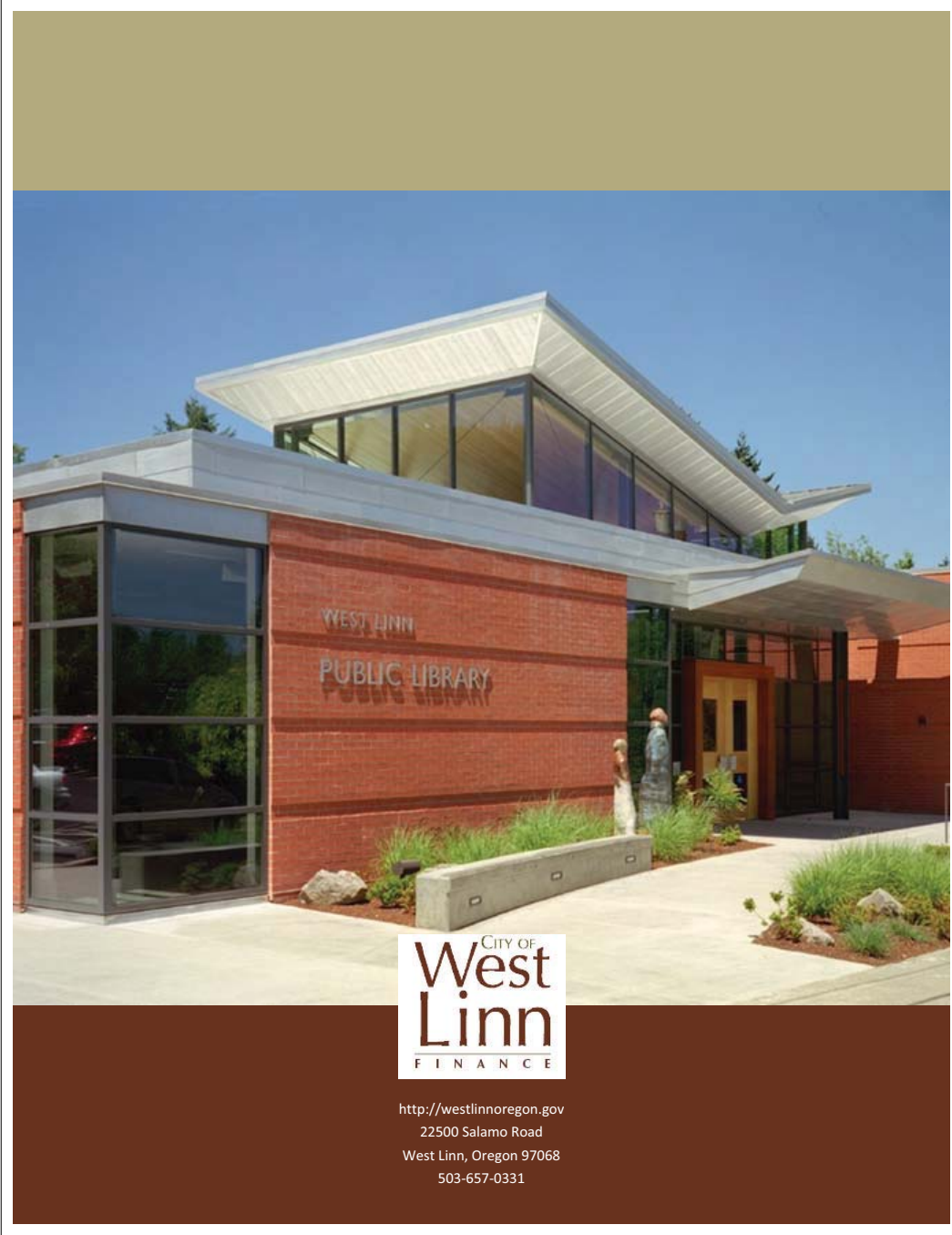
We noted certain matters that we reported to management of the City in a separate letter dated December 14, 2009.

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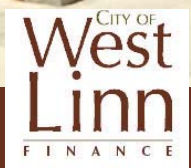
This report is intended solely for the information and use of the Mayor, the City Council and management and is not intended to be and should not be used by anyone other than those specified parties.

Talbot, Korvola & Warwick, LLP

Certified Public Accountants



WEST LINN  
PUBLIC LIBRARY



<http://westlinnoregon.gov>  
22500 Salamo Road  
West Linn, Oregon 97068  
503-657-0331

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**APPENDIX F**

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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 highest rating: AAA. 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.

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**APPENDIX G**

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**Form of Financing Agreement and Form of  
Escrow Agreement**

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# TAX-EXEMPT FINANCING AGREEMENT

between

**U.S. BANK NATIONAL ASSOCIATION**  
as Escrow Agent

and the

**CITY OF WEST LINN, OREGON**  
as City

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Relating to

**\$2,575,000**  
**City of West Linn, Oregon**  
**Full Faith and Credit Refunding Obligations**  
**Series 2010**

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Dated as of September 1, 2010

## TABLE OF CONTENTS

	<b>Page</b>
ARTICLE I RECITALS, DEFINITIONS AND RULES OF CONSTRUCTION .....	1
Section 1.1 Recitals.....	1
Section 1.2 Definitions.....	1
Section 1.3 Rules of Construction .....	2
ARTICLE II REPRESENTATIONS AND COVENANTS OF CITY AND ESCROW AGENT .....	2
Section 2.1 Representations and Covenants of City .....	2
Section 2.2 Representations and Covenants of Escrow Agent .....	2
Section 2.3 Tax Covenants .....	3
ARTICLE III THE FINANCING AND THE PAYMENTS.....	3
Section 3.1 The Financing .....	3
Section 3.2 The Payments and Additional Charges.....	3
Section 3.3 Prepayment .....	4
Section 3.4 Nature of City's Obligations.....	4
Section 3.5 Estoppel.....	5
ARTICLE IV ASSIGNMENT.....	5
Section 4.1 By the Escrow Agent .....	5
Section 4.2 By the City .....	5
ARTICLE V TITLE; FUTURE ENCUMBRANCES AND PARITY OBLIGATIONS.....	6
Section 5.1 Title .....	6
Section 5.2 Future Encumbrances and Parity Obligations.....	6
Section 5.3 Maintenance; Modification; Taxes; Insurance and Other Matters .....	6
ARTICLE VI EVENTS OF DEFAULT AND REMEDIES .....	6
Section 6.1 Events of Default Defined .....	6
Section 6.2 Remedies on Default.....	7
ARTICLE VII MISCELLANEOUS .....	7
Section 7.1 Notices .....	7
Section 7.2 Binding Effect.....	8
Section 7.3 Severability .....	8

**TABLE OF CONTENTS**  
(continued)

	<b>Page</b>
Section 7.4 Amendments .....	8
Section 7.5 Execution in Counterparts.....	8
Section 7.6 Applicable Law.....	8
Section 7.7 Headings .....	8

**EXHIBITS**

Exhibit A — Financing Payment Schedule

**TAX-EXEMPT FINANCING AGREEMENT**

This Tax-Exempt Financing Agreement is dated as of September 1, 2010, and is entered into by and between **U.S. BANK NATIONAL ASSOCIATION**, a national banking association (the “Escrow Agent”), and the **CITY OF WEST LINN, Oregon** (the “City”). The parties hereby agree as follows:

**ARTICLE I RECITALS, DEFINITIONS AND RULES OF CONSTRUCTION**

**Section 1.1 Recitals.**

(a) The City recites:

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

(b) The City and the Escrow Agent recite:

(i) The Escrow Agent desires to provide to the City the Financing Amount to finance the Project, but only from the proceeds of the City’s Full Faith and Credit Refunding Obligations, Series 2010 (the “Obligations”); and

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

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

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

“**Financing Agreement**” means this Tax-Exempt Financing Agreement, including the exhibits attached to this Tax-Exempt Financing Agreement and any amendments to this Tax-Exempt Financing Agreement and its exhibits.

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

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

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

“**Project**” means the cost of financing all or a portion of the following:

- (a) refund and redeem on a current basis all or any portion of the City’s outstanding Full Faith and Credit Obligations, Series 2000; and
- (b) pay costs of issuance of the Obligations.

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

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

## ARTICLE II REPRESENTATIONS AND COVENANTS OF CITY AND ESCROW AGENT

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

- (a) The City is the City of West Linn, Oregon, a municipality of the State of Oregon.
- (b) The City is authorized under Oregon Revised Statutes (ORS) 271.390 to enter into this Financing Agreement and to perform all of its obligations under this Financing Agreement.
- (c) All required action has been taken to ensure the enforceability of this Financing Agreement (except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors’ rights generally).
- (d) All Financing Payments and deposits required by Section 3.2(b) below and the Additional Charges required by Sections 3.2(c)(ii), 3.2(c)(iii) and 3.2(c)(iv) below shall be paid to the Escrow Agent at its Principal Office.

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

- (a) The Escrow Agent is a national banking association organized and existing under the laws of the United States of America and duly qualified to transact business of the type contemplated by this Financing Agreement and the Escrow Agreement in the State of Oregon, and has all necessary power to own its properties and assets and to carry on its business as now conducted.
- (b) The consummation of the transactions contemplated by this Financing Agreement will not violate the provisions of, or constitute a breach or default under, the

articles of association of the Escrow Agent or any material agreement to which the Escrow Agent is a party.

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

**Section 2.3 Tax Covenants.** To maintain the exclusion from gross income for federal income tax purposes of the interest component of each Financing Payment due under this Financing Agreement, the City covenants to comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Code, and the City agrees to comply with any covenants of the City related to the tax-exempt status of the interest components of Financing Payments that are contained in any of the certificates or other documents executed by the City in connection with delivery of the Financing Agreement and the Obligations. The Escrow Agent hereby agrees to comply with any instructions received from the City in order to maintain such exclusion.

## ARTICLE III THE FINANCING AND THE PAYMENTS

**Section 3.1 The Financing.** The Escrow Agent agrees to provide to the City an amount equal to the Financing Amount, but solely from the proceeds of the sale of the Obligations as provided in this Financing Agreement and the Escrow Agreement. The City agrees to borrow the Financing Amount from the Escrow Agent, and to repay that principal amount in installments, with interest, by making the Financing Payments and paying the Additional Charges as provided in this Financing Agreement. This financing for the City will be deemed to have been made when the transfers to the City which are specified in Section 3.4 of the Escrow Agreement have occurred. This Financing Agreement shall commence on the Closing Date and shall end on the date all Financing Payments and Additional Charges that the City is required to pay under this Financing Agreement have been paid or defeased in accordance with Section 11.1 of the Escrow Agreement. The Escrow Agent is not selling, arranging for sale or establishing the terms of the Obligations.

**Section 3.2 The Payments and Additional Charges.**

- (a) The City agrees to pay the Escrow Agent, its successors or assigns, without deduction or offset of any kind, as payment for the financing made under this Financing Agreement, the Financing Payments and the Additional Charges.
- (b) The City shall pay the Financing Amount to the Escrow Agent in installments, with interest, on or before 1:00 p.m., prevailing Pacific time, on the Business Day preceding the scheduled Payment Dates shown in Exhibit A.
  - (i) To secure the performance of its obligation to pay Financing Payments, the City shall deposit an amount equal to each scheduled Financing

Payment with the Escrow Agent on the Business Day preceding the scheduled Payment Date into the Payment Account. Each deposit made under this Section 3.2(b) shall be applied toward Financing Payments due from the City as provided in the Escrow Agreement.

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

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

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

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

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

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

**Section 3.3 Prepayment.** The Obligations are not subject to prepayment prior to their stated maturity dates, however, the City may prepay the deposits required by Section 3.2(c)(i) above at any time.

**Section 3.4 Nature of City's Obligations.** The payment of the principal and interest components on this Financing Agreement shall be secured by and payable from the City's general non-restricted revenues and other funds that are lawfully available for that purpose, including, the proceeds of the Financing Agreement and revenues from an ad valorem tax authorized to be levied under the City's permanent rate limit under sections 11 and 11b, Article XI of the Oregon Constitution, and revenues derived from other taxes, if any, levied by

the City in accordance with and subject to limitations and restrictions imposed under applicable law or contract, that are not dedicated, restricted or obligated by law or contract to an inconsistent expenditure or use. The obligation to pay the principal and interest components of this Financing Agreement is a full faith and credit obligation of the City.

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

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

(i) any setoff, counterclaim, recoupment, defense or other right which the City may have against the Escrow Agent, any contractor or anyone else for any reason whatsoever;

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

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

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

**Section 3.5 Estoppel.** The City hereby certifies, recites and declares that all things, conditions and acts required by the Constitution and Statutes of the State of Oregon and by this Financing Agreement and the Escrow Agreement to exist, to have happened and to have been performed precedent to and in the execution and the delivery of this Financing Agreement, do exist, have happened and have been performed in due time, form and manner, as required by law, and that this Financing Agreement is a valid and binding obligation of the City which is enforceable against the City in accordance with its terms, except to the extent that enforceability may be limited by applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other laws or judicial decisions or principles of equity relating to or affecting the enforcement of creditors' rights or contractual obligations generally.

#### ARTICLE IV ASSIGNMENT

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

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



**ARTICLE V TITLE; FUTURE ENCUMBRANCES AND PARITY OBLIGATIONS**

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

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

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

**ARTICLE VI EVENTS OF DEFAULT AND REMEDIES**

**Section 6.1 Events of Default Defined.**

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

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

(ii) Except as provided in Section 6.1(a)(v) below, failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed for a period of sixty (60) days after written notice to the City by the Escrow Agent, specifying such failure and requesting that it be remedied, unless the Escrow Agent shall agree in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in the notice cannot be corrected within the applicable period, the Escrow Agent will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the City within the applicable period and diligently pursued until the default is corrected;

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

(iv) The commencement by the City of a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect

or an assignment by the City for the benefit of its creditors, or the entry by the City into an agreement of composition with creditors, or the taking of any action by the City in furtherance of any of the foregoing.

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

**Section 6.2 Remedies on Default.**

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

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

**ARTICLE VII MISCELLANEOUS**

**Section 7.1 Notices.**

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

To the Escrow Agent at: U.S. Bank National Association  
Attn: Corporate Trust Services  
555 S.W. Oak Street, PL-6  
Portland, OR 97204  
Facsimile: (503) 275-5738

To the City at: City of West Linn, Oregon  
22500 Salamo Road  
West Linn, OR 97068  
Attn: Finance Director  
Facsimile: (503) 656-8756

With Copy to Special Counsel at: Douglas E. Goe, Esq.  
Orrick, Herrington & Sutcliffe LLP  
1120 N.W. Couch Street, Suite 200  
Portland, OR 97209  
Facsimile: (503) 943-4801

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

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

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

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

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

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

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

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

**U.S. BANK NATIONAL ASSOCIATION**, as  
Escrow Agent

By: \_\_\_\_\_  
Corazon Gruenberg  
Vice President

**CITY OF WEST LINN, OREGON**, as City

By: \_\_\_\_\_  
Richard Seals  
Finance Director

**EXHIBIT A**  
**FINANCING PAYMENT SCHEDULE**

<i>Period Ending</i>	<i>Principal</i>	<i>Coupon</i>	<i>Interest</i>	<i>Debt Service</i>	<i>Annual Debt Service</i>
12/1/2010	40,000	2.000%	20,649.24	60,649.24	
6/1/2011			41,362.50	41,362.50	102,011.74
12/1/2011	220,000	3.000%	41,362.50	261,362.50	
6/1/2012			38,062.50	38,062.50	299,425.00
12/1/2012	225,000	3.000%	38,062.50	263,062.50	
6/1/2013			34,687.50	34,687.50	297,750.00
12/1/2013	230,000	3.000%	34,687.50	264,687.50	
6/1/2014			31,237.50	31,237.50	295,925.00
12/1/2014	240,000	3.000%	31,237.50	271,237.50	
6/1/2015			27,637.50	27,637.50	298,875.00
12/1/2015	245,000	3.000%	27,637.50	272,637.50	
6/1/2016			23,962.50	23,962.50	296,600.00
12/1/2016	255,000	4.000%	23,962.50	278,962.50	
6/1/2017			18,862.50	18,862.50	297,825.00
12/1/2017	265,000	4.000%	18,862.50	283,862.50	
6/1/2018			13,562.50	13,562.50	297,425.00
12/1/2018	275,000	3.000%	13,562.50	288,562.50	
6/1/2019			9,437.50	9,437.50	298,000.00
12/1/2019	285,000	3.000%	9,437.50	294,437.50	
6/1/2020			5,162.50	5,162.50	299,600.00
12/1/2020	295,000	3.500%	5,162.50	300,162.50	300,162.50
	<b>2,575,000</b>		<b>508,599.24</b>	<b>3,083,599.24</b>	<b>3,083,599.24</b>

# ESCROW AGREEMENT

between

**U.S. BANK NATIONAL ASSOCIATION**  
as Escrow Agent

and the

**CITY OF WEST LINN, OREGON**  
as City

---

Relating to

**\$2,575,000**

City of West Linn, Oregon  
**Full Faith and Credit Refunding Obligations**  
Series 2010

---

**Dated as of September 1, 2010**

## TABLE OF CONTENTS

	<b>Page</b>
ARTICLE I	DEFINITIONS; RECITALS; AND TRANSFER OF RIGHTS..... 1
Section 1.1	Definitions..... 1
Section 1.2	Recitals..... 4
ARTICLE II	THE SERIES 2010 FULL FAITH AND CREDIT REFUNDING OBLIGATIONS..... 5
Section 2.1	Authorization, Delivery and Terms of Obligations ..... 5
Section 2.2	Payment of Obligations..... 5
Section 2.3	Book-Entry Only System..... 6
Section 2.4	Form of Obligations..... 7
Section 2.5	Execution ..... 7
Section 2.6	Mutilated, Lost, Destroyed or Stolen Obligations ..... 7
Section 2.7	Execution of Documents..... 8
Section 2.8	Obligation Register ..... 8
Section 2.9	Prepayment ..... 8
Section 2.10	Reserved..... 8
Section 2.11	Provisions for Printed Obligations..... 8
ARTICLE III	ACCOUNTS..... 8
Section 3.1	Payment Account..... 8
Section 3.2	Escrow Deposit Fund..... 9
Section 3.3	Costs of Issuance Account..... 9
Section 3.4	Additional Charges ..... 10
ARTICLE IV	MONEYS IN FUNDS; INVESTMENT..... 10
Section 4.1	Moneys and Investments Held Under Escrow Agreement..... 10
Section 4.2	Deposit and Investment of Moneys in Accounts ..... 10
ARTICLE V	THE ESCROW AGENT..... 10
Section 5.1	Compensation of the Escrow Agent ..... 10
Section 5.2	Removal of Escrow Agent..... 10
Section 5.3	Resignation of Escrow Agent ..... 11
Section 5.4	Merger or Consolidation..... 12
Section 5.5	Acceptance of Appointment by Successor Escrow Agent..... 12

**TABLE OF CONTENTS**  
(continued)

	<b>Page</b>
Section 5.6 Duties and Responsibilities of the Escrow Agent Prior to and During Default .....	12
Section 5.7 Protection and Rights of the Escrow Agent .....	13
Section 5.8 Indemnification .....	14
<b>ARTICLE VI CONCERNING THE OBLIGATION OWNERS .....</b>	<b>15</b>
Section 6.1 Evidence of Action Taken by Owners .....	15
Section 6.2 Action Taken by Owners Irrevocable .....	15
Section 6.3 Certain Obligations Disregarded .....	15
<b>ARTICLE VII MODIFICATION OF ESCROW AGREEMENT AND FINANCING AGREEMENT .....</b>	<b>16</b>
Section 7.1 Limitations .....	16
Section 7.2 Supplemental Escrow Agreement Without Consent of Owners .....	16
Section 7.3 Supplemental Escrow Agreement with Consent of the Owners .....	16
Section 7.4 Effect of Supplemental Escrow Agreement .....	17
Section 7.5 Amendments to Financing Agreement Not Requiring Consent of Owners .....	18
Section 7.6 Amendments to Financing Agreement Requiring Consent of the Owners .....	18
<b>ARTICLE VIII COVENANTS; NOTICES .....</b>	<b>19</b>
Section 8.1 Compliance With and Enforcement of Financing Agreement .....	19
Section 8.2 Notice in Event of Late Financing Payment .....	19
Section 8.3 Notice of Default .....	19
Section 8.4 Tax Covenants .....	19
Section 8.5 Prosecution and Defense of Suits .....	19
Section 8.6 Further Assurances .....	20
<b>ARTICLE IX EVENTS OF DEFAULT .....</b>	<b>20</b>
Section 9.1 Events of Default .....	20
Section 9.2 Remedies on Default .....	20
Section 9.3 No Remedy Exclusive .....	20
Section 9.4 Reserved .....	21
Section 9.5 No Additional Waiver Implied by One Waiver .....	21

**TABLE OF CONTENTS**  
(continued)

	<b>Page</b>
Section 9.6 Application of Moneys Upon Default .....	21
Section 9.7 Action by Owners .....	21
<b>ARTICLE X LIMITATION OF LIABILITY .....</b>	<b>22</b>
Section 10.1 Limited Liability of City .....	22
Section 10.2 No Liability of City for Escrow Agent Performance .....	22
Section 10.3 No Liability of Escrow Agent for Financing Payments by City .....	22
Section 10.4 Limitation of Rights to Parties and Owners .....	23
<b>ARTICLE XI MISCELLANEOUS .....</b>	<b>23</b>
Section 11.1 Defeasance .....	23
Section 11.2 Notices .....	24
Section 11.3 Governing Law .....	24
Section 11.4 Partial Invalidity .....	24
Section 11.5 Binding Effect; Successors .....	24
Section 11.6 Execution in Counterparts .....	25
Section 11.7 Destruction of Canceled Obligations .....	25
Section 11.8 Headings .....	25
Exhibit A – Form of Full Faith and Credit Obligation	

## ESCROW AGREEMENT

THIS ESCROW AGREEMENT is dated as of September 1, 2010, and is entered into by and between **U.S. BANK NATIONAL ASSOCIATION**, a national banking association (the “Escrow Agent”), and the **CITY OF WEST LINN, OREGON**, (the “City”). The parties hereby agree as follows:

### ARTICLE I DEFINITIONS; RECITALS; AND TRANSFER OF RIGHTS

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

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

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

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

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

“**City’s Authorized Representative**” means the City Manager, Finance Director or the person designated in writing by the City Manager or Finance Director to act under this Escrow Agreement or the Financing Agreement.

“**Closing Date**” means the day on which the Obligations are delivered to the Purchaser in exchange for payment.

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

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

“**Defeasance Obligations**” means: (1) Cash (insured at all times by the Federal Deposit Insurance Corporation); (2) U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series (“SLGS”)); (3) Direct obligations of the Treasury which have been stripped by the Treasury itself, CATS and TGRS and similar securities; (4) Resolution Funding Corp. (REFCORP) (only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable); (5) Pre-refunded municipal bonds rated “Aaa” by Moody’s and “AAA” by Standard & Poor’s Rating Group; provided, however, if the pre-refunded bonds are only rated by Standard & Poor’s, then the pre-refunded bonds must have been refunded with cash, direct U.S. or U.S. guaranteed obligations, or “AAA” rated pre-refunded municipals; (6) Obligations issued by the following

agencies which are backed by the full faith and credit of the United States: (a) U.S. Export-Import Bank (Eximbank), direct obligations or fully guaranteed certificates of beneficial ownership; (b) Farmers Home Administration (FmHA), certificates of beneficial ownership; (c) Federal Financing Bank; (d) General Services Administration participation certificates; (e) U.S. Maritime Administration, guaranteed Title XI financing; and (f) U.S. Department of Housing and Urban Development (HUD) project notes, local authority bonds, new communities debentures – U.S. Government guaranteed debentures and U.S. Public Housing Notes and Bonds – U.S. government guaranteed public housing notes and bonds.

“**EMMA**” means the MSRB’s Electronic Municipal Market Access system.

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

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

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

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

“**Financing Payments**” mean the installment payments of principal and interest which the City is required to make under the Financing Agreement to repay the Financing Amount.

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

“**MSRB**” means the Municipal Securities Rule Making Board.

“**NRMSIR**” means Nationally Recognized Municipal Securities Information Repository.

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

“**Obligations**” means the Full Faith and Credit Refunding Obligations, Series 2010 authorized by Section 2.1 below evidencing undivided proportionate interests in the Financing Payments.

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

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

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

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

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

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

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

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

“**Project**” shall mean the cost of financing all or a portion of the following:

(a) refund and redeem on a current basis all or any portion of the City’s outstanding Full Faith and Credit Obligations, Series 2000 (the “Refunded Obligations”); and

(b) costs of issuance of the Obligations.

“**Purchaser**” means D.A. Davidson & Co. as purchaser of the Obligations.

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

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

“**Refunded Obligations**” means the City of West Linn, Oregon Full Faith and Credit Obligations dated November 1, 2000 and issued in the original aggregate principal amount of \$4,300,000.

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

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

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

“**SEC**” means the Securities and Exchange Commission.

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

**Section 1.2 Recitals.**

(a) City’s Recitals.

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

(ii) The City Council has determined in Resolution No. 2010-34 adopted on August 9, 2010, that the Project is needed, and the Escrow Agent and the City have entered into the Financing Agreement in which the Escrow Agent has agreed to provide to the City an amount equal to the Financing Amount, but solely from the sale of the Obligations as provided in the Financing Agreement and this Escrow Agreement, and the City has agreed to borrow the Financing Amount from the Escrow Agent to finance the Project.

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

(b) The Escrow Agent recites that it has placed its rights under the Financing Agreement, including the right to receive Financing Payments, in trust for the benefit of the Owners of the Obligations, that it accepts its obligations under this Escrow Agreement and the Financing Agreement and has agreed to execute and deliver the Obligations evidencing undivided proportionate interests in the Financing Payments.

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

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

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

**ARTICLE II THE SERIES 2010 FULL FAITH AND CREDIT REFUNDING OBLIGATIONS**

**Section 2.1 Authorization, Delivery and Terms of Obligations.**

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

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

**Section 2.2 Payment of Obligations.**

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

- (i) a proportionate share of the principal component of the Financing Payments due on the payment date of that Obligation, plus
- (ii) a proportionate share of the interest components of the Financing Payments that are allocable to that principal component.

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

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

**Section 2.3 Book-Entry Only System.**

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

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

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

- (i) the accuracy of the records of the Depository, its nominee or any participant, correspondent or Beneficial Owner with respect to any ownership interest in the Obligations;
- (ii) the delivery to any participant, correspondent, Beneficial Owner or any other person, other than an Owner as shown in the registration books maintained by the Escrow Agent, of any notice with respect to the Obligations; or
- (iii) the payment to any participant, correspondent, or any other person other than the Owner of the Obligations as shown in the registration books maintained by the Escrow Agent, of any amount with respect to principal, premium, if any, or interest with respect to the Obligations.

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



payments shall be valid and effective to fully satisfy and discharge the City's obligation with respect to payment thereof to the extent of the sum or sums so paid.

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

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

(a) **Registration of Transfer and Exchange.** The provisions of this Section 2.6 apply only if the Obligations cease to be a book-entry only issue. The registration of any Obligation may, in accordance with its terms, be transferred upon the Obligation Register by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Obligation for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Escrow Agent and duly executed by the Owner or his or her authorized attorney. Obligations may be exchanged at the office of the Escrow Agent for Obligations evidencing a like aggregate principal amount or other authorized denominations of the same payment date. The Escrow Agent may require the Obligation Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange. Whenever any Obligation or Obligations shall be surrendered for registration of transfer or exchange, the Escrow Agent shall execute and deliver a new Obligation or Obligations of the same payment date, for like aggregate principal amount; provided that the Escrow Agent shall not be required to register transfers or make exchanges of Obligations for a period of fifteen (15) days prior to any Payment Date.

**Section 2.6 Mutilated, Lost, Destroyed or Stolen Obligations.**

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

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

numbered as the Escrow Agent shall determine in lieu of and in substitution for the Obligation so lost, destroyed or stolen.

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

**Section 2.7 Execution of Documents.** The Escrow Agent may accept any evidence of execution of documents by Owners which the Escrow Agent reasonably deems sufficient. Any request or consent of the Owner of any Obligation shall bind every future Owner of the same Obligation.

**Section 2.8 Obligation Register.** The Escrow Agent will maintain the Obligation Register and shall record the registration and transfer of all Obligations in the Obligation Register. The Obligation Register shall be open to inspection by the City during regular business hours upon reasonable notice.

**Section 2.9 Prepayment.**

The Obligations are not subject to prepayment prior to their stated maturities.

**Section 2.10 Reserved.**

**Section 2.11 Provisions for Printed Obligations.** If the City discontinues use of the book-entry only system or termination thereof occurs without designation of a new qualified securities depository, then the provisions of this Section 2.11 shall apply to the Obligations. Upon receipt of a printed Obligation, the Beneficial Owner shall become the Registered Owner. The principal with respect to such Obligations shall be payable upon presentation at the office of the Escrow Agent.

**ARTICLE III ACCOUNTS**

**Section 3.1 Payment Account.** The Escrow Agent shall establish and maintain a special fund designated as the "Full Faith and Credit Refunding Obligations, Series 2010 Payment Account," which is defined in this Escrow Agreement as the "Payment Account." The Escrow Agent shall keep the Payment Account separate and apart from all other funds and moneys held by it and shall administer and maintain the Payment Account as provided in this Escrow Agreement:

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

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

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

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

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

**Section 3.2 Escrow Deposit Fund.** Pursuant to an Escrow Deposit Agreement dated as of September 1, 2010, between the Escrow Agent and the City (the "Escrow Deposit Agreement"), there is established a special and irrevocable escrow fund designated "City of West Linn, Oregon Series 2000 Obligations Escrow Account" (the "Series 2000 Obligations Escrow Fund").

Proceeds from the Obligations, together with certain other funds of the City, if any, shall be held in the Series 2000 Obligations Escrow Fund and used to refund the Refunded Obligations, all in accordance with the terms of the Escrow Deposit Agreement.

**Section 3.3 Costs of Issuance Account.** The City shall establish an account designated as the "Full Faith and Credit Refunding Obligations, Series 2010 Costs of Issuance Account" for payment of costs of execution and delivery of the Obligations, which is defined in this Escrow Agreement as the "Costs of Issuance Account." The City shall keep the Costs of Issuance Account separate and apart from all other funds and moneys held by it and shall administer and maintain the Costs of Issuance Account as provided in this Escrow Agreement:

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

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

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

#### ARTICLE IV MONEYS IN FUNDS; INVESTMENT

**Section 4.1 Moneys and Investments Held Under Escrow Agreement.** Moneys held by the City under this Escrow Agreement shall be invested and reinvested in Qualified Investments. The Escrow Agent shall hold all moneys transferred by the City to the Escrow Agent for deposit to the Payment Account as provided in Section 3.1 of this Escrow Agreement and shall, at the written direction of the City, invest and reinvest such moneys in Qualified Investments only until such time as the moneys are required for the payment of the Financing Payments. Such moneys and any other income or interest earned thereon shall be applied only as provided in this Escrow Agreement and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of the City, the Escrow Agent or any Owner.

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

#### ARTICLE V THE ESCROW AGENT

**Section 5.1 Compensation of the Escrow Agent.** The City shall from time to time pay to the Escrow Agent reasonable compensation for its services and will pay or reimburse the Escrow Agent upon its request for all reasonable expenses, disbursements and advances made by the Escrow Agent in accordance with the provisions of this Escrow Agreement (including the reasonable expenses and disbursements of its counsel), except any such expense, disbursement or advance as may arise from its negligence or bad faith. The Escrow Agent shall also be entitled to receive extraordinary fees and its extraordinary expenses if it is requested or required to render services in connection with a default or other circumstances not provided for in this Escrow Agreement. Fees for the Escrow Agent's services shall be those specified in the contract between the City and the Escrow Agent.

**Section 5.2 Removal of Escrow Agent.**

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

(i) by the City at any time if, in the good faith opinion of the City, expressed in writing and delivered to the Escrow Agent and the successor Escrow

Agent, it would not be materially adverse to the interests of the Owners of the Obligations that the Escrow Agent be removed and a successor Escrow Agent appointed;

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

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

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

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

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

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

### **Section 5.3 Resignation of Escrow Agent.**

(a) The Escrow Agent or any successor may at any time resign by giving written notice to the City and by giving notice by first class mail to the Owners as of the date such notice is mailed of its intention to resign and of the proposed date of resignation, which shall be a date not less than sixty (60) days after the mailing of such notice, unless an earlier resignation date and the appointment of a successor Escrow Agent shall have been or are approved by the Owners of a majority in aggregate principal amount evidenced by all of the Obligations Outstanding.

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

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

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

### **Section 5.5 Acceptance of Appointment by Successor Escrow Agent.**

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

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

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

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

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

(i) Prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default which may have occurred, the duties and obligations of the Escrow Agent shall be determined solely by the express provisions of this Escrow Agreement, and the Escrow Agent shall not be liable except for the performance of such duties and obligations as are specifically set

forth in this Escrow Agreement, and no covenants or obligations shall be implied into this Escrow Agreement adverse to the Escrow Agent;

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

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

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

**Section 5.7 Protection and Rights of the Escrow Agent.**

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

(b) Whenever in the administration of its duties under this Escrow Agreement, the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) shall be deemed to be conclusively proved and established by the certificate of the Escrow Agent's representative or the City's Representative and such certificate shall be full warranty to

the Escrow Agent for any action taken or suffered under the provisions of this Escrow Agreement upon the faith thereof, but in its discretion the Escrow Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

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

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

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

**Section 5.8 Indemnification.** To the extent permitted by law, the City covenants and agrees to indemnify and save the Escrow Agent harmless against any loss, expense or liability which it may incur arising out of or in the exercise or performance of its duties and powers hereunder, including the costs and expenses of defending against any claim or liability, or enforcing any of the rights or remedies granted to it under the terms of this Escrow Agreement, excluding any losses or expenses which are due to the Escrow Agent's breach of fiduciary duties, negligence or willful misconduct. The obligations of the City under this Section 5.8 shall survive the resignation or removal of the Escrow Agent under this Escrow Agreement and the payment of the Obligations and discharge under this Escrow Agreement. The damages claimed against the City shall not exceed the damages which may be allowed under the Oregon Tort Claims Act, ORS 30.260, *et seq.*, unless the provisions and limitations of such act are preempted by federal law, including, but not limited to the federal securities laws.

**ARTICLE VI CONCERNING THE OBLIGATION OWNERS**

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

- (a) by any instrument or any number of instruments of similar tenor executed by Owners in person or by agent or proxy appointed in writing, or
- (b) by the record of the Owners voting in favor thereof at any meeting of Owners, or
- (c) by a combination of such instrument or instruments and any such record of such a meeting of Owners.

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

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

**ARTICLE VII MODIFICATION OF ESCROW AGREEMENT AND FINANCING AGREEMENT**

**Section 7.1 Limitations.** This Escrow Agreement may be modified or amended only in accordance with this Article VII.

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

- (a) To cure any formal defect, omission, inconsistency or ambiguity in this Escrow Agreement; provided that such action shall not, in the reasonable judgment of the City, materially and adversely affect the interests of the Owners;
- (b) To grant to or confer or impose upon the Escrow Agent for the benefit of the Owners any additional rights, remedies, or powers or to amend this Escrow Agreement in any other way for the benefit of the Owners; provided that no such amendment may have, in the reasonable judgment of the City, a material and adverse effect on any Owner which has not consented to the Supplemental Escrow Agreement; or
- (c) To modify, alter, amend or supplement this Escrow Agreement in any other respect which is not materially adverse to the Owners and which does not involve a change described in Sections 7.3(a)(i), 7.3(a)(ii), 7.3(a)(iii), or 7.3(a)(iv) below and which, in the judgment of the Escrow Agent, is not to the prejudice of the Escrow Agent.

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

**Section 7.3 Supplemental Escrow Agreement with Consent of the Owners.**

- (a) Any amendment to this Escrow Agreement which is not described in Section 7.2 above requires the consent of the City, the Escrow Agent and the Owners of not less than sixty percent (60%) in aggregate principal amount evidenced by the Obligations then Outstanding. However, the consent of all affected Owners of all the Obligations then Outstanding is required for:
  - (i) a change in the terms of the payment of any portion of the Financing Payments, or
  - (ii) the creation of a claim or lien upon, or a pledge of the security ranking prior to or (except as expressly permitted by this Escrow Agreement) on a parity with the claim, lien or pledge created by this Escrow Agreement, or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

reasonable prior notice. The City may enter into, and the Escrow Agent may consent to, any such proposed amendment, change or modification subject to the same conditions and with the same effect as provided in Section 7.3 above hereof with respect to supplemental Escrow Agreements, provided the City has obtained the opinion of Special Counsel which is described in Section 7.5 above.

#### ARTICLE VIII COVENANTS; NOTICES

##### Section 8.1 Compliance With and Enforcement of Financing Agreement.

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

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

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

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

**Section 8.4 Tax Covenants.** To maintain the exclusion from gross income for federal income tax purposes of the interest component of each Financing Payment, the City has covenanted in the Financing Agreement to comply with the applicable provisions of the Code. The Escrow Agent hereby agrees to comply with any instructions received from the City in order to maintain such exclusion.

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

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

#### ARTICLE IX EVENTS OF DEFAULT

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

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

(b) The City shall fail to observe and perform any other covenant, condition or agreement on its part to be observed or performed for a period of sixty (60) days after written notice to the City by the Escrow Agent, specifying such failure and requesting that it be remedied, unless the Escrow Agent shall agree in writing to an extension of such time prior to its expiration; provided however, that if the failure stated in the notice cannot be corrected within the applicable period, the Escrow Agent will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the City within the applicable period and diligently pursued until the default is corrected; or

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

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

The Escrow Agent may exercise such one or more of the rights and powers conferred by this Article IX as the Escrow Agent in its discretion being advised by its counsel shall deem most expedient and in the interests of the Owners.

**Section 9.3 No Remedy Exclusive.** No remedy herein conferred upon or reserved is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Escrow Agreement to the Escrow Agent, or given under the Financing Agreement and assigned hereunder to the Escrow Agent, or now or hereafter existing at law or in equity. No delay or omission of the Escrow Agent to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power

may be exercised from time to time and as often as may be deemed expedient. To entitle the Escrow Agent to exercise any remedy reserved to it, it shall not be necessary to give any notice other than such notice as may be required in this Section 9.3 or by law.

**Section 9.4 Reserved.**

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

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

(a) First: To the payments of costs, expenses and fees, and reasonable compensation of the Escrow Agent, its agents and attorneys, and all expenses and liabilities incurred and advances made by the Escrow Agent;

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

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

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

**Section 9.7 Action by Owners.** If the Escrow Agent fails to take any action to eliminate an occurrence of an Event of Default, the Owners of more than fifty percent (50%) in aggregate principal amount evidenced by the Obligations then Outstanding may institute any suit, action, mandamus or other proceeding in equity or at law for the protection or enforcement of any right under the Financing Agreement or this Escrow Agreement, but only if the Escrow Agent shall have been given written notice of such default (unless such default shall consist of a failure to make a Financing Payment when due) and the continuance thereof and if such percentage of Owners have first made written request of the Escrow Agent to institute such

action or proceedings in its own name as Escrow Agent hereunder and shall have afforded the Escrow Agent sixty (60) days either to proceed to exercise the powers granted therein or granted under law or to institute such action, suit or proceeding in its name and unless also, the Escrow Agent shall have been offered reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Escrow Agent shall have refused or neglected to comply with such request within a reasonable time.

**ARTICLE X LIMITATION OF LIABILITY**

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

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

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

**Section 10.4 Opinion of Counsel; Experts.**

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

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

(c) The Escrow Agent may consult with counsel and the written advice of such counsel or any opinion of counsel shall be full and complete authorizations and



protection in respect to any action taken or not taken by the Escrow Agent hereunder in good faith and in reliance thereon.

**Section 10.4 Limitation of Rights to Parties and Owners.** Nothing in this Escrow Agreement or in the Obligations expressed or implied is intended or shall be construed to give any person other than the City, the Escrow Agent and the Owners of the Obligations, any legal or equitable right, remedy or claims under or in respect of this Escrow Agreement; all covenants, conditions and provisions are and shall be for the sole and exclusive benefit of the City, the Escrow Agent and the Owners.

#### ARTICLE XI MISCELLANEOUS

##### Section 11.1 Defeasance.

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

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

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

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

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

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

##### Section 11.2 Notices.

(a) Except as otherwise provided in Section 11.2(b) below, all written notices to be given under this Escrow Agreement to any party to this Escrow Agreement shall be given by first-class mail, postage prepaid and facsimile to the following addresses (unless the addressee has previously notified the other party in writing of a change in address):

To the Escrow Agent at: U.S. Bank National Association  
Attn: Corporate Trust Services  
555 S.W. Oak Street, PL-6  
Portland, OR 97204  
Facsimile: (503) 275-5738

To the City at: City of West Linn, Oregon  
22500 Salamo Road  
West Linn, OR 97068  
Attn: Finance Director  
Facsimile: (503) 656-8756

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

(b) **Facsimile Instructions.** The Escrow Agent agrees to accept and act upon facsimile transmission of written instructions and/or directions pursuant to this Section 11.2 provided, however, that: (a) subsequent to such facsimile transmission of written instructions and/or directions the Escrow Agent shall forthwith receive the originally executed instructions and/or directions; (b) such originally executed instructions and/or directions shall be signed by a person as may be designated and authorized to sign for the party signing such instructions and/or directions; and (c) the Escrow Agent shall have received a current incumbency certificate containing the specimen signature of such designated person.

**Section 11.3 Governing Law.** This Escrow Agreement shall be construed and governed in accordance with the laws of the State of Oregon. Any action regarding this Escrow Agreement or the transactions contemplated hereby shall be brought in the circuit court of Clackamas County, Oregon.

**Section 11.4 Partial Invalidity.** Any provision of this Escrow Agreement found to be prohibited by law shall be ineffective only to the extent of such prohibition, and shall not invalidate any remainder of this Escrow Agreement.

**Section 11.5 Binding Effect; Successors.** This Escrow Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. Whenever in this Escrow Agreement any party hereto is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all covenants and agreements

contained in this Escrow Agreement by or on behalf of any party hereto shall bind and inure to the benefit of the successors and assigns thereof whether so expressed or not.

**Section 11.6 Execution in Counterparts.** This Escrow Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same agreement.

**Section 11.7 Destruction of Canceled Obligations.** Whenever in this Escrow Agreement provision is made for the surrender to or cancellation by the Escrow Agent of any Obligations, the Escrow Agent shall destroy such Obligations.

**Section 11.8 Headings.** The headings, titles and table of contents in this Escrow Agreement are provided for convenience and shall not affect the meaning, construction or effect of this Escrow Agreement. All references herein to "Sections," and other subdivisions which do not specify the document in which the subdivision is located shall be construed as references to this Escrow Agreement.

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

**U.S. BANK NATIONAL ASSOCIATION**, as  
Escrow Agent

By: \_\_\_\_\_  
Corazon Gruenberg  
Vice President

**CITY OF WEST LINN, OREGON**

By: \_\_\_\_\_  
Richard Seals  
Finance Director

**EXHIBIT A**

(Form of Full Faith and Credit Refunding Obligation)

No. R-\_\_\_\_ \$\_\_\_\_\_

**FULL FAITH AND CREDIT REFUNDING OBLIGATION  
SERIES 2010**

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

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

	Principal Component	Principal Component	
<u>Dated Date</u>	<u>Interest Rate Per Annum</u>	<u>Payment Date</u>	<u>CUSIP Number</u>

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

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

This Obligation is executed and delivered by U.S. Bank National Association, pursuant to an Escrow Agreement, dated as of September 1, 2010, between U.S. Bank National Association, as escrow agent (the "Escrow Agent"), and the City of West Linn, Oregon (the "City"). The Escrow Agent and the City have entered into that certain Tax-Exempt Financing Agreement, dated as of September 1, 2010 (the "Financing Agreement"), pursuant to which the City is legally required to make financing payments (the "Financing Payments"). The City has assigned to the Escrow Agent all of its right, title and interest in the Financing Payments for the benefit of the Owners of the Obligations under the Escrow Agreement.

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

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

U.S. Bank National Association, in Portland, Oregon, as the Escrow Agent and Registrar (the "Registrar"), shall pay to the Registered Owner specified above, or registered assigns, the Principal Amount specified above on the above Principal Component Payment Date together with interest thereon from the dated date indicated above at the Principal Component Interest Rate per annum indicated above, but solely from amounts received from the City pursuant to the Financing Agreement and the Escrow Agreement. Interest is payable semiannually on June 1 and December 1 of each year until payment, commencing on December 1, 2010 (the "Payment Date") to the Owners of record as of the Record Date. Principal components of, and interest components of the Financing Payments on this Obligation shall be received by Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), or its registered assigns in same-day funds on each Payment Date. Such payments shall be made payable to the order of "Cede & Co." All terms used in this Obligation and not otherwise defined herein shall have the respective meanings assigned thereto in the Financing Agreement and the Escrow Agreement. The Obligations are payable from the Payment Account as provided in the Escrow Agreement.

This Obligation is one of a series of Full Faith and Credit Refunding Obligations, Series 2010 (the "Obligations"), being executed and delivered evidencing the aggregate principal amount \$2,575,000. The City is authorized to enter into the Financing Agreement and the Escrow Agreement by Resolution No. 2010-34 adopted by the City Council of the City on August 9, 2010 (the "Resolution").

**Optional Prepayment:** The Obligations are not subject to redemption prior to their stated maturity dates.

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

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

Should the book-entry-only security system be discontinued, the Obligations shall be issued in the form of fully registered Obligations without coupons in the denominations of \$5,000 or any integral multiple thereof. Such Obligations may be exchanged for Obligations of

the same aggregate principal amount, but different authorized denominations, as provided in the Resolution.

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

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

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

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

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

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

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

**U.S. BANK NATIONAL ASSOCIATION**, as  
Escrow Agent

By: \_\_\_\_\_  
Authorized Officer

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

Date of Authentication: \_\_\_\_\_.

**CERTIFICATE OF AUTHENTICATION**

This is one of the \$2,575,000 Full Faith and Credit Refunding Obligations, Series 2010, which represents an interest in the Financing Payments due under the Financing Agreement described herein, and is properly registered and authenticated pursuant to the Escrow Agreement.

**U.S. Bank National Association**, as Registrar

By: \_\_\_\_\_  
Authorized Officer

*[Remainder of page intentionally left blank]*

**ASSIGNMENT**

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto \_\_\_\_\_

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

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

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

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

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

Signature Guaranteed

\_\_\_\_\_  
(Bank, Trust Company or Brokerage Firm)

\_\_\_\_\_  
Authorized Officer

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

TEN COM -- tenants in common

TEN ENT -- as tenants by the entireties

JT TEN -- as joint tenants with right of survivorship and not as tenants in common

OREGON CUSTODIANS use the following

\_\_\_\_\_  
CUST UL OREG \_\_\_\_\_ MIN as custodian for

(as custodian for) (name of minor)

OR UNIF TRANS MIN ACT

(under the Oregon Uniform Transfer to Minors Act)

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

